

Kraft Foods

Hitting Our Sweet Spot

CAGNY Conference

February 22, 2011



Forward-looking statements

This slide presentation contains a number of forward-looking statements. The words “believe,” “expect,” “anticipate,” “optimistic,” “intend,” “plan,” “goals,” “may,” “aim,” “will” and similar expressions are intended to identify our forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding Cadbury; our portfolio; growth strategies; the virtuous cycle; Kraft Developing Markets; Kraft Europe; our focus; the economy, consumer and customer environment; input costs; year-end momentum; the base business; growth versus our competitors; North America brands and growth; our investments in brand building; new product development; our win every account, store and household strategy; our scale; well-positioned for profitable growth; ongoing and productivity savings; gross margin trend; overhead efficiency; short-term and long-term revenue growth; margin expansion; synergies and profit margins; targeting top-tier margins; EPS growth; 2011 top-tier growth; and long-term growth targets. These forward-looking statements involve risks and uncertainties, many of which are beyond our control, and important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, increased competition, pricing actions, continued volatility in and increase in commodity costs, increased costs of sales, our indebtedness and our ability to pay our indebtedness, risks from operating globally, our failure to successfully execute in developing markets, our failure to integrate successfully and recognize the synergies from our combination with Cadbury and tax law changes. For additional information on these and other factors that could affect our forward-looking statements, see our risk factors, as they may be amended from time to time, set forth in our filings with the SEC, including our registration statement on Form S-4, as amended from time to time, filed in connection with our Cadbury offer, our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this slide presentation, except as required by applicable law or regulation.



Agenda

- Hitting our sweet spot
- Winning in North America
- Fueling a Virtuous Cycle
- Delivering top-tier financial performance

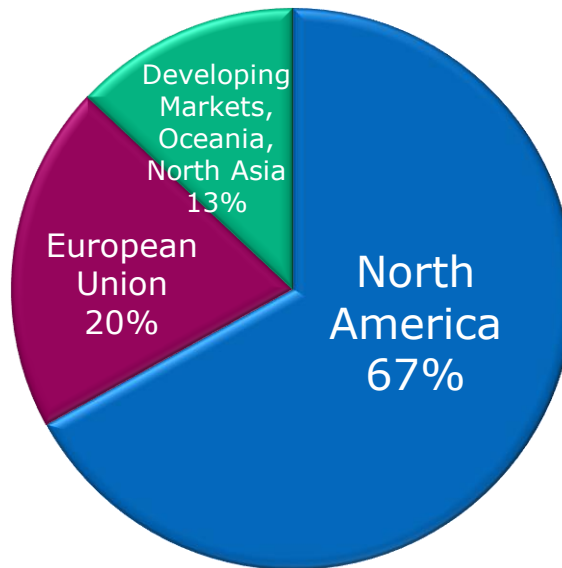
Irene Rosenfeld

Chairman and CEO

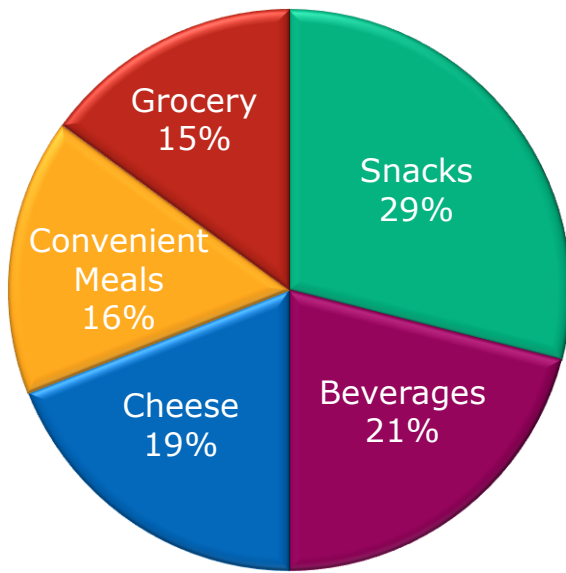


Began our transformation in 2007

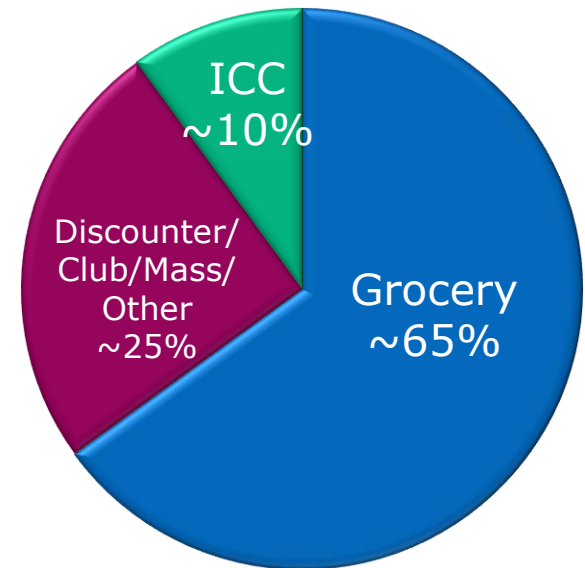
Geographic Mix⁽¹⁾



Sector Mix⁽¹⁾



Channel Mix



(1) As reported originally in Kraft Foods 2006 Form 10-K filed with the SEC on March 1, 2007. Amounts have not been revised to reflect the current Kraft Foods structure and accordingly are not in line with current presentation.

Positioned portfolio for faster growth

Divestitures



Acquisitions



(European rights)

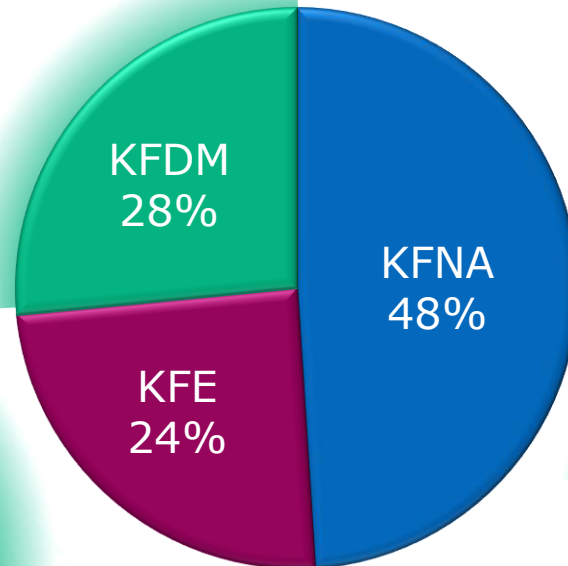


Cadbury ahead of investment case

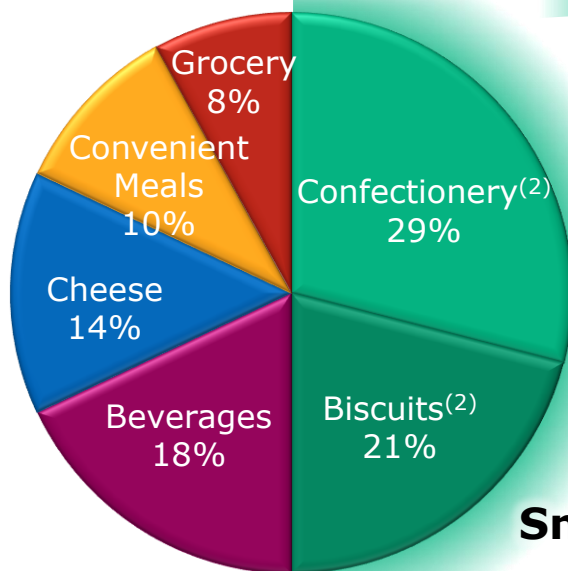
- Integration savings coming faster
- Growth plans in place
 - 2010: Consolidated management, completed plans at country level
 - 2011: Execute the plan
- Less dilutive to EPS in 2010
- EPS accretive in 2011
- Strong free cash flow

Today's portfolio positioned for sustainable, top-tier growth

Geographic Mix⁽¹⁾

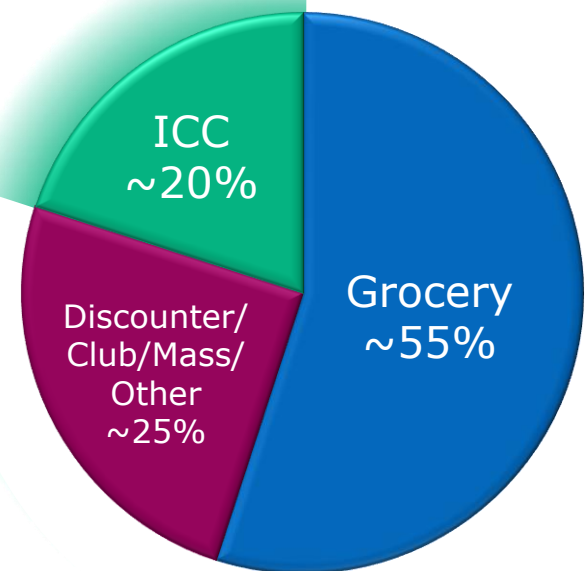


Sector Mix⁽¹⁾



Snacks 50%

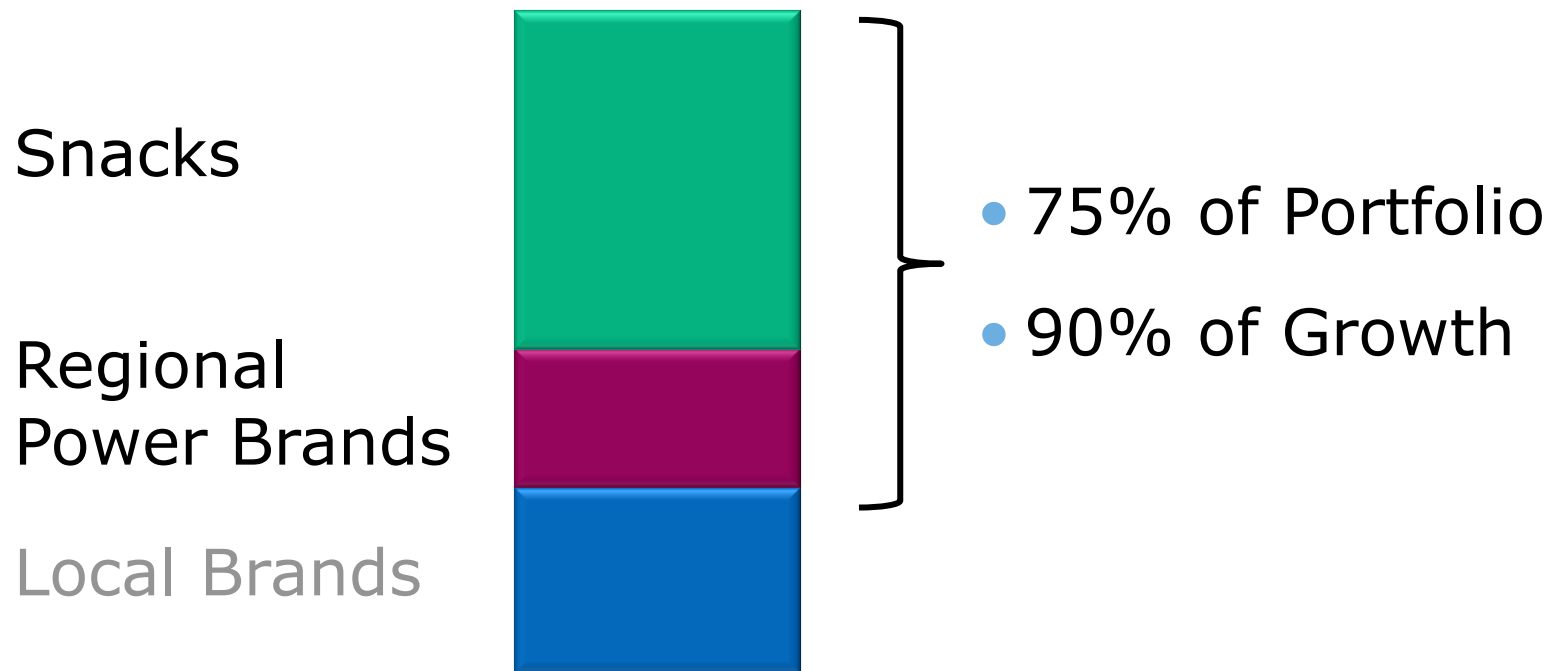
Channel Mix⁽¹⁾



(1) 2010 Pro Forma amounts reflect the acquisition of Cadbury on a full-year basis.

(2) Biscuits and Confectionery were previously reported combined and known as Snacks. With the Cadbury acquisition, the Biscuits and Confectionery sectors have been separately broken out. The Biscuits sector primarily includes cookies, crackers and nuts. The Confectionery sector includes chocolate, gum and candy.

Snacks and Power Brands drive growth



Three strategies drive growth

**Delight Global
Snacks Consumers**

**Unleash the
Power of Our
Iconic Heritage
Brands**

**Create a Performance-Driven,
Values-Led Organization**

Well-positioned to benefit from a virtuous cycle



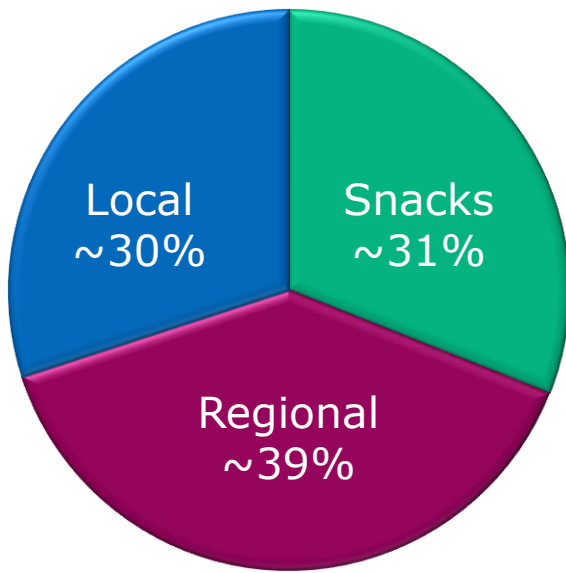
Same growth formula around the world

Category Portfolio Composition

2010

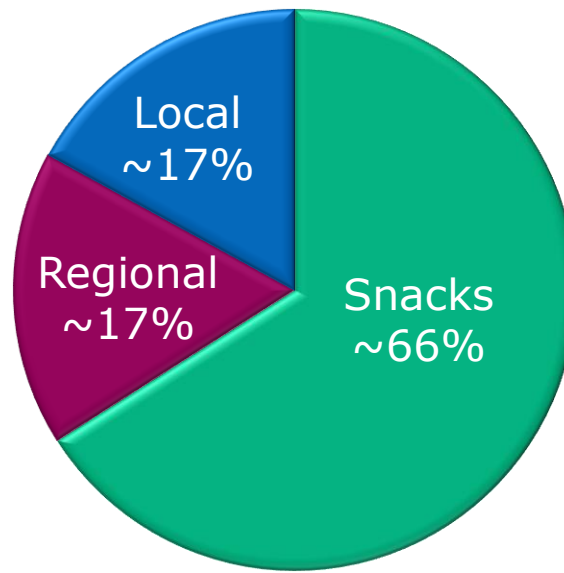
North America

\$24.0B Revenue



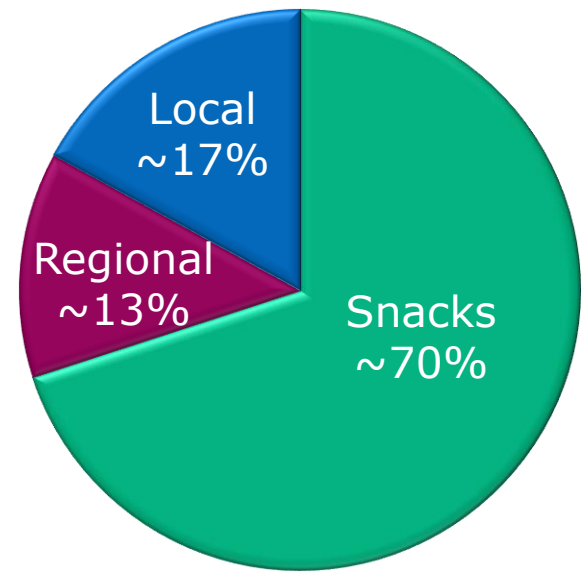
Europe

\$11.6B Revenue



Developing Markets

\$13.6B Revenue

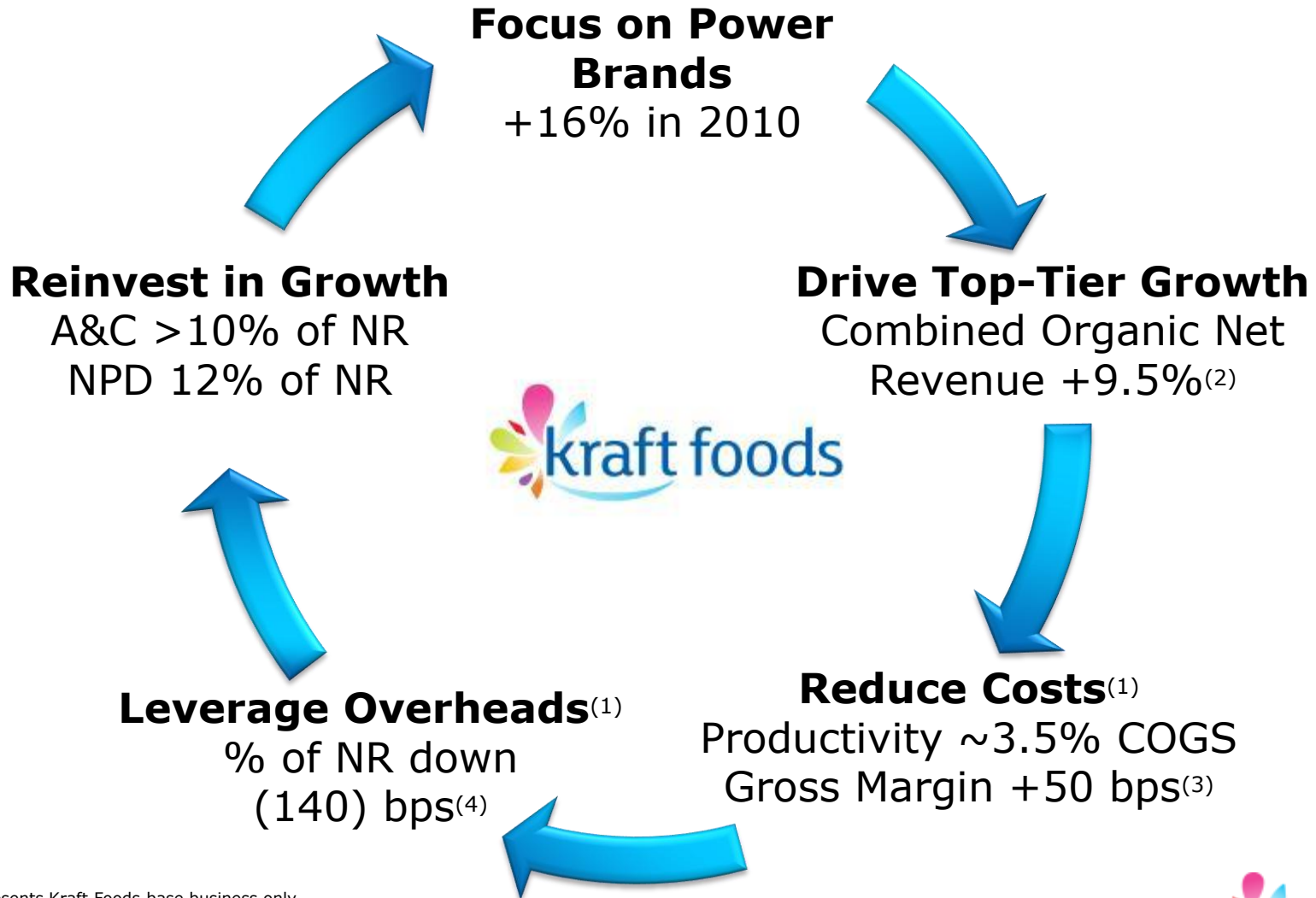


Kraft Foods Developing Markets



Sanjay Khosla
President

Kraft Foods Developing Markets is driving a virtuous cycle



(1) Represents Kraft Foods base business only.

(2) Reported Net Revenue growth was 71.1%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Reported Gross Margin was up 180 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

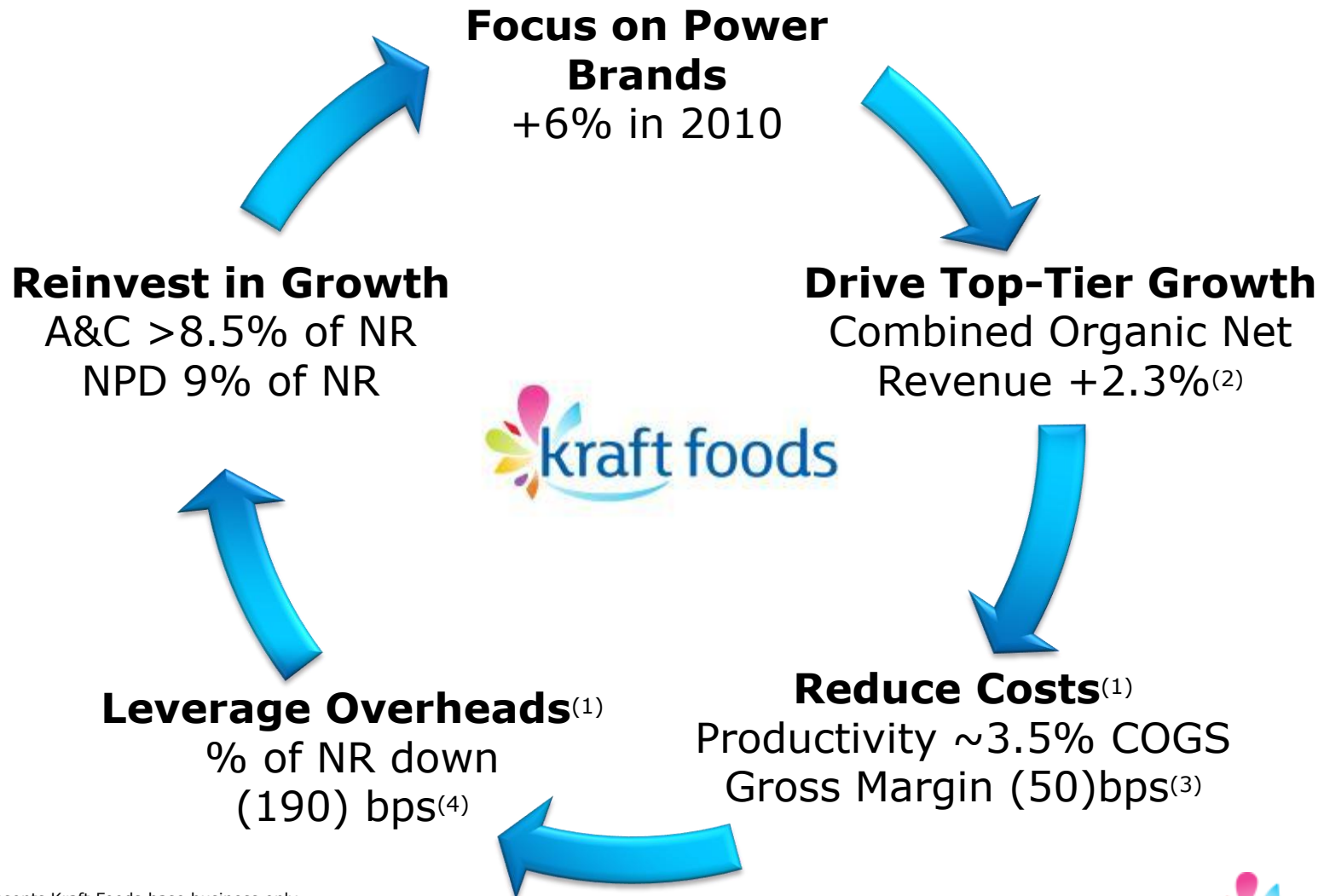
(4) Reported Overheads as a % of Net Revenues increased 100 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Europe



Mike Clarke
President

Kraft Foods Europe is driving a virtuous cycle



(1) Represents Kraft Foods base business only.

(2) Reported Net Revenue growth was 32.6%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Reported Gross Margin declined 60 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(4) Reported Overheads as a % of Net Revenues decreased 20 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Virtuous cycle is paying off

- KFDM in full swing
 - Upside from Cadbury synergies yet to come
- KFE delivering solid results
 - Significant synergies from LU and Cadbury ahead
- KFNA showing positive momentum

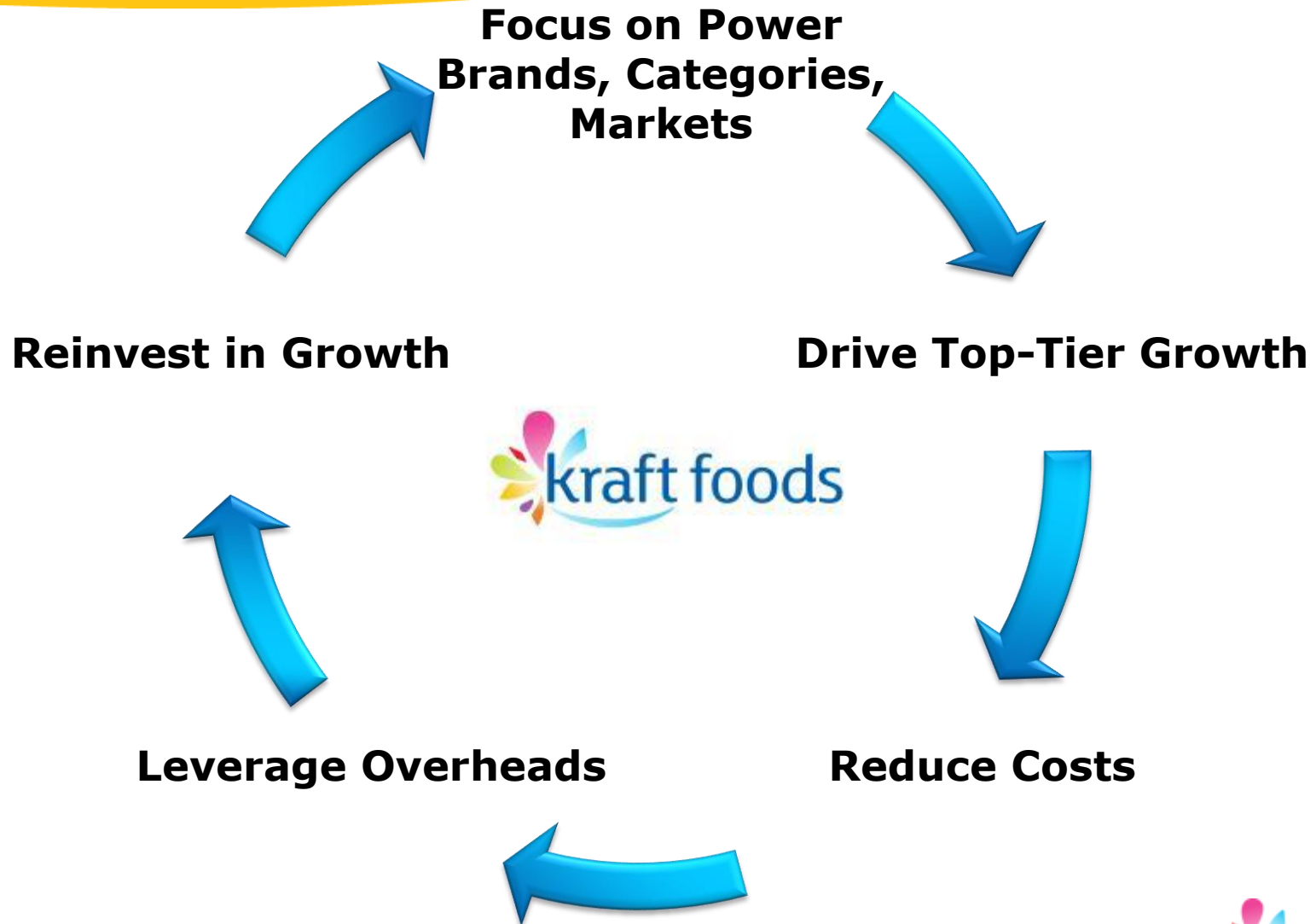
Winning in North America

Tony Vernon

President
Kraft Foods North America



How can KFNA ignite its own virtuous cycle?



Unrivalled portfolio of iconic brands

Snacks



Beverages



Convenient Meals



Cheese



Grocery



The environment remains difficult ...

Economy

- Weak GDP rebound
- Stubbornly high unemployment

Consumer

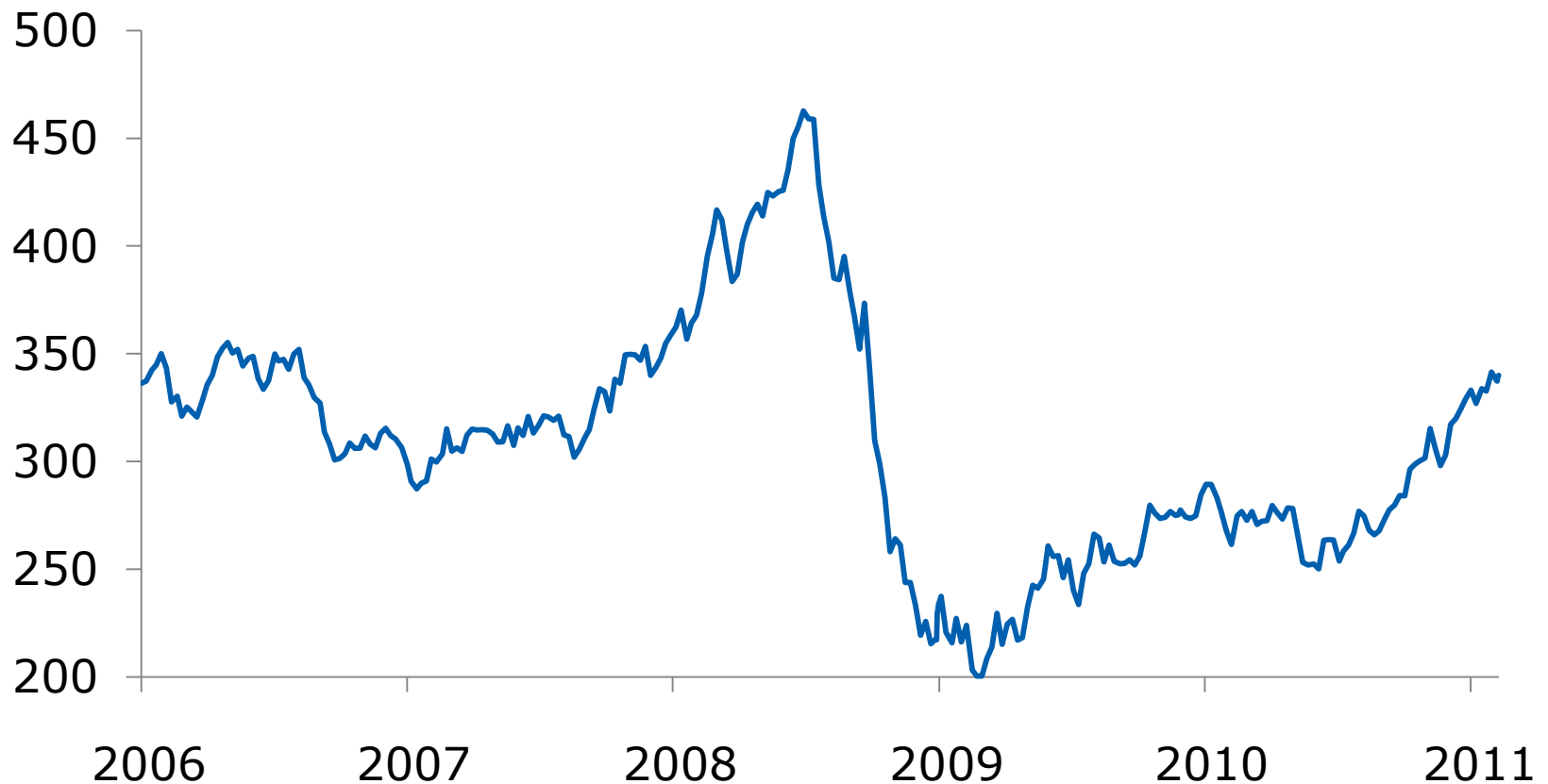
- Low consumer confidence
- Strong focus on value
- Away-from-home traffic improving, but below historical levels

Customer

- Difficult pricing environment
- Aggressive competitor, Retailer Brand promotional tactics
- Value-focused retailers winning

... and input costs are on the rise

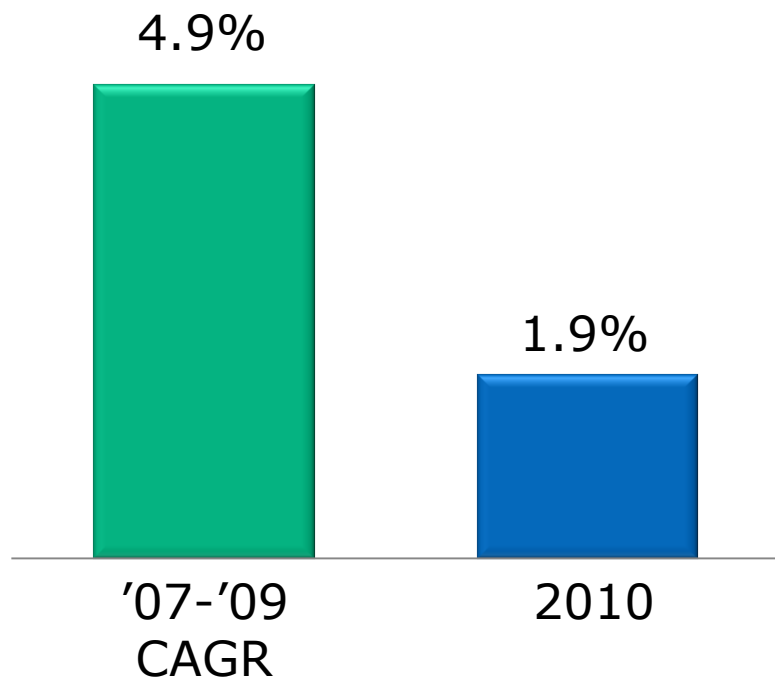
CRB Commodity Index



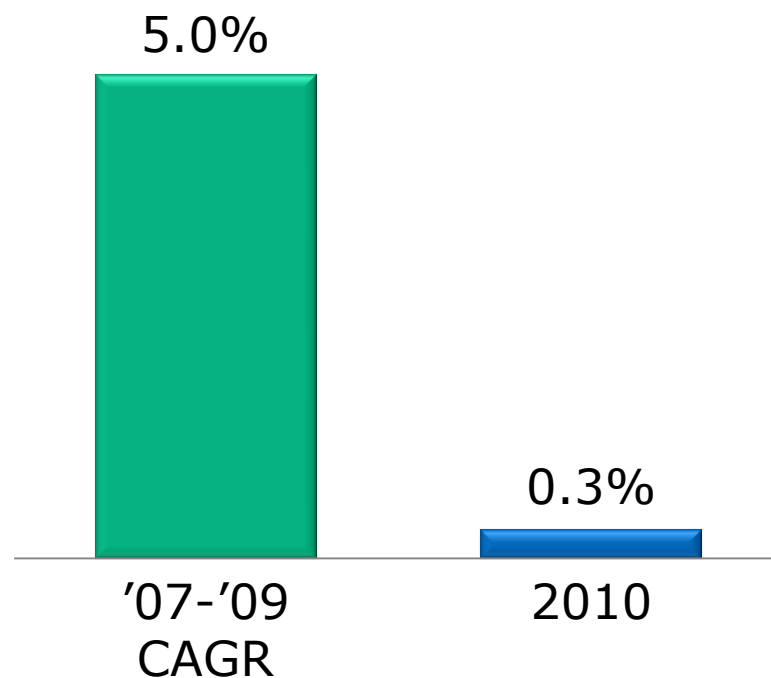
Source: Thomson Reuters/Jeffries CRB Index

U.S food categories challenged

Kraft Foods Categories

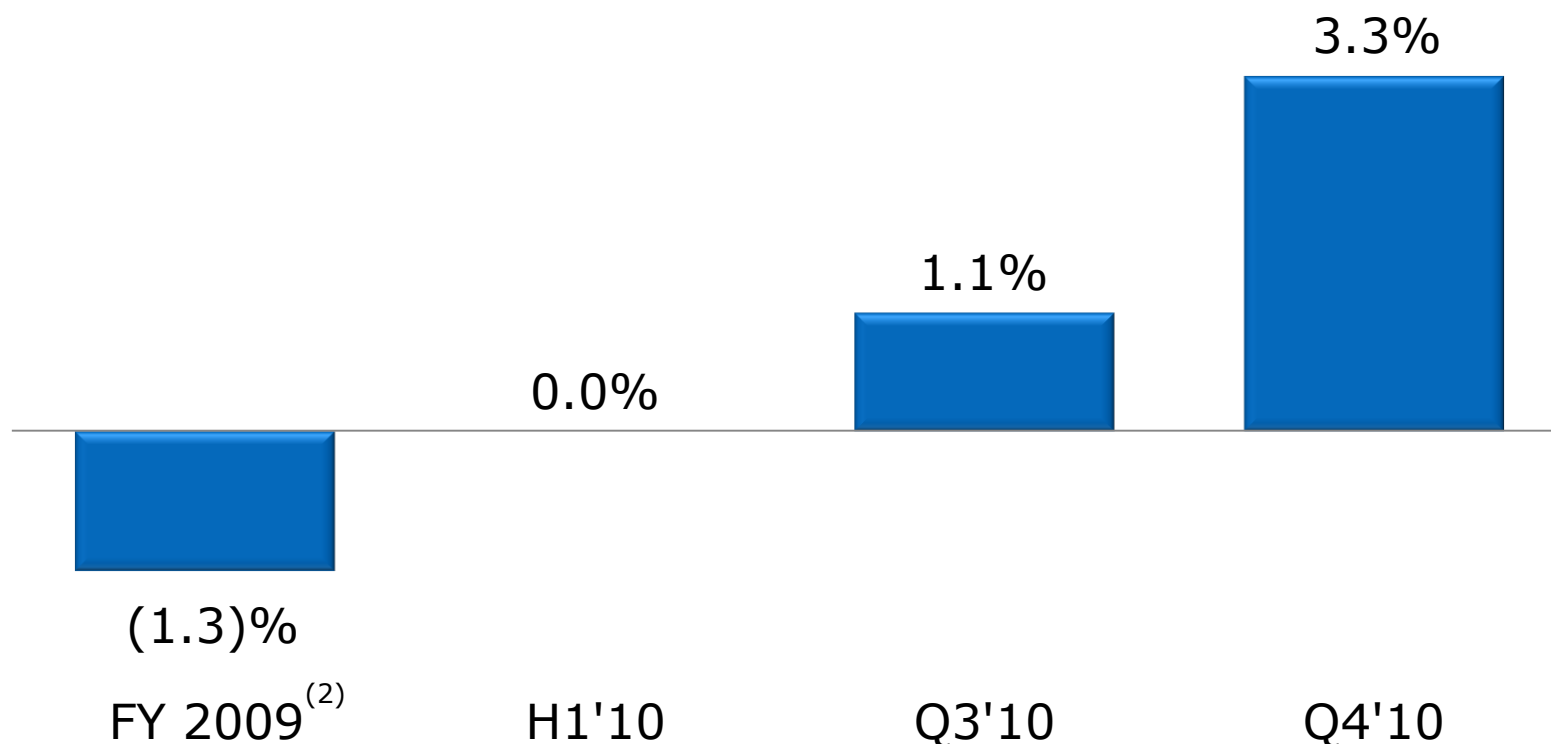


Total U.S. Food & Beverage



Despite these challenges, sequential progress

KFNA Combined Organic Net Revenue Growth⁽¹⁾

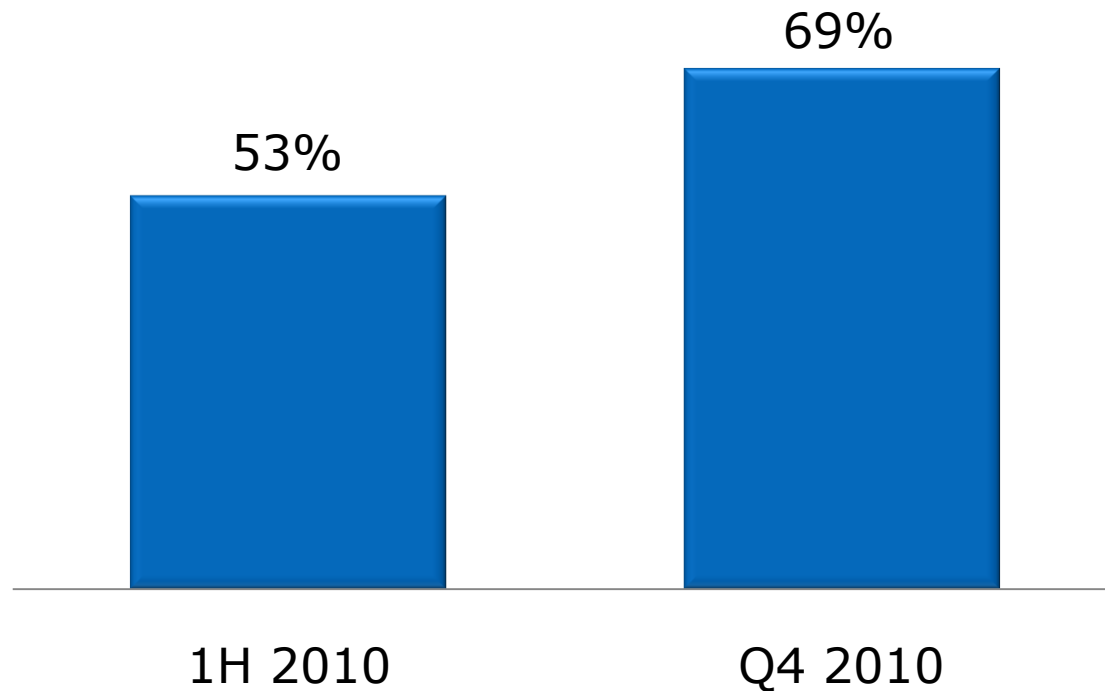


(1) Reported Net Revenue growth were: FY 2009 (2.2)%; H1'10 6.8%; Q3'10 9.3%; Q4'10 12.2%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reflects Kraft Foods North America base business only.

... and we exited the year with strong share momentum

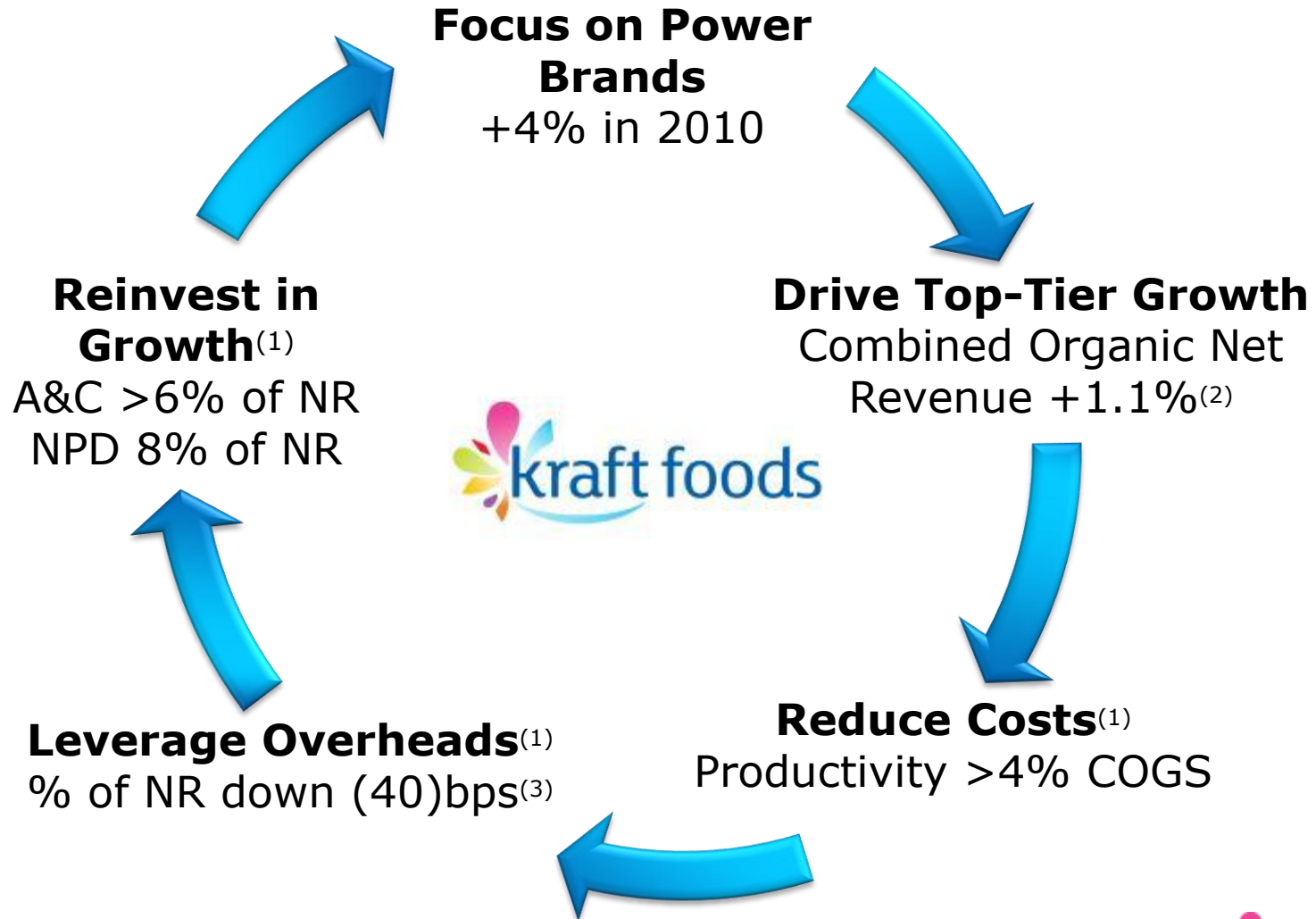
Percent of U.S. Retail Revenue Gaining/Holding Share



Source: 4-outlet data, Nielsen.



Gaining momentum on base business



(1) Represents Kraft Foods base business only.

(2) Reported Net Revenue growth was 8.8%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Reported Overheads as a % of Net Revenues increased 20 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Grow faster than our categories and key competitors

- Revitalize our brands
 - Invest in Power Brand advertising
 - Grow Local Brands through entrepreneurial management
 - Drive break-through innovation
- Increase marketing and sales excellence
- Deliver record savings from End-to-End Cost Management
 - Supply chain savings
 - ~~Zero~~ overhead growth

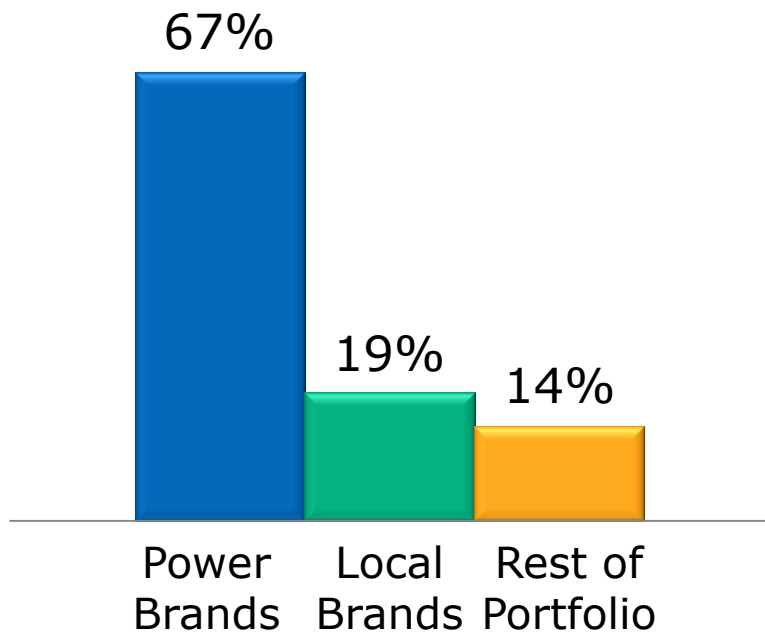
Negative

40 Brands drive North America

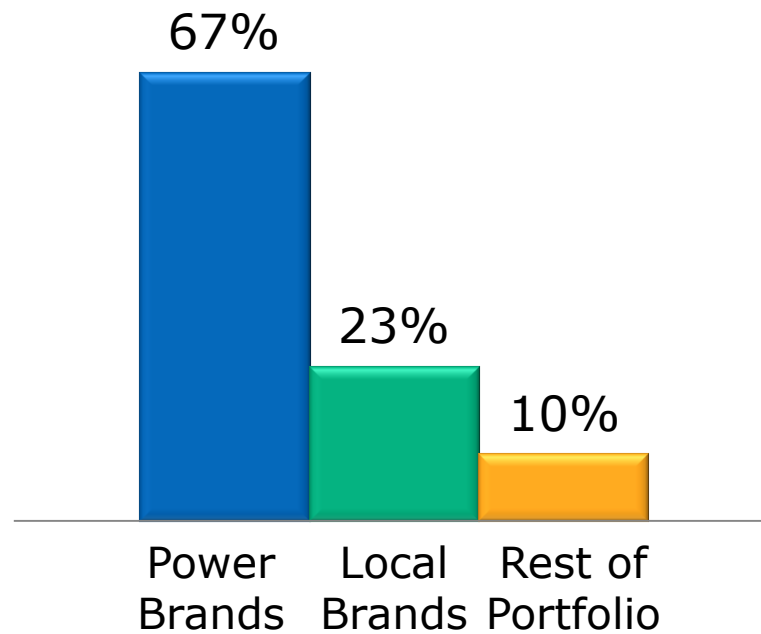
U.S. Retail Portfolio

2010 Percentage of Net Revenue and Operating Income

Net Revenue



Operating Income



Marketing & Innovation focused on 20 Power Brands

Snacks



Beverages



Convenient Meals



Cheese



Grocery



New major advertising campaigns

New Advertising

Q1 '10



Crystal Light



Triscuit

Q2 '10



JELL-O

Kool-Aid

Maxwell House

Q3 '10



OREO

Dentyne

Q4 '10



Wheat Thins

H1 '11



KRAFT Singles

HALLS

KRAFT PHILADELPHIA

Miracle Whip

Commercials playing...

Great advertising working on Power Brands

- Base volume trends up >300 bps
- Revenue up 4%
- Market share up an average of 30 bps

20 Local Brands managed smartly for profitable growth

Snacks

PREMIUM

**Honey
Maid**

Nilla

Dentyne

Newtons

Beverages

GEVALIA

**COUNTRY
TIME**
LEMONADE

Convenient Meals

claussen

Cheese

KRAFT
NATURAL
CHEESE

KRAFT
100% GRATED
PARMESAN
Cheese

Breakstone's

KRAFT
**Deli
Deluxe**

Grocery

KRAFT
dressings

KRAFT
MAYO

KRAFT
**Cool
Whip**

KRAFT
**Stove
Top**

A.1.

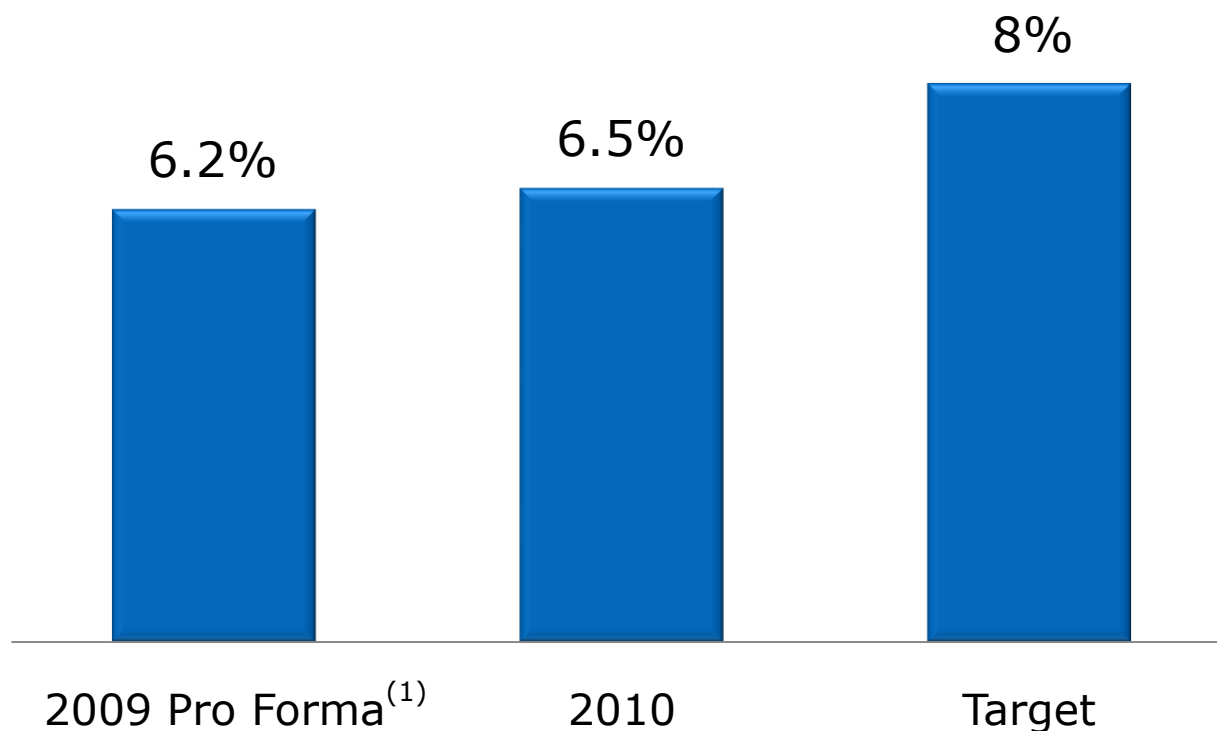
KRAFT
Jet-Puffed

KRAFT
ORIGINAL
BARBECUE SAUCE

KRAFT
Velveeta
SHEDS & CHEESE

Investments in brand building will increase

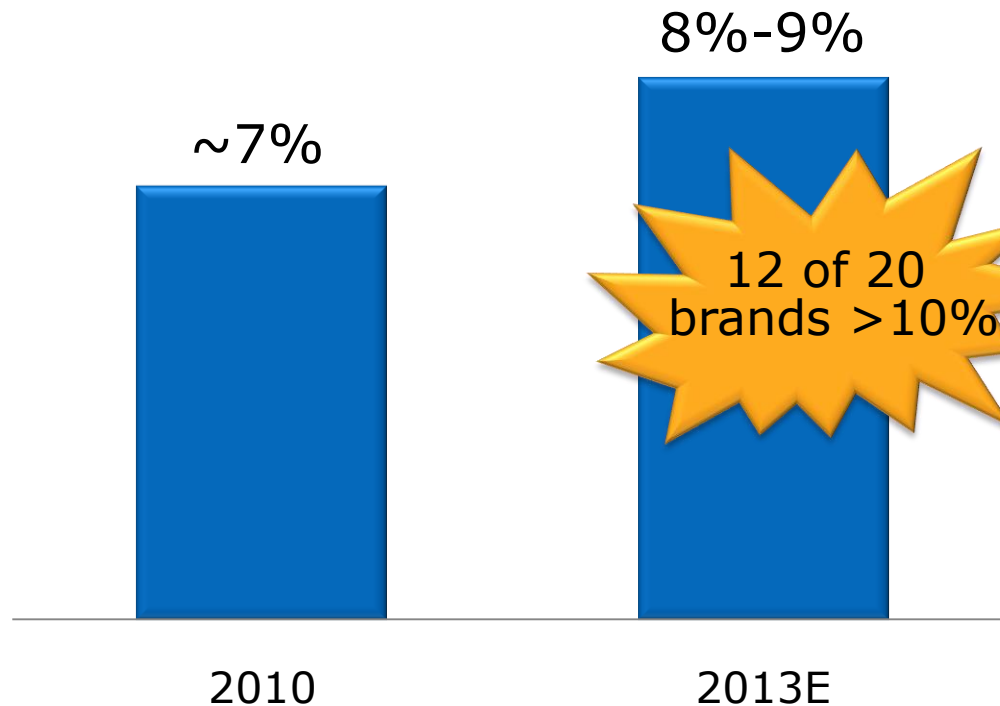
KFNA A&C as a Percentage of Net Revenues



(1) Pro Forma for the Cadbury acquisition.

Increased Power Brand advertising driving mid-single digit growth

Power Brand A&C Spending (% of Net Revenue)

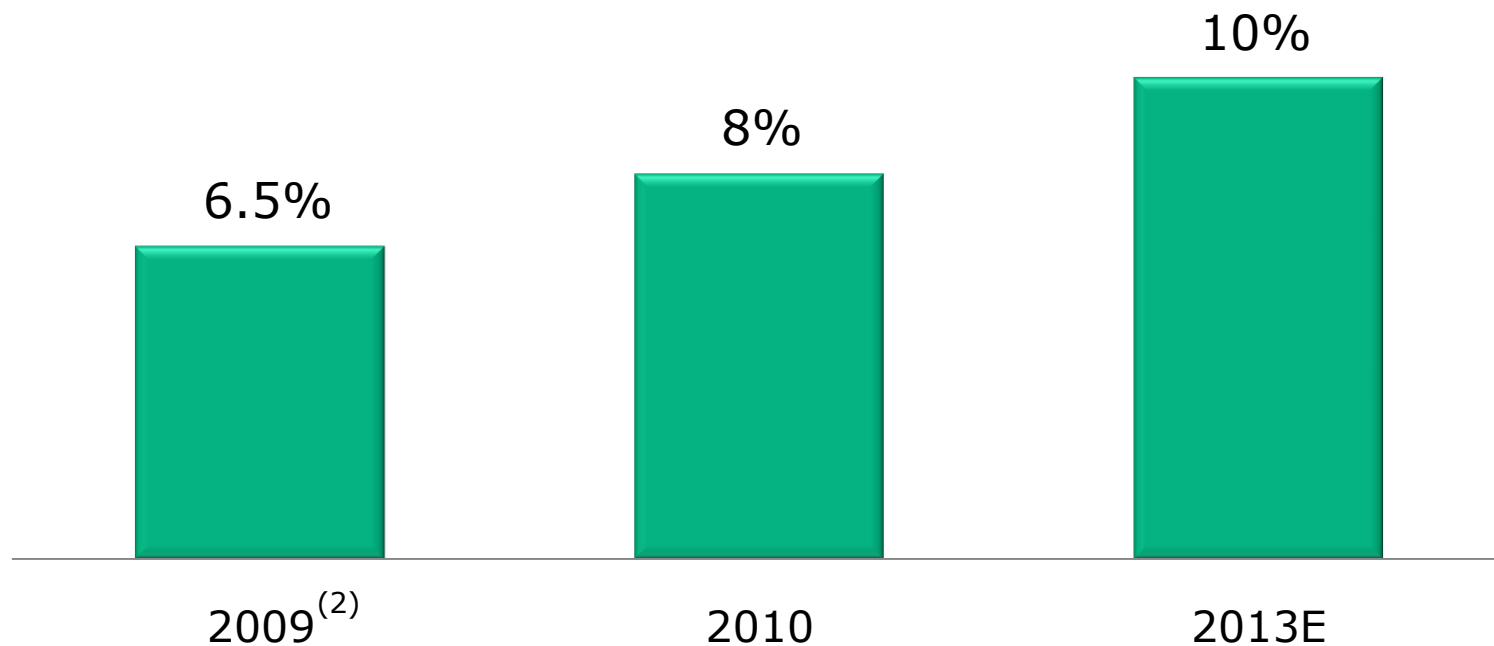


Mid-Single Digit Growth

Mid-to-High Teens Margins

Stepping up growth from new products

New Product Development as % of Net Revenue⁽¹⁾



(1) 3-year trailing basis.

(2) Pro forma combined Kraft Foods base business and Cadbury.

Fewer, Bigger, Better, Faster



Win every account, store, household

Grocery / Wall-to-Wall

- Incremental revenue growth in 16,600 stores
- Localized, customer-specific insights
- Better merchandising enhances margins, sales
- Fewer, bigger, more effective promotions

Scale as a competitive advantage



- Strong ROI
- 60+ retailers activated
- Drove customer programming, incremental merchandising, brand equity
- Donated 21 million meals to Feeding America

Win every account, store, household

Grocery / Wall-to-Wall

- Incremental revenue growth in 16,600 stores
- Localized, customer-specific insights
- Better merchandising enhances margins, sales
- Fewer, bigger, more effective promotions

ICC / Hot Zone

- High margins
- Significant convenience store synergies
- Leverage Cadbury's strength in "Hot Zone"

Well-positioned to benefit from our virtuous cycle

- Revitalize our brands
- Increase marketing and sales excellence
- Deliver record cost savings

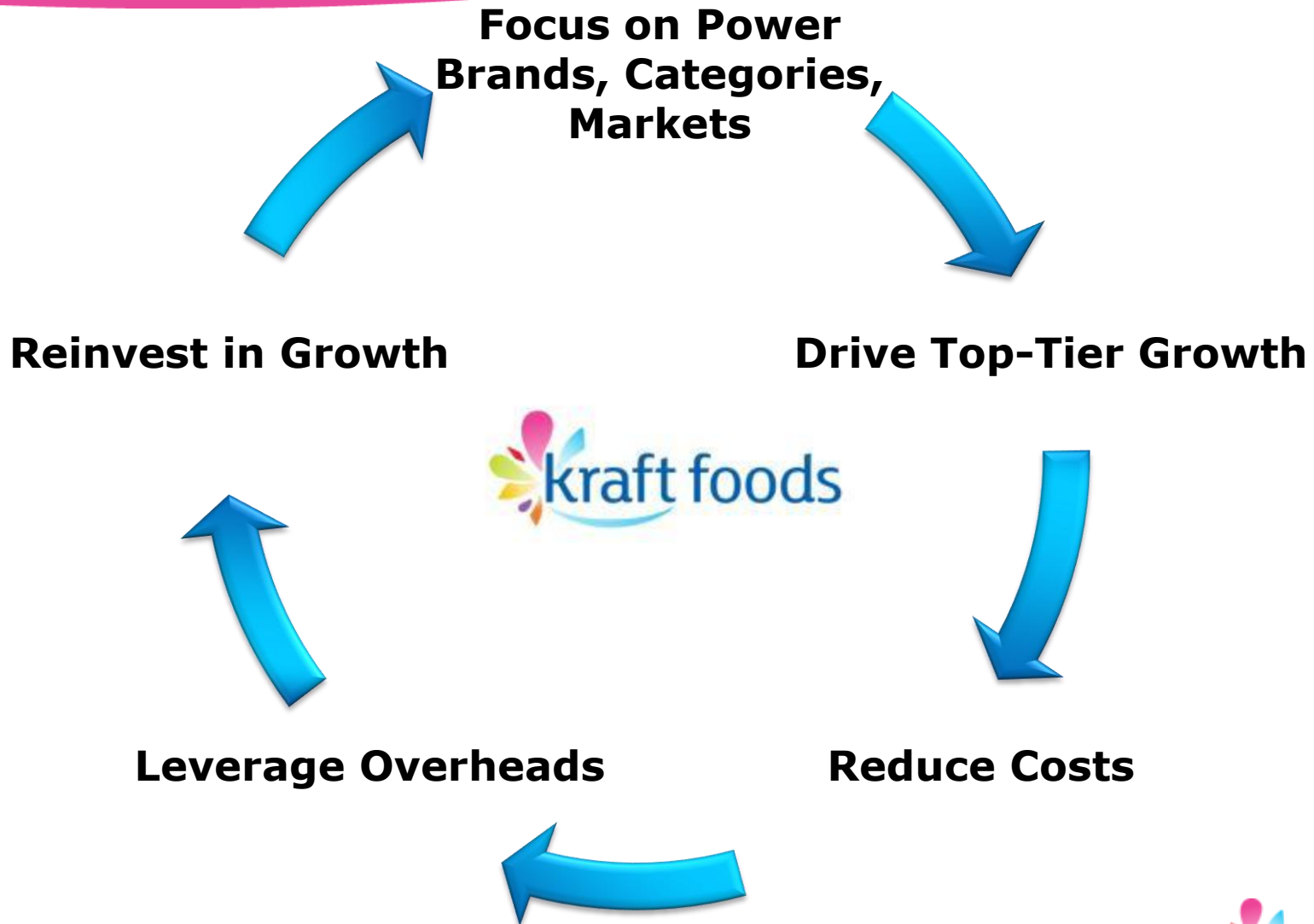
Fueling a Virtuous Cycle

David Brearton

Executive Vice President
Operations



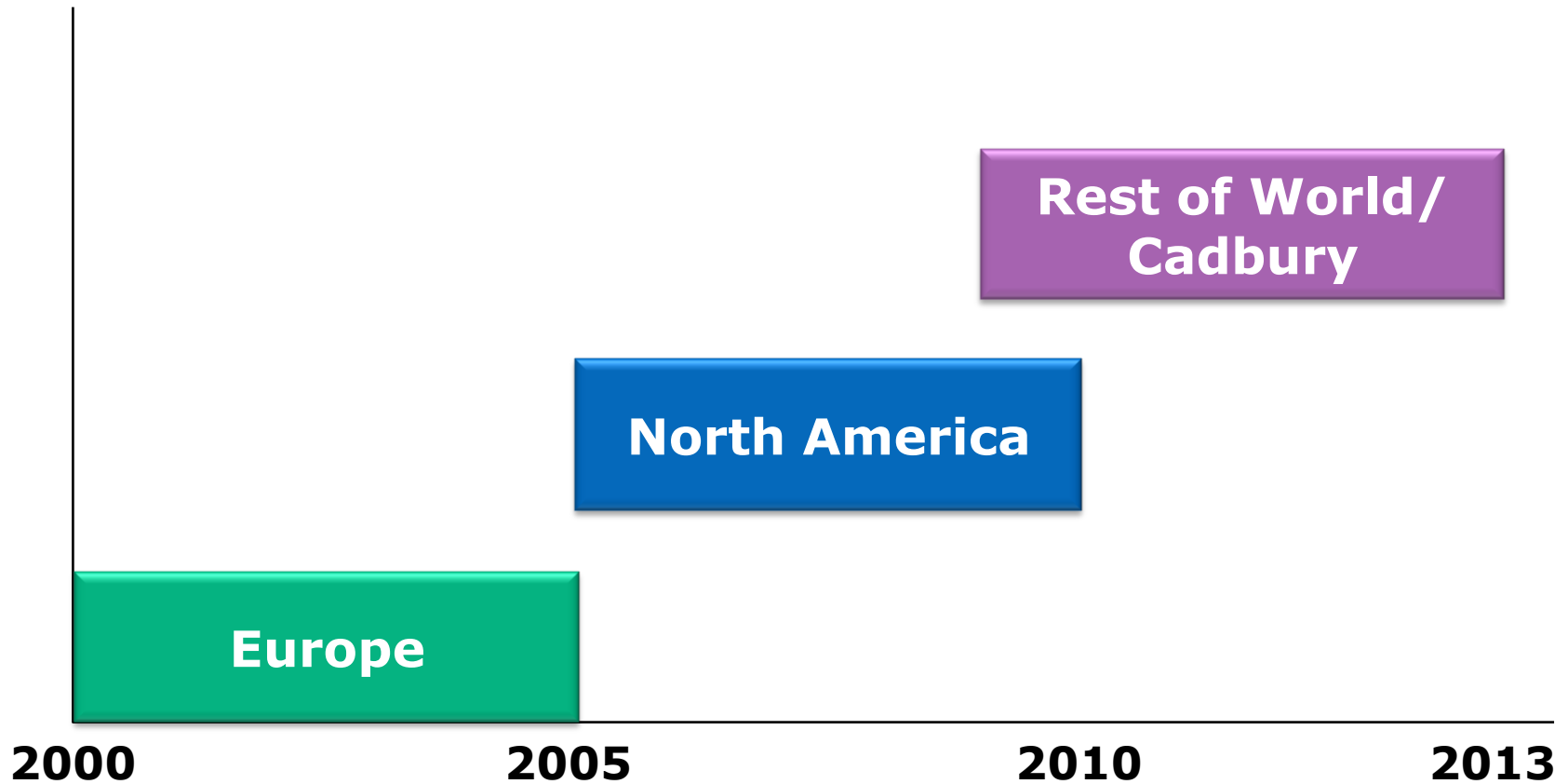
Cost reductions feed a virtuous cycle



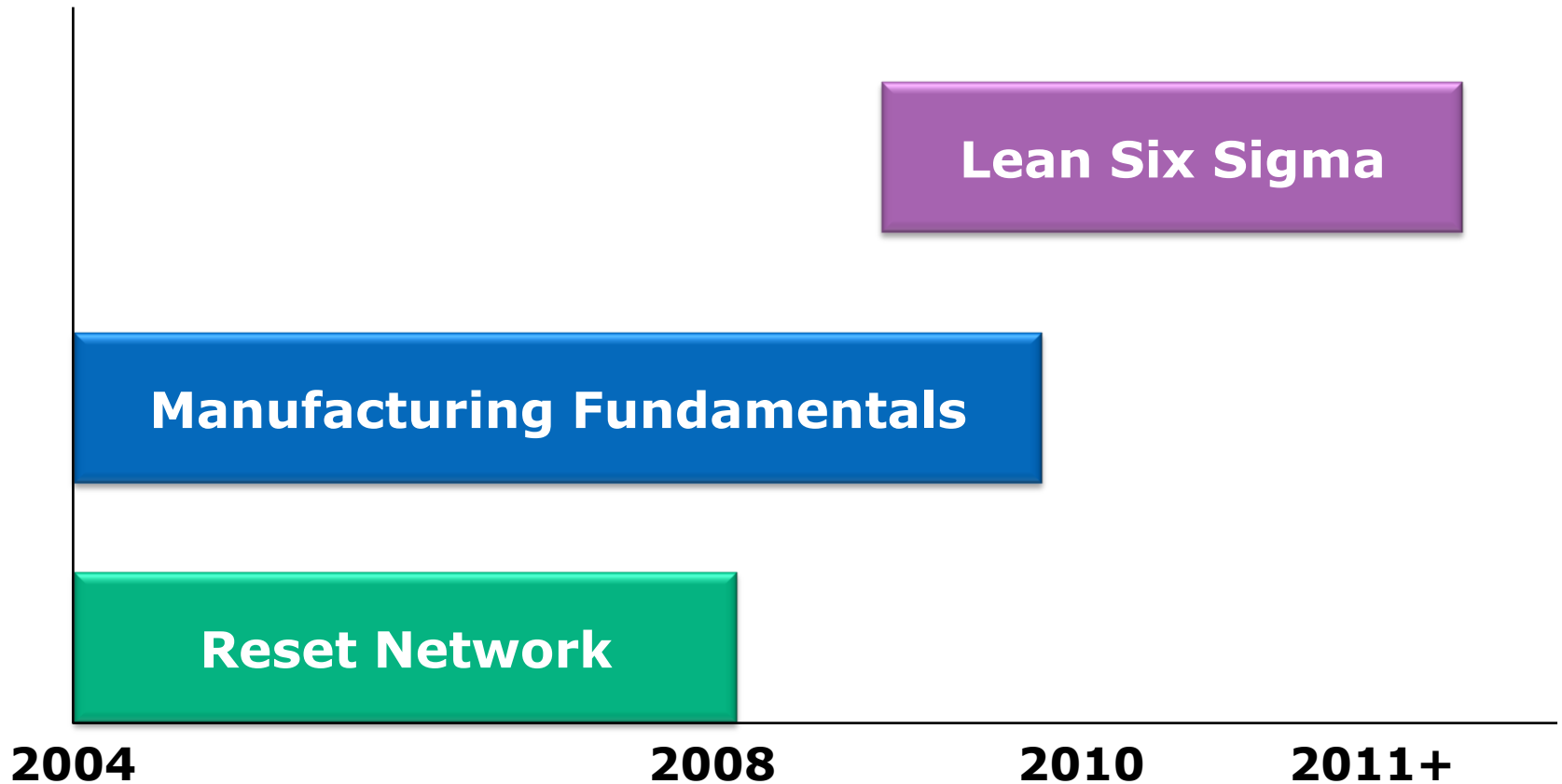
Sustainable End-to-End Cost Management

- Integration synergies role
 - Fund revenue synergies
 - Drive ROI, earnings accretion on acquisition
- Ongoing savings are critical
 - Pricing alone will not cover all inflation
 - Still below optimal levels of brand support
 - Leaner organization is more nimble
- Need foundation, discipline for continuous improvement

SAP is one foundation for cost reduction



Manufacturing productivity built on solid foundation



Lean Six Sigma tools step change our capabilities

Example: Chips Ahoy! Line

From

To

~2.5

Sigma

~3.7

7%

Waste, Rework

2%

84%

OEE

89%

Capacity

+7%

**\$700K
Savings**

Consumer Complaints

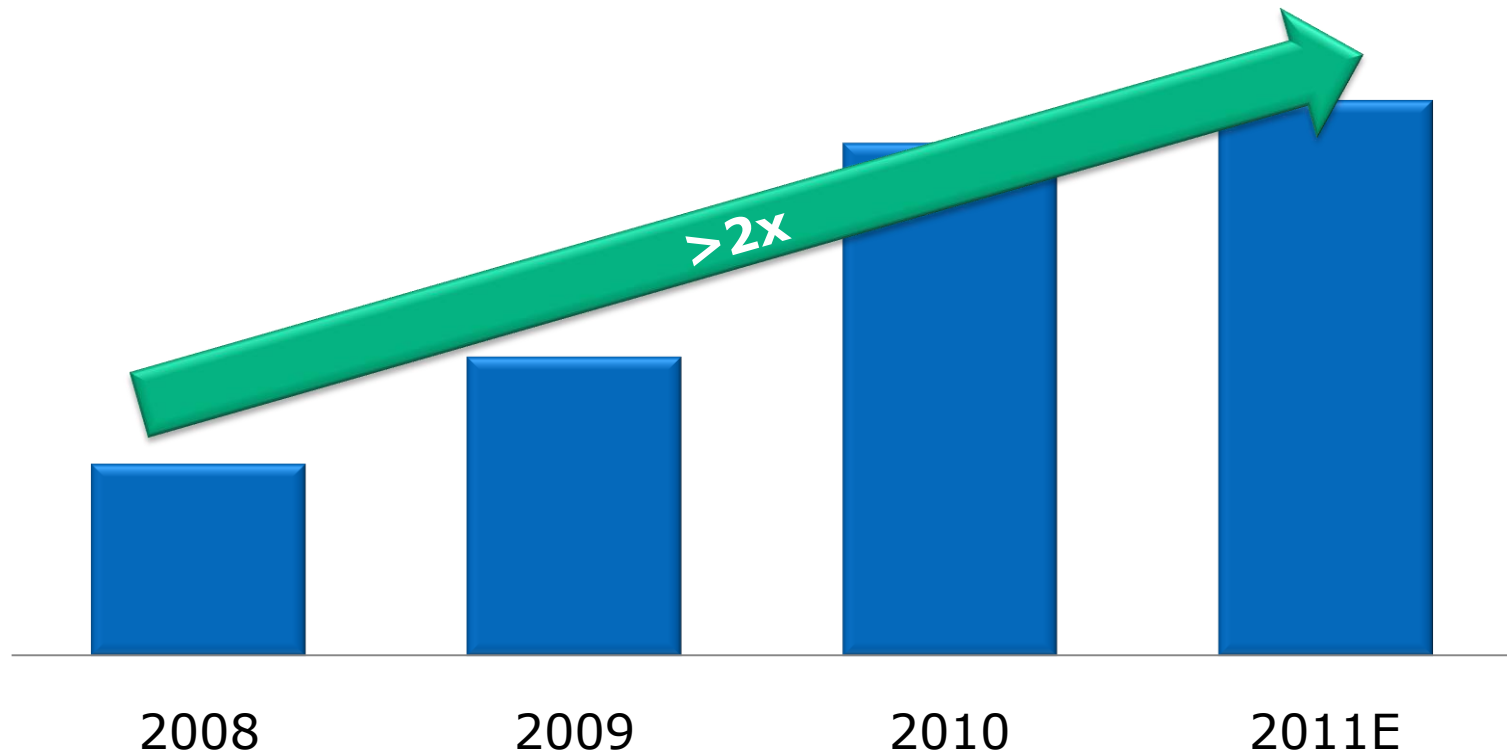
(37)%

Expanding Lean Six Sigma

- Training hundreds of black belts and green belts
- Extending program outside factory walls
- Leadership support is critical

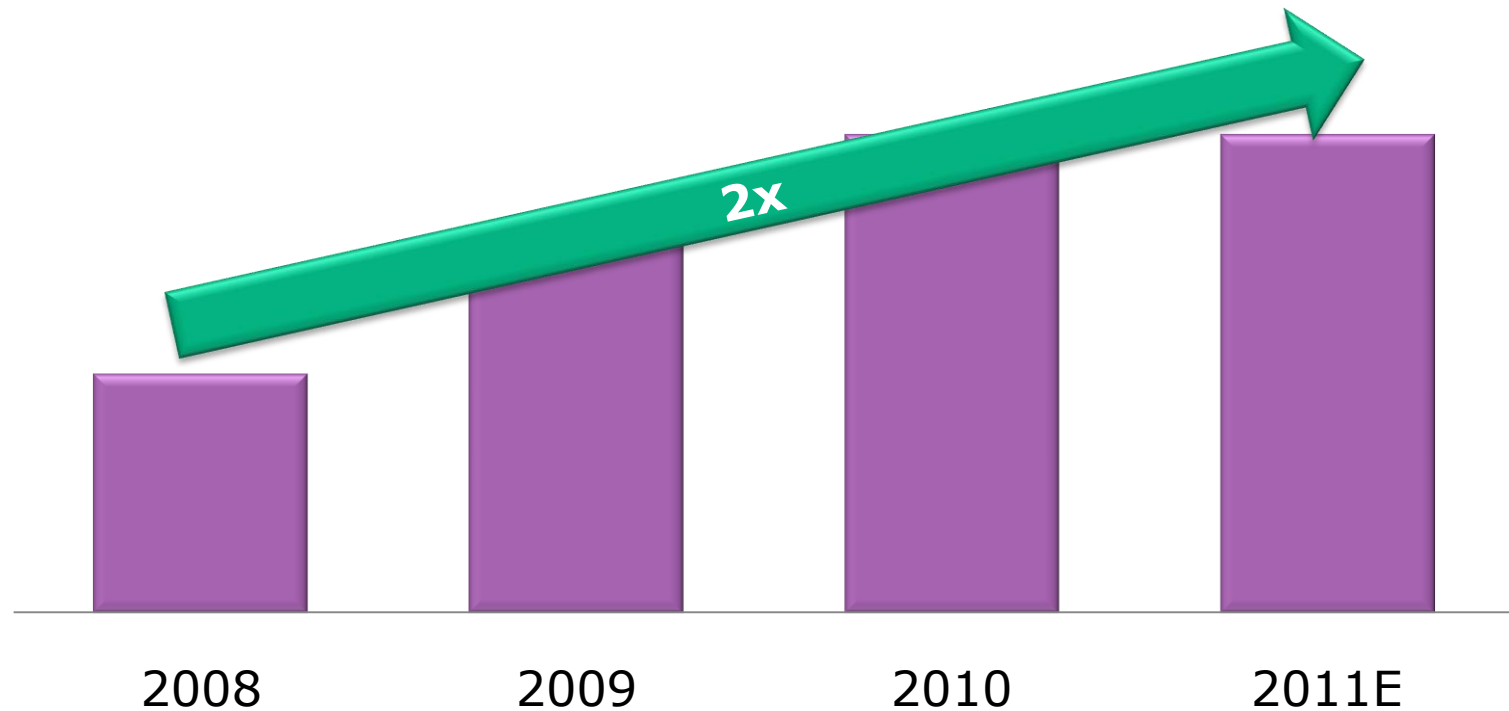
Procurement savings to more than double

Annual Procurement Savings

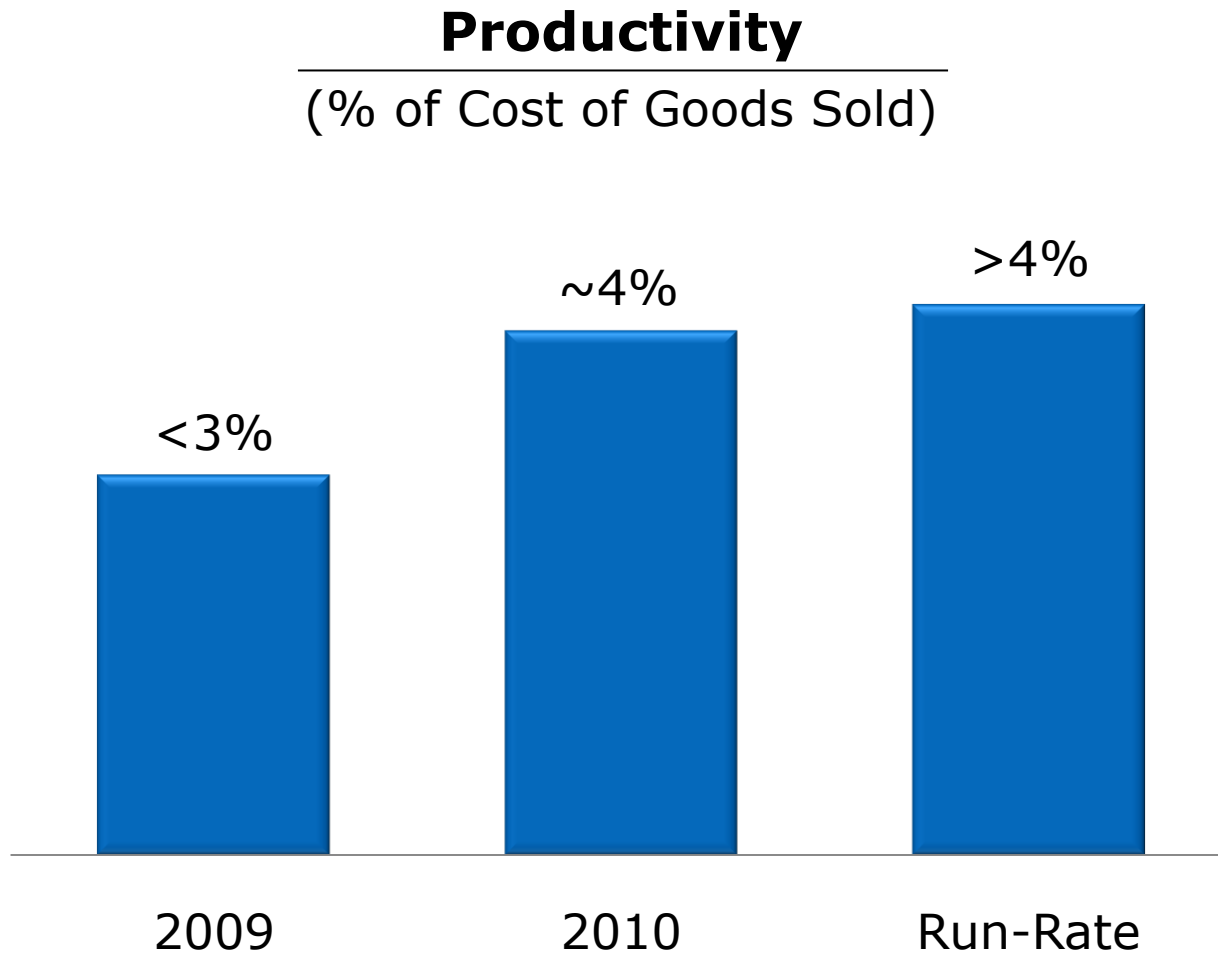


Logistics savings to double

Annual Logistics Productivity



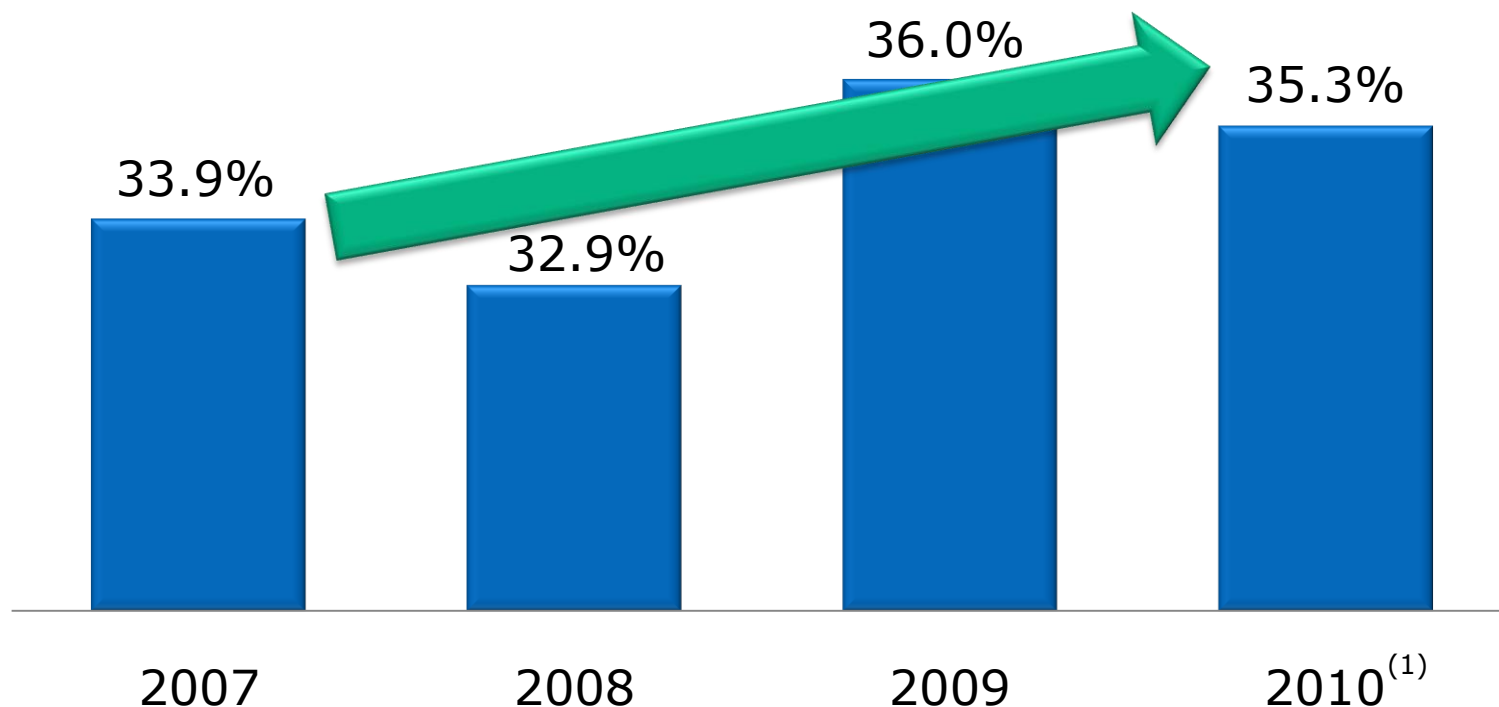
Stepping-up productivity savings



Gross margin trend improving despite volatile input costs

Kraft Foods Base Business

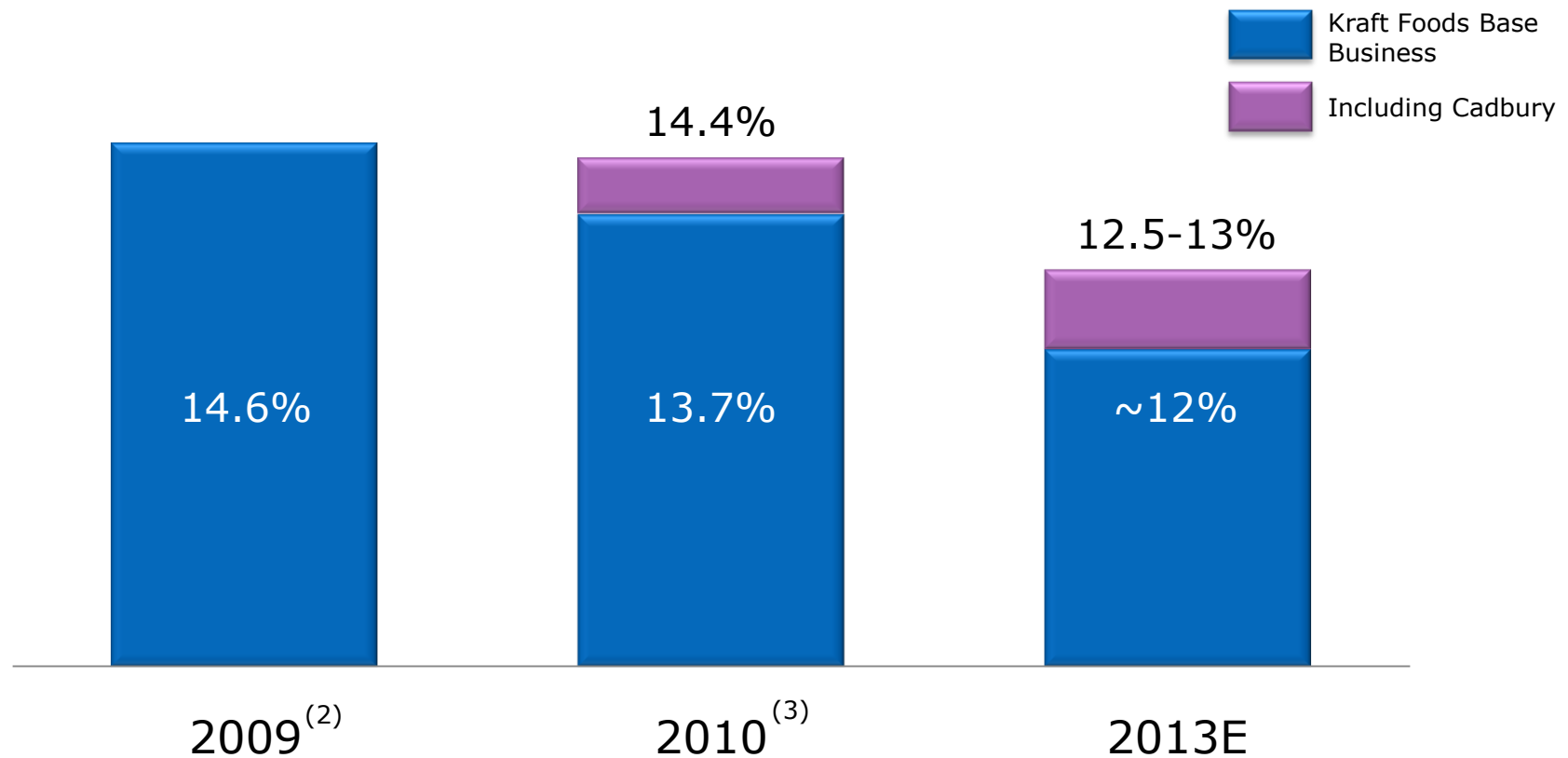
Gross Margin as % of Net Revenue



(1) Excludes integration and acquisition-related costs associated with the Cadbury acquisition. Reported Gross Margin was 36.4%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Overhead efficiency continues

Overheads as % of Net Revenue⁽¹⁾



(1) Excludes integration and acquisition-related costs associated with the Cadbury acquisition.

(2) Reported Overheads as a % of Net revenues for FY 2009 was 14.7%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Reported Overheads as a % of Net revenues for FY 2010 was 16.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

End-to-End Cost Management

- Fuels virtuous cycle
- Continuous improvement mindset
- Solid foundation of best practices, tools and capabilities

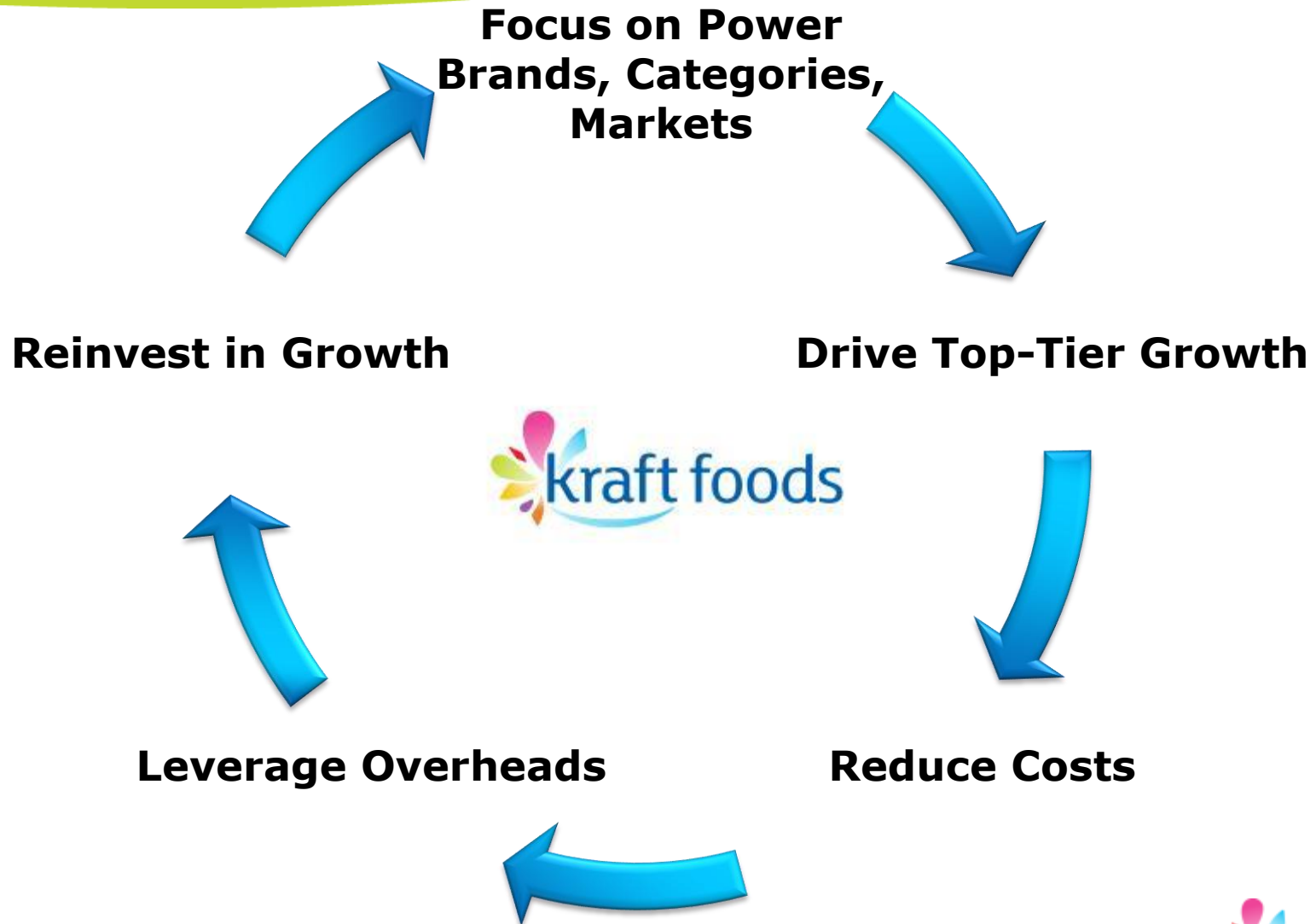
Delivering Top-Tier Financial Performance

Tim McLevish

Executive Vice President
and CFO



Building a virtuous cycle



Building a virtuous cycle

Focus on Power Brands

+7% in 2010



Drive Top-Tier Growth

Combined Organic NR +3.5%

Base Kraft +3.7%⁽¹⁾



(1) Reported Net Revenue growth was 27.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Improving performance versus the peer group

Organic Revenue Growth (Fiscal Year)*

2007		2008		2009		2010	
1	Nestlé 7.4%	1	ConAgra 9.5%	1	General Mills 8.5%	1	Danone 6.9%
2	PepsiCo 7.3%	2	Danone 8.4%	2	ConAgra 7.7%	2	Hershey 6.1%
3	Danone 7.2%	3	Nestlé 8.3%	3	Heinz 5.5%	3	Coca-Cola 6.0%
4	Coca-Cola 6.8%	4	General Mills 8.2%	4	Nestlé 4.1%	4	Nestlé 6.0%
5	Kellogg 5.4%	5	Heinz 6.9%	5	Coca-Cola 4.0%	5	General Mills 4.0%
6	Kraft Foods 5.1%	6	Kraft Foods 6.7%	6	Hershey 4.0%	6	Kraft Foods 3.5/3.7% ⁽¹⁾
7	Campbell 5.0%	7	PepsiCo 6.6%	7	PepsiCo 4.0%	7	PepsiCo 3.5%
8	General Mills 5.0%	8	Coca-Cola 5.7%	8	Danone 3.2%	8	Heinz 2.1%
9	Heinz 4.8%	9	Kellogg 5.4%	9	Campbell 3.0%	9	ConAgra (0.8)%
10	ConAgra 4.7%	10	Sara Lee 4.6%	10	Kellogg 3.0%	10	Kellogg (1.3)%
11	Sara Lee 3.6%	11	Hershey 3.4%	11	Sara Lee 2.7%	11	Campbell (2.0)%
12	Hershey (1.1)%	12	Campbell 3.0%	12	Kraft Foods 1.5%	12	Sara Lee (2.8)%

* Source: Thomson First Call.

(1) Reported Net Revenue growth was 27.0%; Combined Organic Net Revenue Growth was 3.5%; Kraft Foods Base Organic Net Revenue growth was 3.7%. See GAAP to Non-GAAP reconciliation at the end of this presentation.



Short-term: Revenue growth benefits from momentum, synergies

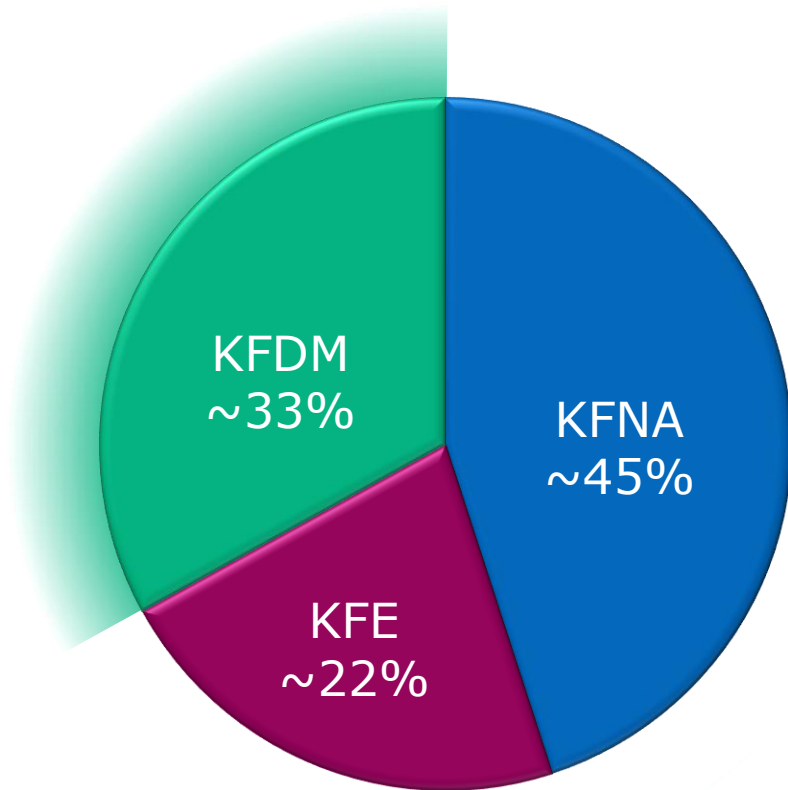
- Entering 2011 with broad-based momentum
- Targeting \$1 billion of revenue synergies over next three years
 - ~50 bps of organic growth in 2011
 - ~50-100 bps of organic growth in 2012

Long-term: Revenue growth benefits from shift to Developing Markets

2013E

Long-Term Organic Revenue Growth Targets

North America	3-4%
Europe	2-3%
Developing Markets	10%+
Total Kraft Foods	5%+



Building a virtuous cycle

Focus on Power Brands
+7% in 2010



Drive Top-Tier Growth
Combined Organic NR +3.5%
Base Kraft +3.7%⁽²⁾



Reduce Costs⁽¹⁾
Productivity
~4% COGS

Leverage Overheads⁽¹⁾
Costs down (3)%⁽³⁾
% of NR down (90)bps⁽⁴⁾



(1) Represents Kraft Foods base business only.

(2) Reported Net Revenue growth was 27.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Reported Overheads were up 38.4%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(4) Reported Overheads as a % of Net Revenues increased 130 bps. See GAAP to Non-GAAP reconciliation at the end of this presentation.

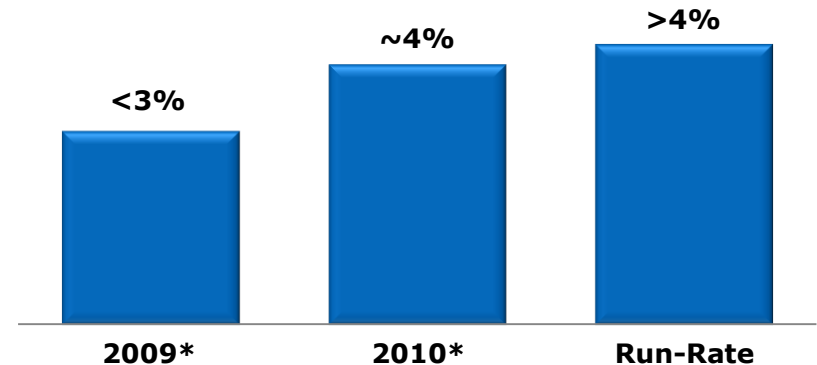


End-to-End Cost Management will accelerate margin expansion

- Productivity

- Procurement
- Manufacturing
- Customer Service & Logistics

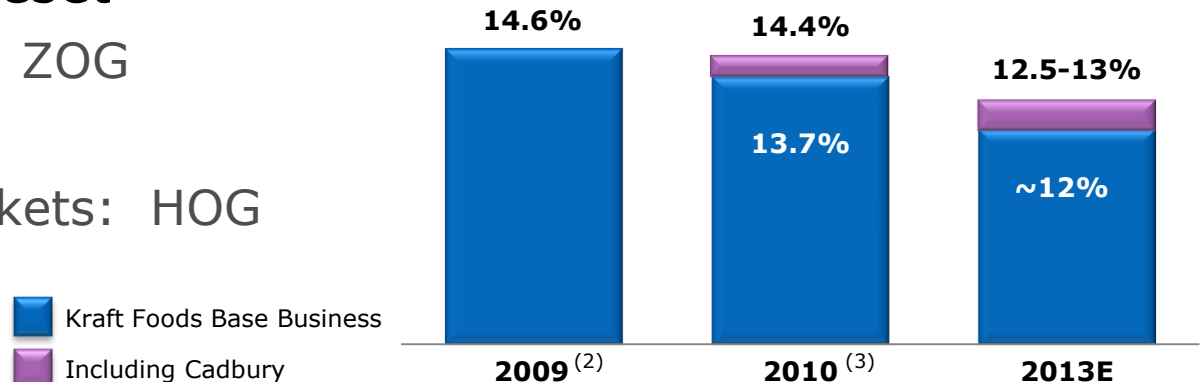
Productivity % of COGS



- Overhead Cost Reset

- North America: ZOG
- Europe: NOG
- Developing Markets: HOG

Overheads % of Net Revenue⁽¹⁾



* Kraft Foods Base Business only

(1) Excludes integration and acquisition-related costs associated with the Cadbury acquisition.

(2) Reported Overheads as a % of Net revenues for FY 2009 was 14.7%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

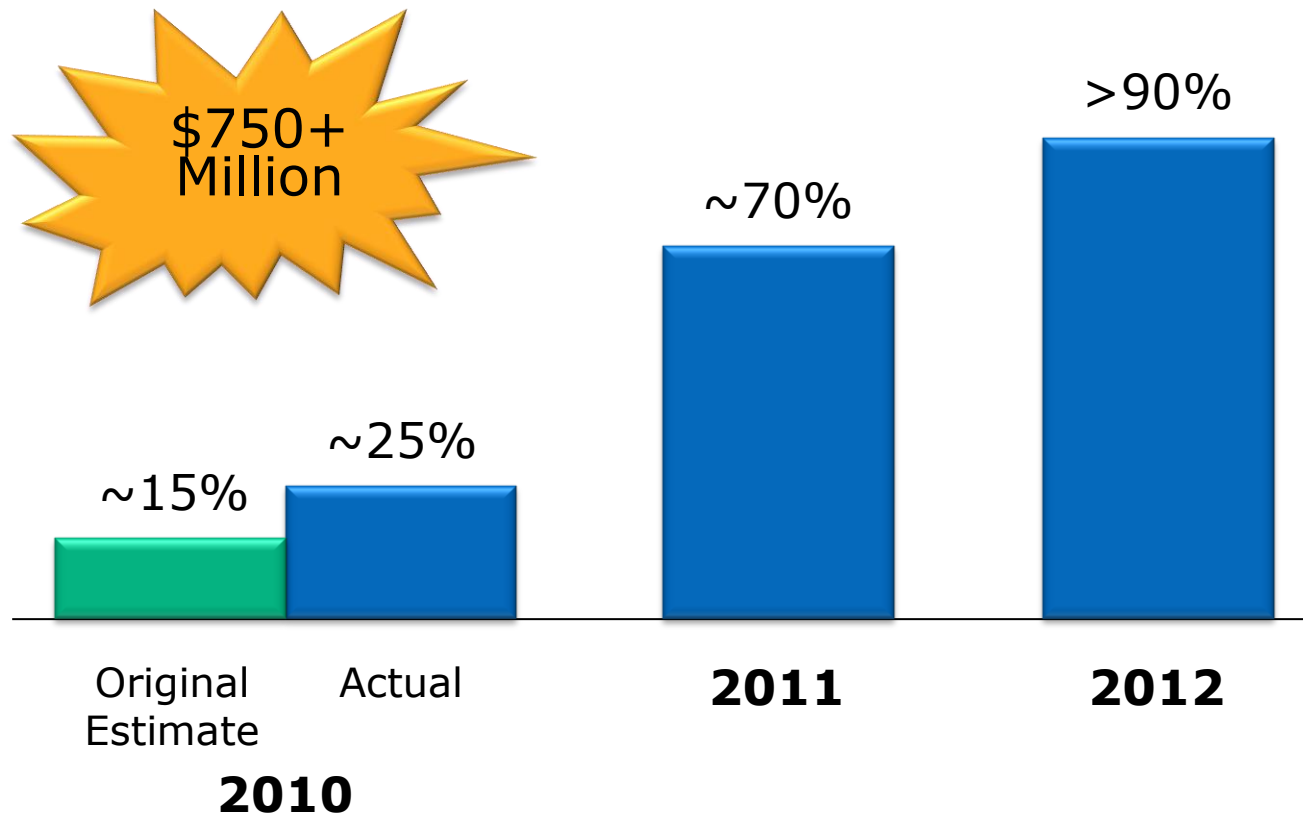
(3) Reported Overheads as a % of Net revenues for FY 2010 was 16.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.



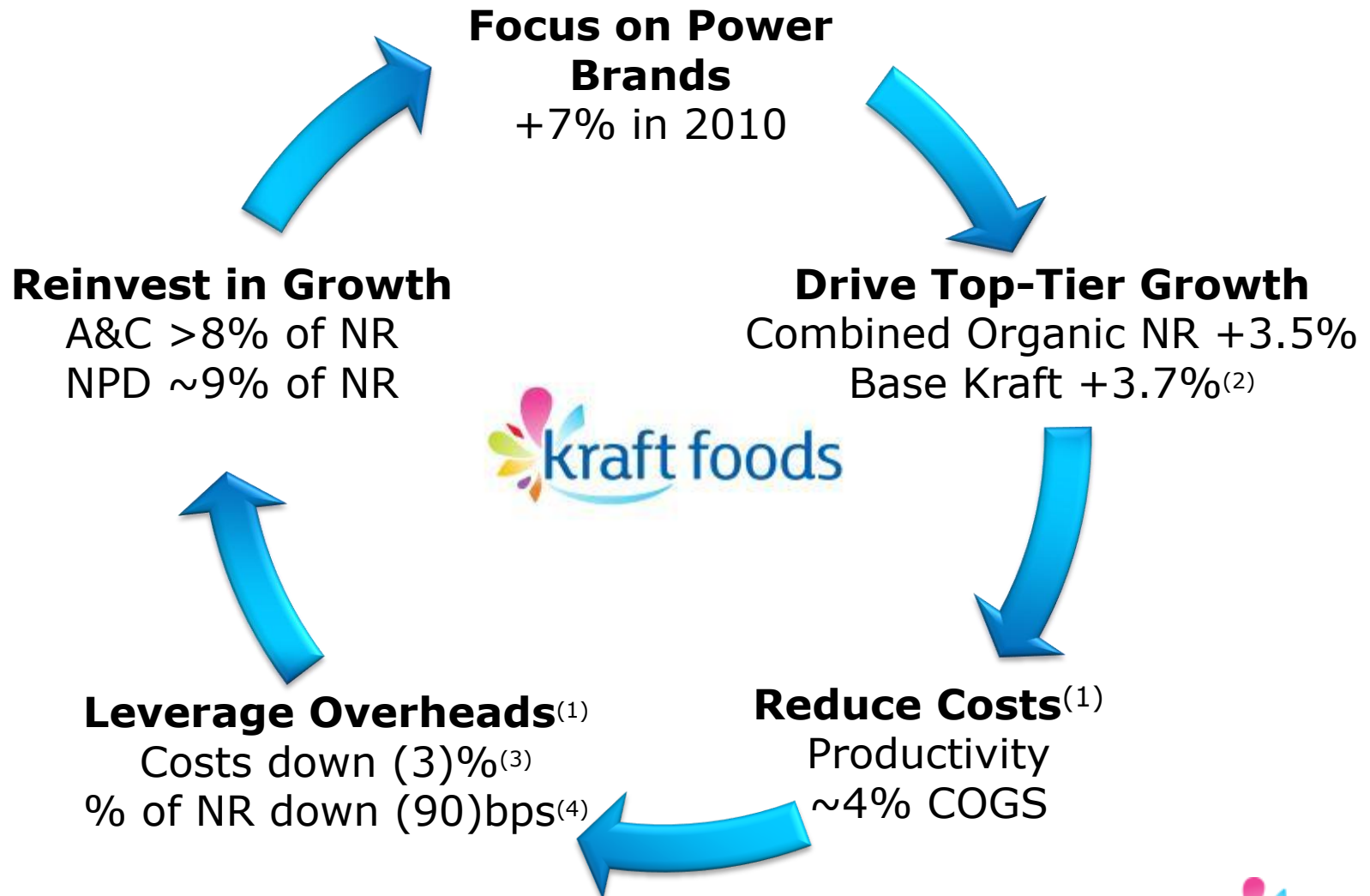
Synergies will further expand profit margins

Cost Synergies

(Cumulative P&L Impact)



Building a virtuous cycle



(1) Represents Kraft Foods base business only.

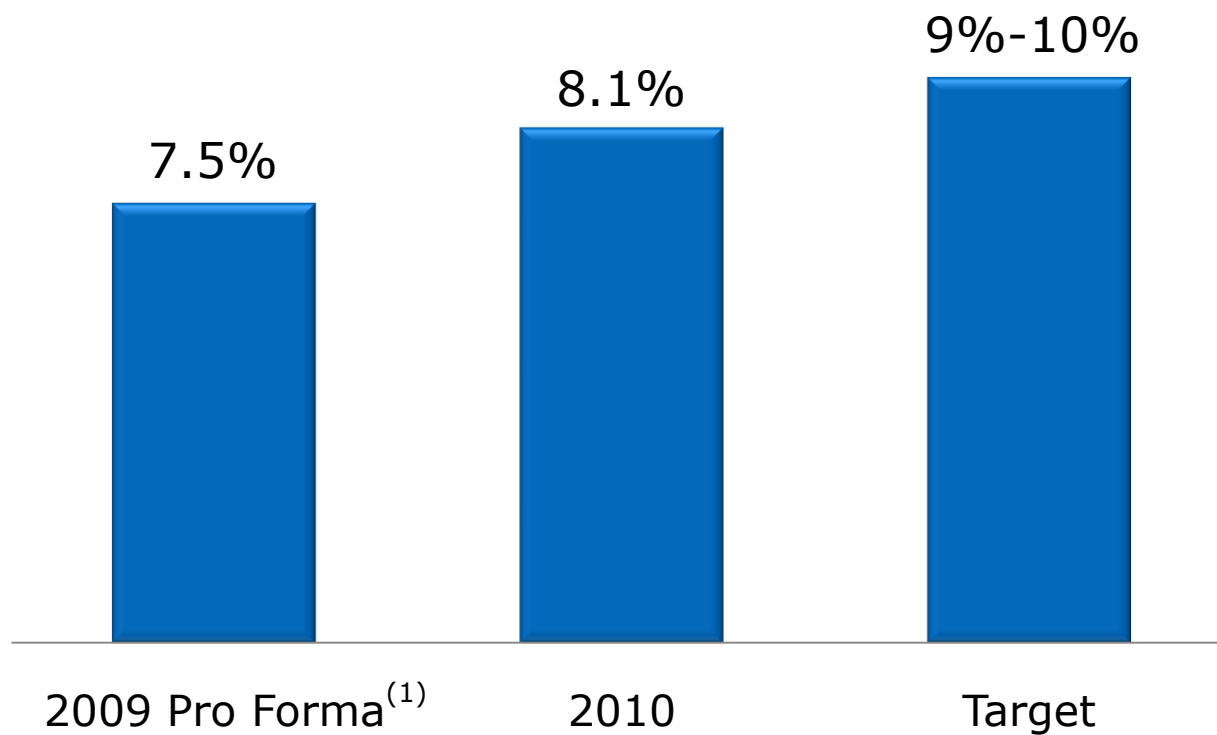
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Investments in brand building will increase

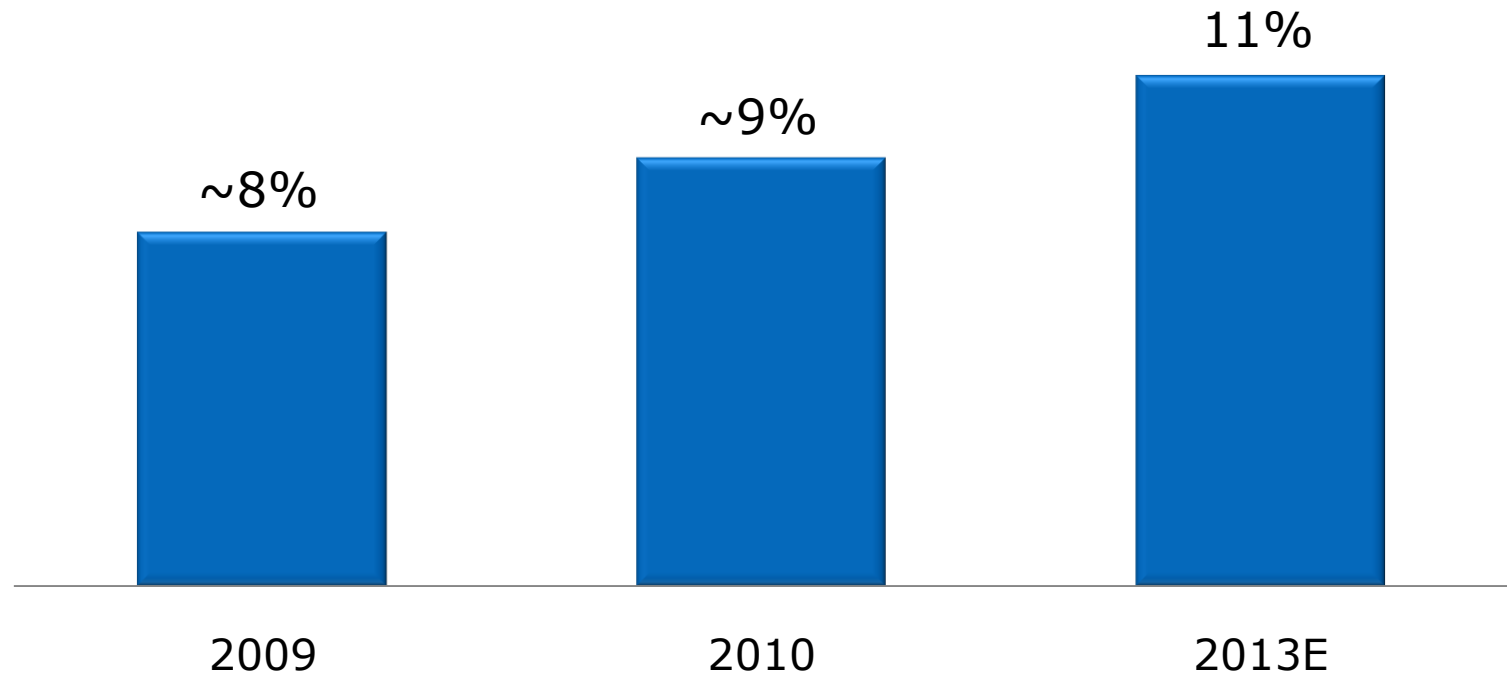
A&C as a Percentage of Net Revenue



(1) Pro Forma for the Cadbury acquisition.

Stepping up growth from new products

New Product Development as % of Net Revenue⁽¹⁾



(1) 3-year trailing basis.

(2) Pro forma combined Kraft Foods base business and Cadbury.

Targeting top-tier margins

2010 Operating Income Margins (Fiscal Year)⁽¹⁾

1	Coca-Cola	27.4%
2	General Mills	17.8%
3	Hershey	17.7%
4	Campbell	17.7%
5	PepsiCo	17.1%
6	Kellogg	16.3%
<hr/>		
7	Danone	15.2%
8	Heinz	15.1%
9	Kraft Foods⁽²⁾	13.4%
10	Nestlé	13.4%
11	ConAgra	10.8%
12	Sara Lee	8.9%



(1) Source: Company reports.

(2) Excludes integration and acquisition-related costs associated with the Cadbury acquisition. Reported Operating Income Margin was 11.5%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Poised to improve EPS growth versus peers

Operating EPS Growth⁽¹⁾

2007		2008		2009		2010	
1	Nestlé 17.3%	1	ConAgra 32.9%	1	Hershey 15.4%	1	Hershey 17.5%
2	Coca-Cola 13.9%	2	Sara Lee 19.3%	2	General Mills 13.1%	2	General Mills 15.6%
3	PepsiCo 12.7%	3	Coca-Cola 16.7%	3	Heinz 10.3%	3	ConAgra 14.5%
4	Kellogg 10.0%	4	General Mills 10.7%	4	Kraft Foods 8.0%	4	Coca-Cola 14.1%
5	Heinz 9.7%	5	Heinz 10.5%	5	Campbell 6.2%	5	PepsiCo 11.3%
6	Campbell 7.1%	6	PepsiCo 8.9%	6	Kellogg 5.7%	6	Campbell 11.3%
7	Danone 6.2%	7	Kellogg 8.3%	7	PepsiCo 0.8%	7	Nestlé 7.4%
8	General Mills 6.0%	8	Campbell 7.2%	8	Nestlé 0.7%	8	Danone 5.4%
9	ConAgra 3.6%	9	Nestlé 4.0%	9	Danone (0.8)%	9	Kraft Foods 4.7% ⁽²⁾
10	Kraft Foods (6.2)%	10	Kraft Foods 3.3%	10	Coca-Cola (2.9)%	10	Kellogg 4.4%
11	Hershey (12.2)%	11	Danone 1.2%	11	Sara Lee (15.2)%	11	Heinz (1.0)%
12	Sara Lee (30.3)%	12	Hershey (9.6)%	12	ConAgra (20.0)%	12	Sara Lee (9.5)%

(1) Source: Thomson First Call.

(2) Represents Operating EPS. Reported Diluted EPS declined 23.8%. See GAAP to Non-GAAP reconciliation at the end of this presentation.



Strategies will deliver top-tier growth in 2011 ...

**Delight Global
Snacks Consumers**

**Unleash the
Power of Our
Iconic Heritage
Brands**

**Create a Performance-Driven,
Values-Led Organization**

- **Organic Revenue growth 5%+**
- **Mid-Teens OI Margins**
- **EPS growth 11%-13%**

... and a step-up in growth over the long term

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Snacks Consumers**

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**Create a Performance-Driven,
Values-Led Organization**

- **Organic Revenue growth 5%+**
- **Mid-to-High Teens OI Margins**
- **EPS growth 9%-11%**

Virtuous cycle will deliver sustainable top-tier growth

