

Kraft Foods

Q3 2011 Results

November 2, 2011



Forward-looking statements

This slide presentation contains a number of forward-looking statements. The words “plan,” “create,” “will” and similar expressions are intended to identify our forward-looking statements. Examples of forward-looking statements include, but are not limited to, growth; global snacks portfolio; pricing; guidance; top-tier results; creation of two companies; and our strong business momentum. 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, our failure to successfully create two companies, continued volatility and increase in input costs, increased competition, pricing actions, our failure to successfully execute in developing markets, 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 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.

Strong growth in a challenging environment

- New products and effective advertising driving positive pricing, vol/mix and share performance
- Growing OI double-digits by effectively managing input costs and leveraging overheads
- Delivering double-digit Operating EPS gains while increasing investments for future growth

High-quality growth in North American grocery businesses

- Driving organic growth through innovation and focused spending on key brands
 - Grocery innovations added \$350 million YTD
- Recovering historically high input costs
- Focusing on End-to-End Cost Management
 - Leveraging Lean Six Sigma
 - Driving negative overhead growth

Global snacks portfolio has strong momentum

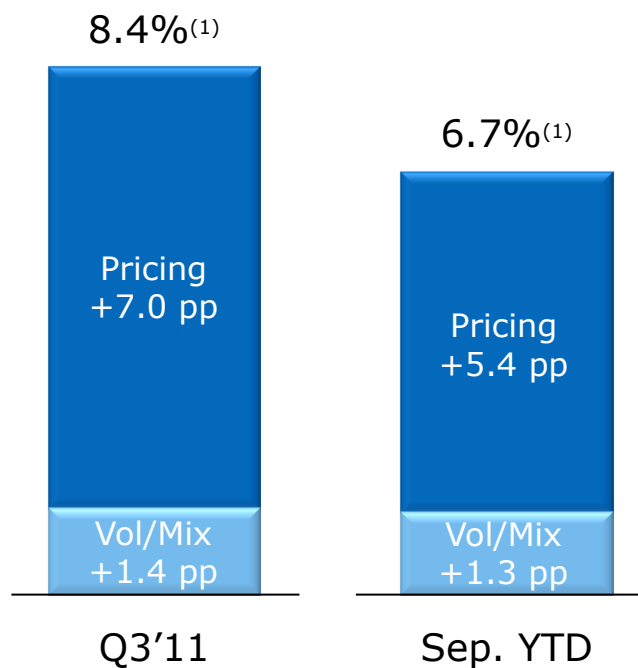
- Driving growth in all parts of portfolio through Q3*
 - Global Biscuits +9%
 - Global Chocolate +8%
 - Global Gum & Candy +2%
- Making progress on Gum fix
 - Share trends stabilizing in Europe, U.S.
 - Rolling out 50-cent packs in U.S./Canada
- Integration on track
 - Will capture 70% of cost synergies by year-end
 - Revenue synergies to drive ~50bps of growth in 2011

* Reflects September 2011 YTD Organic Net Revenue Growth. Reported September 2011 YTD Net Revenue growth was 12.3% for Biscuits, 22.3% for Chocolate and 17.3% for Gum & Candy. Global Biscuits includes snack nuts. See GAAP to Non-GAAP reconciliation at the end of this presentation.



Kraft Foods: Q3 Organic Net Revenue Growth

Organic Net Revenue Growth⁽¹⁾

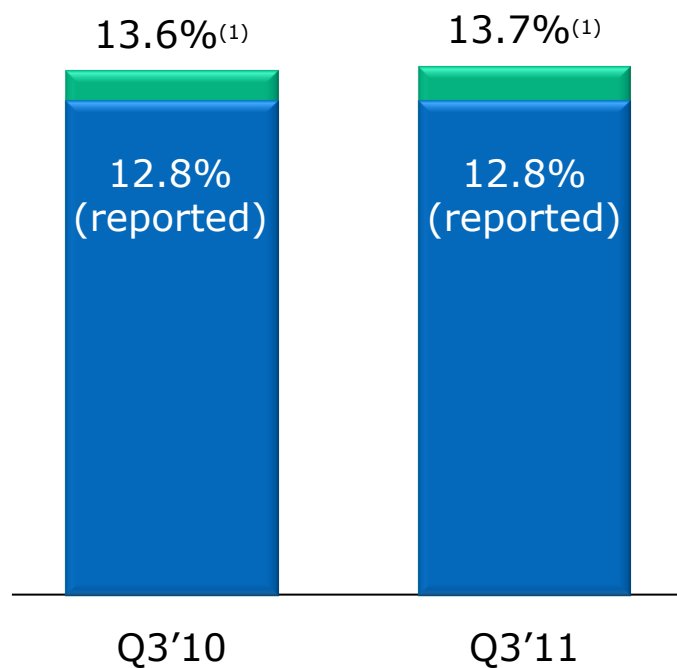


- Steady vol/mix growth despite stepped-up pricing
- Power Brands +10%, driving growth
- Significant contribution from innovation

(1) Reported Net Revenues increased 11.5% in Q3 2011 and 12.0% through September 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods: Q3 Operating Income Margin

Operating Income Margin



- Underlying OI grew 12%⁽²⁾
 - Managing record-high input costs through pricing and productivity
 - Favorable currency
 - Solid volume/mix growth
- Margin upside tempered by denominator effect of pricing
 - Strong contribution from overhead leverage and timing of A&C spending vs. prior year

(1) Underlying Operating Income margin excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Operating Income increased 11.8%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Operating gains remain primary driver of Operating EPS growth*

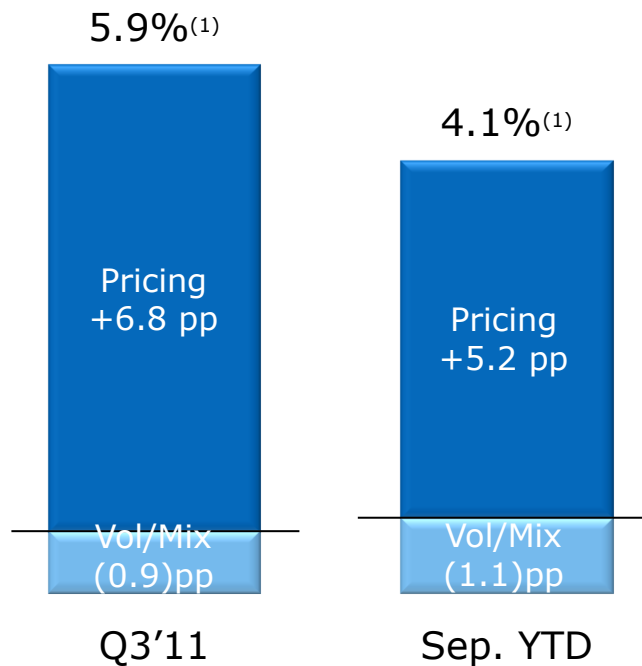
	<u>Q3</u>	<u>Sep. YTD</u>
2010 Diluted EPS	\$0.43	\$2.09
Earnings from Discontinued Operations	--	(0.96)
Integration Program ⁽¹⁾ , Acquisition-Related Costs ⁽²⁾ and Financing Fees ⁽³⁾	0.04	0.35
U.S. Healthcare Legislation Impact on Deferred Taxes ⁽⁴⁾	--	0.08
2010 Operating EPS⁽⁵⁾	\$0.47	\$1.56
Operating Earnings	0.07	0.14
Operating Earnings from the Cadbury Acquisition ⁽⁶⁾	--	0.03
Accounting Calendar Changes	--	0.01
Divestitures (Including the Starbucks CPG business)	(0.01)	(0.04)
Change in Unrealized Gains/Losses from Hedging Activities	(0.01)	(0.01)
Change in Foreign Currency	0.03	0.07
Higher Interest Expense ⁽⁷⁾	--	(0.02)
Change in Shares Outstanding	(0.01)	(0.06)
Changes in Taxes ⁽⁸⁾	0.04	0.04
2011 Operating EPS	\$0.58	\$1.72
Integration Program Costs ⁽¹⁾	(0.06)	(0.20)
2011 Diluted EPS	\$0.52	\$1.52

* Please see corresponding footnotes on page 19 of this presentation.



Kraft Foods North America: Q3 Organic Net Revenue Growth

Organic Net Revenue Growth⁽¹⁾

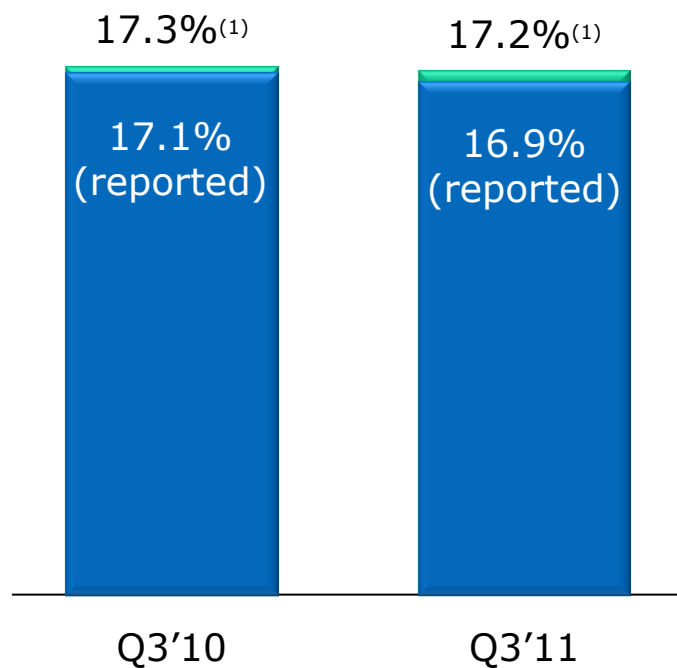


- All business segments delivering strong growth
- Focused investments behind key brands and innovation paying off
- Price elasticity continues to weigh on consumption
 - Negative vol/mix isolated to a few categories, primarily in the U.S. Cheese segment
 - Market shares remain solid

(1) Reported Net Revenues increased 4.4% in Q3 2011 and 3.8% through September 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods North America: Q3 Segment Operating Income Margin

Segment Operating Income Margin



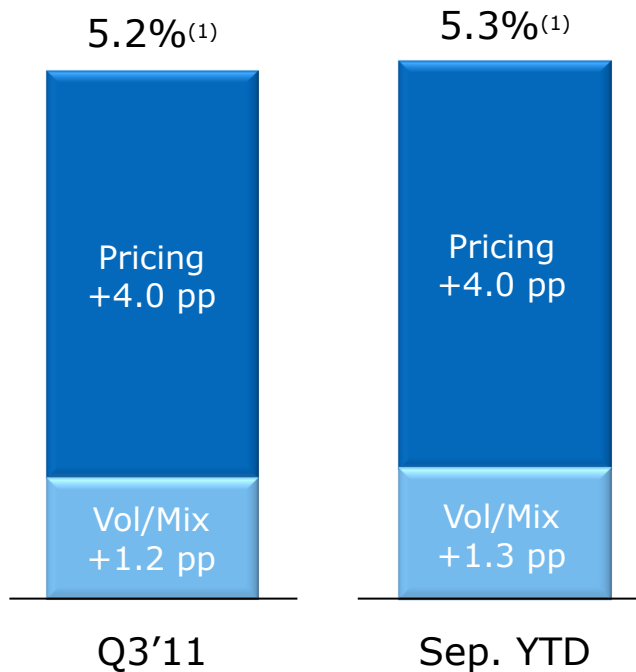
- Underlying Segment OI grew 4%⁽²⁾
 - Negative impact from premium coffee
 - Effectively managing higher input costs through pricing
 - Cost savings, lower SG&A driving growth
- Margin performance tempered by denominator effect of pricing

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Segment Operating Income increased 3.3%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Europe: Q3 Organic Net Revenue Growth

Organic Net Revenue Growth⁽¹⁾

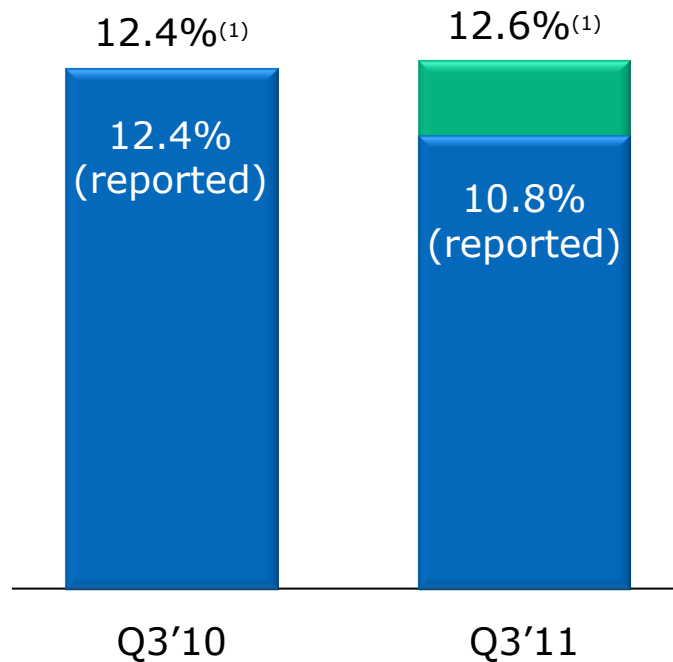


- Pricing in response to higher input costs
- Power Brands +13%
- Strong share performance across portfolio

(1) Reported Net Revenues increased 16.1% in Q3 2011 and 18.0% through September 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Europe: Q3 Segment Operating Income Margin

Segment Operating Income Margin



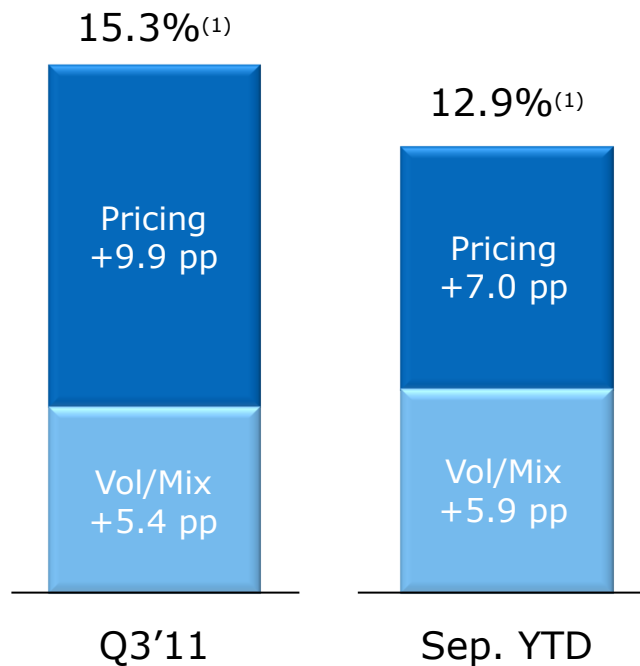
- Underlying Segment OI grew 18%⁽²⁾
 - +11 pp impact from currency
- Vol/mix gains, lower overhead and productivity drove OI growth and margin expansion
 - Margin performance tempered by denominator effect of pricing
- Pricing lagging input costs
 - Next wave announced

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Segment Operating Income increased 0.6%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Developing Markets: Q3 Organic Net Revenue Growth

Organic Net Revenue Growth⁽¹⁾

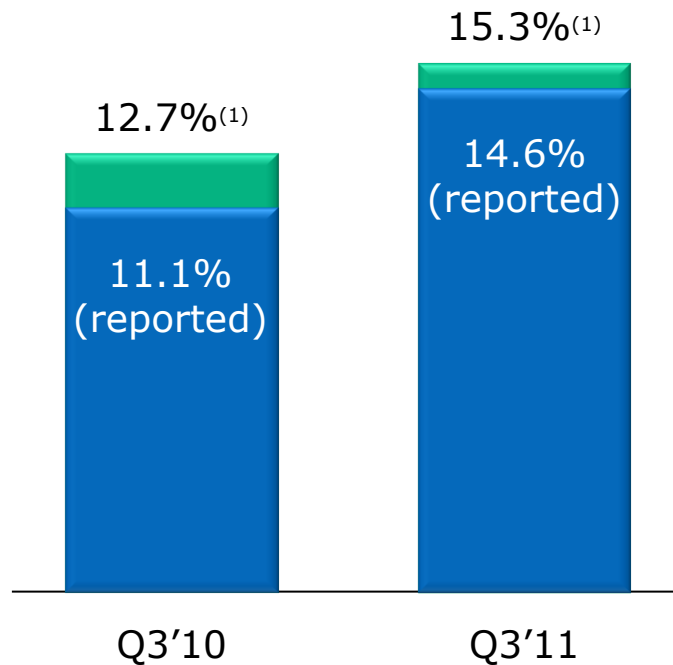


- Strong contributions from both pricing and vol/mix
- All three regions up double-digits
- Power Brands +17%

(1) Reported Net Revenues increased 20.3% in Q3 2011 and 22.1% through September 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Developing Markets: Q3 Segment Operating Income Margin

Segment Operating Income Margin



- Underlying Segment OI grew 45%⁽²⁾
- Effectively managing higher input costs
- Significant investments to support growth

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Segment Operating Income grew 57.3%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Raising guidance, delivering top-tier results in 2011

- Organic Net Revenue growth of at least 6%
 - Strong momentum in each geographic region
- Operating EPS of at least \$2.27
 - Significant gains from operations while increasing investments for future growth
 - Benefit of currency year-to-date
 - Currency-neutral view on Q4

On track to create two strong, independent companies

- Brand and licensing structures finalized
 - *Planters* to become part of North American Grocery
- North American Grocery to be named “Kraft Foods”
- Tax filings in the U.S. and Canada on track
- Organizational designs well underway
- Leadership to be announced by year end

Summary

- Strong business momentum
- Raised our outlook for 2011
- On track to create two strong, independent companies



EPS Footnotes

- (1) Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition. Integration Program costs were \$112 million, or \$111 million after-tax including certain tax costs associated with the integration of Cadbury, for the three months ending September 30, 2011, as compared to \$92 million, or \$88 million after-tax for the three months ended September 30, 2010. Integration Program costs were \$352 million, or \$345 million after-tax including certain tax costs associated with the integration of Cadbury, for the nine months ending September 30, 2011, as compared to \$284 million, or \$226 million after-tax for the nine months ending September 30, 2010.
- (2) Includes transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.
- (3) Includes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.
- (4) Reflects the impact of a deferred tax charge resulting from U.S. health care legislation enacted in March 2010.
- (5) See GAAP to Non-GAAP reconciliations at the end of this presentation.
- (6) Reflects the incremental January 2011 operating results from the Cadbury acquisition.
- (7) Excludes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.
- (8) Excludes the impact of a deferred tax charge resulting from U.S. health care legislation enacted in March 2010.

GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues by Consumer Sector

For the Nine Months Ended September 30,
(\$ in millions, except percentages) (Unaudited)

Kraft Foods

							% Change	
	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions ⁽²⁾	Impact of Accounting Calendar Changes	Impact of Currency	Organic (Non- GAAP)	As Reported (GAAP)	Organic (Non-GAAP)
2011								
Biscuits	\$ 8,806	\$ -	\$ -	\$ (99)	\$ (239)	\$ 8,468	12.3%	8.8%
Confectionery								
Chocolate	6,750	-	(287)	(39)	(426)	5,998	22.3%	8.5%
Gum & Candy	4,164	-	(379)	15	(190)	3,610	17.3%	1.7%
Other Confectionery	221	-	(3)	(6)	(7)	205	(28.9)%	5.7%
	11,135	-	(669)	(30)	(623)	9,813	18.7%	5.8%
Snacks ⁽¹⁾	\$ 19,941	\$ -	\$ (669)	\$ (129)	\$ (862)	\$ 18,281	15.8%	7.2%
2010								
Biscuits	\$ 7,842	\$ -	\$ -	\$ (59)	\$ -	\$ 7,783		
Confectionery								
Chocolate	5,518	11	-	-	-	5,529		
Gum & Candy	3,550	-	-	-	-	3,550		
Other Confectionery	311	(117)	-	-	-	194		
	9,379	(106)	-	-	-	9,273		
Snacks ⁽¹⁾	\$ 17,221	\$ (106)	\$ -	\$ (59)	\$ -	\$ 17,056		

(1) Snacks is defined as the combination of the Biscuits sector, which includes cookies, crackers and salted snacks, and the Confectionery sector, which includes chocolate, gum & candy and other confectionery.

(2) Impact of acquisitions reflects the incremental January 2011 operating results from our Cadbury acquisition.



GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues

For the Three Months Ended September 30,
(\$ in millions, except percentages) (Unaudited)

					% Change	
	As Reported (GAAP)	Impact of Divestitures ⁽¹⁾	Impact of Currency	Organic (Non-GAAP)	As Reported (GAAP)	Organic (Non-GAAP)
<u>2011</u>						
Kraft Foods North America	\$ 6,133	\$ -	\$ (50)	\$ 6,083	4.4%	5.9%
Kraft Foods Europe	3,099	-	(291)	2,808	16.1%	5.2%
Kraft Foods Developing Markets	3,994	-	(194)	3,800	20.3%	15.3%
Kraft Foods	\$ 13,226	\$ -	\$ (535)	\$ 12,691	11.5%	8.4%
<u>2010</u>						
Kraft Foods North America	\$ 5,873	\$ (130)	\$ -	\$ 5,743		
Kraft Foods Europe	2,670	-	-	2,670		
Kraft Foods Developing Markets	3,320	(25)	-	3,295		
Kraft Foods	\$ 11,863	\$ (155)	\$ -	\$ 11,708		

⁽¹⁾ Impact of divestitures includes Starbucks CPG business.



GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues

For the Nine Months Ended September 30,
(\$ in millions, except percentages) (Unaudited)

							% Change	
	As Reported (GAAP)	Impact of Divestitures ⁽¹⁾	Impact of Acquisitions ⁽²⁾	Impact of Accounting Calendar Changes	Impact of Currency	Organic (Non-GAAP)	As Reported (GAAP)	Organic (Non-GAAP)
<u>2011</u>								
Kraft Foods North America	\$ 18,387	\$ (91)	\$ (117)	\$ -	\$ (142)	\$ 18,037	3.8%	4.1%
Kraft Foods Europe	9,640	-	(201)	(226)	(655)	8,558	18.0%	5.3%
Kraft Foods Developing Markets	11,650	-	(379)	(90)	(546)	10,635	22.1%	12.9%
Kraft Foods	\$ 39,677	\$ (91)	\$ (697)	\$ (316)	\$ (1,343)	\$ 37,230	12.0%	6.7%
<u>2010</u>								
Kraft Foods North America	\$ 17,722	\$ (388)	\$ -	\$ -	\$ -	\$ 17,334		
Kraft Foods Europe	8,172	-	-	(45)	-	8,127		
Kraft Foods Developing Markets	9,540	(105)	-	(18)	-	9,417		
Kraft Foods	\$ 35,434	\$ (493)	\$ -	\$ (63)	\$ -	\$ 34,878		

⁽¹⁾ Impact of divestitures includes Starbucks CPG business.

⁽²⁾ Impact of acquisitions reflects the incremental January 2011 operating results from our Cadbury acquisition.



GAAP to Non-GAAP Reconciliation

Operating Income To Underlying Operating Income

For the Three Months Ended September 30,
(\$ in millions, except percentages) (Unaudited)

	2011				2010			
	As Reported (GAAP)	Integration Program Costs ⁽¹⁾	Acquisition- Related Costs ⁽²⁾	Underlying (Non-GAAP)	As Reported (GAAP)	Integration Program Costs ⁽¹⁾	Acquisition- Related Costs ⁽²⁾	Underlying (Non-GAAP)
<u>Kraft Foods</u>								
Operating Income	\$ 1,698	\$ 112	\$ -	\$ 1,810	\$ 1,519	\$ 92	\$ 2	\$ 1,613
Growth vs. Prior Year	11.8%			12.2%				
Operating Income Margin	12.8%			13.7%	12.8%			13.6%
<u>Kraft Foods North America</u>								
Segment Operating Income	\$ 1,035	\$ 19	\$ -	\$ 1,054	\$ 1,002	\$ 13	\$ -	\$ 1,015
Growth vs. Prior Year	3.3%			3.8%				
Segment Operating Income Margin	16.9%			17.2%	17.1%			17.3%
<u>Kraft Foods Europe</u>								
Segment Operating Income	\$ 334	\$ 56	\$ -	\$ 390	\$ 332	\$ (1)	\$ -	\$ 331
Growth vs. Prior Year	0.6%			17.8%				
Segment Operating Income Margin	10.8%			12.6%	12.4%			12.4%
<u>Kraft Foods Developing Markets</u>								
Segment Operating Income	\$ 582	\$ 31	\$ -	\$ 613	\$ 370	\$ 53	\$ -	\$ 423
Growth vs. Prior Year	57.3%			44.9%				
Segment Operating Income Margin	14.6%			15.3%	11.1%			12.7%

⁽¹⁾ Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

⁽²⁾ Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.



GAAP to Non-GAAP Reconciliation

Diluted Earnings per Share to Operating EPS

For the Three Months Ended September 30,
(Unaudited)

						% Growth	
	As Reported (GAAP)	Integration Program Costs ⁽¹⁾	Acquisition- Related Costs and Financing Fees ⁽³⁾	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non-GAAP)	As Reported EPS Growth (GAAP)	Operating EPS Growth (Non- GAAP)
2011							
Diluted EPS							
- Continuing operations	\$ 0.52	\$ 0.06	\$ -	\$ -	\$ 0.58	20.9%	23.4%
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	\$ 0.52						
2010							
Diluted EPS							
- Continuing operations	\$ 0.43	\$ 0.05	\$ (0.01)	\$ -	\$ 0.47		
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	\$ 0.43						

⁽¹⁾ Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition. Integration Program costs were \$112 million, or \$111 million after-tax including certain tax costs associated with the integration of Cadbury, for the three months ended September 30, 2011, as compared to \$92 million, or \$88 million after-tax for the three months ended September 30, 2010.

⁽²⁾ Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.

⁽³⁾ Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.



GAAP to Non-GAAP Reconciliation

Diluted Earnings per Share to Operating EPS

For the Nine Months Ended September 30,
(Unaudited)

						% Growth	
	As Reported (GAAP)	Integration Program Costs ⁽¹⁾	Acquisition- Related Costs and Financing Fees ⁽³⁾	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non-GAAP)	As Reported EPS Growth (GAAP)	Operating EPS Growth (Non- GAAP)
2011							
Diluted EPS							
- Continuing operations	\$ 1.52	\$ 0.20	\$ -	\$ -	\$ 1.72	34.5%	10.3%
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	\$ 1.52						
2010							
Diluted EPS							
- Continuing operations	\$ 1.13	\$ 0.13	\$ 0.22	\$ 0.08	\$ 1.56		
- Discontinued operations	0.96						
- Net earnings attributable to Kraft Foods	\$ 2.09						

⁽¹⁾ Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition. Integration Program costs were \$352 million, or \$345 million after-tax including certain tax costs associated with the integration of Cadbury, for the nine months ended September 30, 2011, as compared to \$284 million, or \$226 million after-tax for the nine months ended September 30, 2010.

⁽²⁾ Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.

⁽³⁾ Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.

