

# Kraft Foods

## Hitting Our Sweet Spot ... in Latin America

Bank of America Merrill Lynch  
Brazil Consumer Trip

March 23, 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 about winning in Developing Markets and Latin America; our virtuous cycle; organic revenue growth and operating income margins’ targets; we are well-positioned to capture growth; and A&C investments. 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, 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 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.



Chris Jakubik

Vice President, Investor Relations

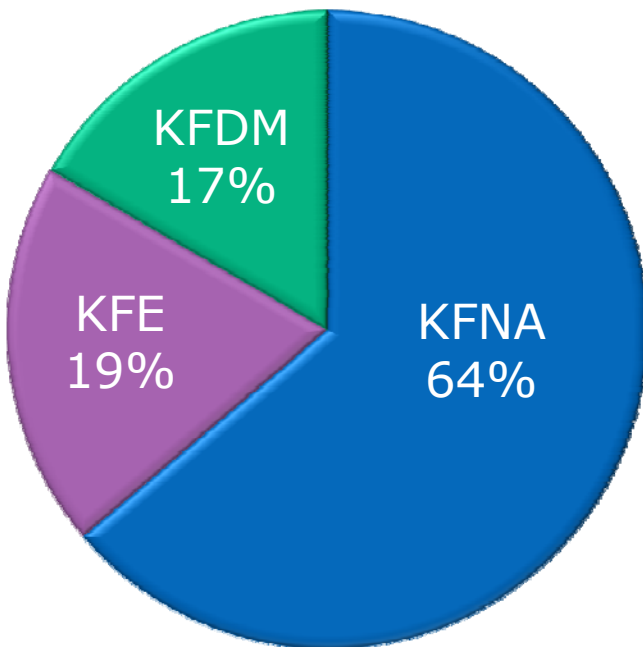


# Agenda

- Kraft Foods Developing Markets
- Kraft Foods Latin America
- Kraft Foods Brazil

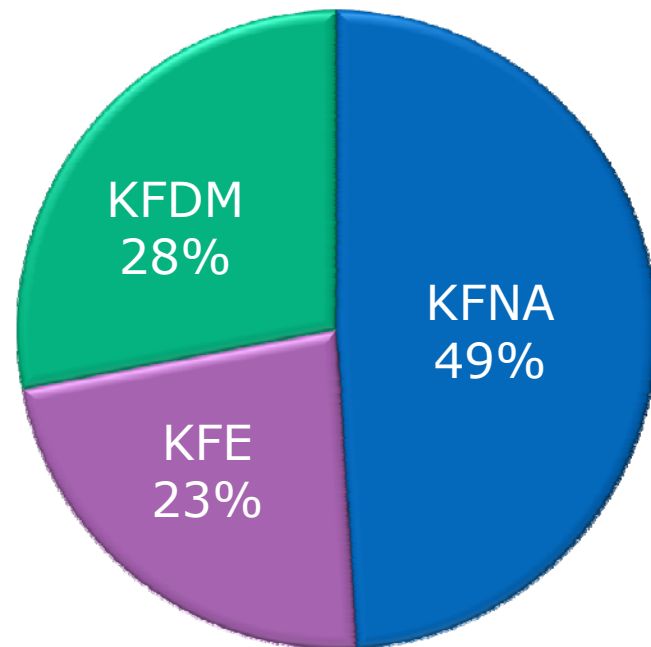
# Developing Markets now 28% of total Kraft Foods

**2007<sup>(1)</sup>**



**Net Revenues  
\$35.9 billion**

**2010<sup>(1)</sup>**



**Net Revenues  
\$49.2 billion**

(1) 2007 results are as reported in Kraft Foods 2009 Form 10-K filed with the SEC on February 25, 2010. 2010 results are as reported in Kraft Foods 2010 Form 10-K filed with the SEC on February 28, 2011.

# Win in Developing Markets

## Focus Resources

- 5-10-10
  - 5 Categories
  - 10 Power Brands
  - 10 Priority Markets

## Leverage Sales

- Empower local business units
- Drive best sales practices

## Expand Margins

- Drive productivity
- Reduce overhead growth

**Win Locally, Leverage Globally**  
**Build Depth of International Talent**



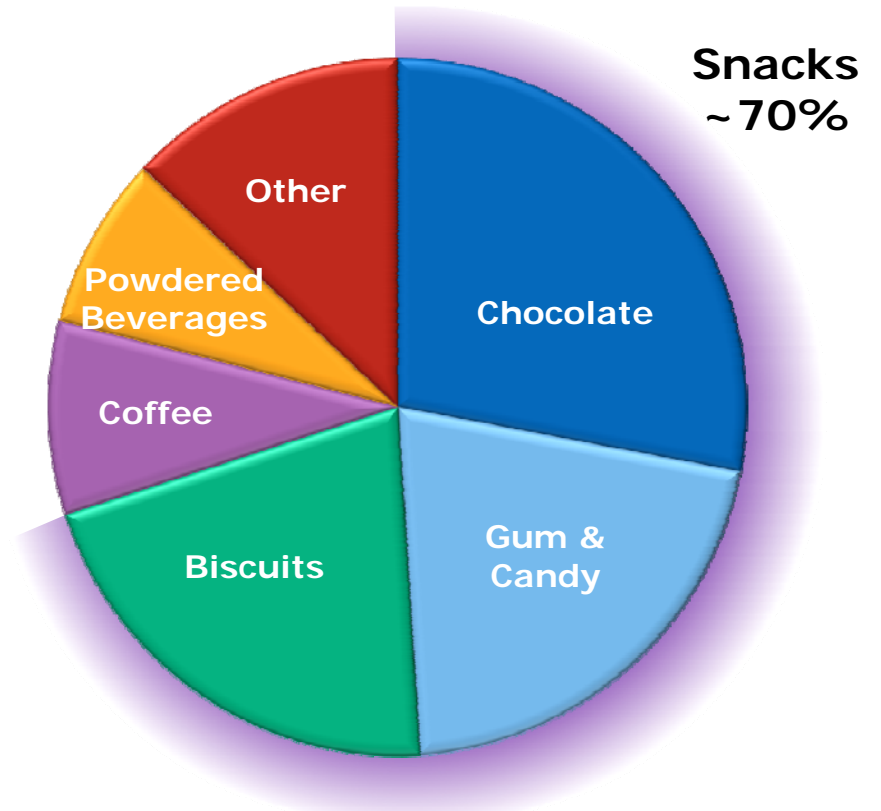
# Focus on 5 categories

2007



Net Revenues  
\$6.0 billion

2010



Net Revenues  
\$13.6 billion

# Focus on 10 Power Brands

Chocolate



Gum &  
Candy



Biscuits



Coffee



Powdered  
Beverages





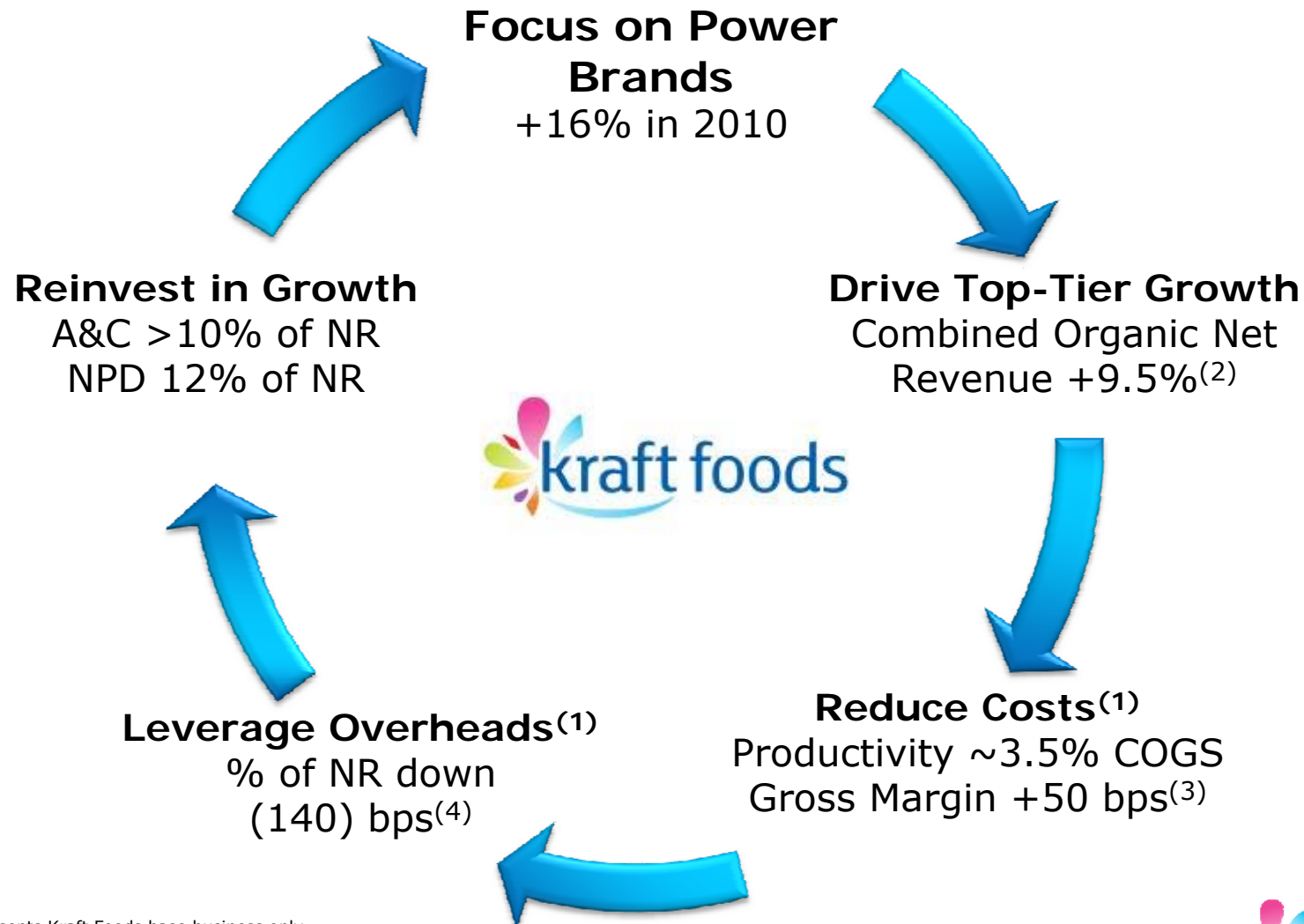
# Focus on 10 Priority Markets

		Category				
		Chocolate	Gum & Candy	Biscuits	Coffee	Powdered Beverages
Market	Australia	●	●	●		●
	Brazil	●	●	●		●
	China		●	●	●	●
	India	●	●	●		●
	Indonesia			●		
	Mexico		●	●		●
	Poland	●		●	●	
	Russia	●	●	●	●	
	South Africa	●	●	●		
	Ukraine	●	●	●	●	

- Kraft presence
- Recently launched



# 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.

# Driving growth and margins as Developing Markets' favorite snacking company

- 5-10-10 strategy has track record of success
- Win locally, leverage globally is working well
- Good progress in building depth of talent



**Organic  
Revenue  
growth of  
10% +**

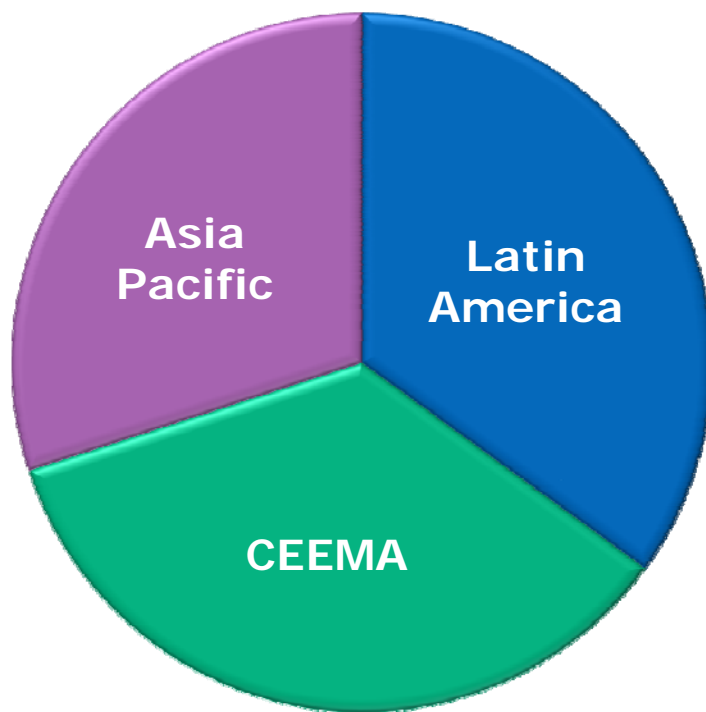
**Mid-teens  
Operating  
Income  
Margins**

# Agenda

- Kraft Foods Developing Markets
- Kraft Foods Latin America
- Kraft Foods Brazil

# Kraft Foods Latin America comprises about one-third of KFDM

## Kraft Foods Developing Markets



2010 Net Revenues  
\$13.6 billion

## Kraft Foods Latin America



2010 Net Revenues

\* Caribbean and Central America

# Winning in Latin America through focus

## Focus Categories

- Chocolate
- Biscuits
- Gum & Candy
- Powdered Beverages

>80%  
of Total NR

## Power Brands



>50%  
of Total NR

## Focus Markets

- Brazil
- Mexico

>50%  
of Total NR

# Agenda

- Kraft Foods Developing Markets
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- Kraft Foods Brazil

Marcos Grasso

President, Kraft Foods Brazil





# Kraft Brazil poised for sustainable, profitable performance

- Brazil is an attractive and strategic market
- Kraft has strong competitive advantages
  - Power brands
  - Strong route-to-market
  - Responsive business model
- Kraft is well-positioned to capture growth

# Brazil is an attractive and strategic market

<u>Global Ranking</u>	<u>000s Tons</u>	<u>Category</u>	<u>US \$ Billions</u>	<u>Global Ranking</u>
#3	1,243	Biscuits	5.1	#2
#5	251	Chocolate	3.4	#6
#6	284	Sugar Confectionery	2.7	#7
#3	61	Gum	1.5	#4
#1	105	Powdered Beverages	1.0	#3

Source: Euromonitor 2009



# Consumers – Growing aspirations

- **Affluent middle class**
  - Exposure to new categories
  - Becoming more savvy and sophisticated
  - Price-value oriented
- **Time-saving seekers**
  - Looking for solutions to help manage fast-paced lives
  - Multi-tasking women and time pressured youngsters, adults
- **Multi-wired, difficult to reach**
  - Seeking and sharing experiences
  - Media & retail environment challenges traditional marketing and POS solutions

# Trade – Complex and difficult to reach

**Bars Channel:** 433k stores, local consumption, Focused on Beverages, Tobacco, Confectionery



**Traditional Channel:** 326k stores, Bakeries, Emporiums, Canteens etc, focused on Bread, Dairy, RTE products



**Self-Service 1-19 check outs:** 72k stores, C-Stores, Neighborhood stores, focused on Food, Beverages, day to day products and Convenience



**Self-Service 20-50+ check outs:** 3k stores, focused on house, food, cosmetics, hygienic, etc.



# Kraft Brazil – Strong competitive advantages

- Powerful and leading brands
- Strong route-to-market
- Responsive business model

# Powerful and leading brands

Trident

LACTA

Sonho  
de  
Valsa

BIS

Diamante  
Negro

HALLS

Bubbaloo

Chiclets

KRAFT  
PHILADELPHIA

TANG

CLUB  
SOCIAL

Traxinas

Royal

 kraft foods

# Focused portfolio of brands and categories

## Focused Brand Portfolio



~80%  
of Net  
Revenue

## 2010 Net Revenue by Category



# Kraft has 4 of the top 5 confectionery brands


## Total Confectionery

<u>Brand</u>	<u>Company</u>	<u>Sub-Category</u>	<u>% Share</u>
	Kraft	Gum	11.4
Garoto	Nestlé	Chocolate	4.8
	Kraft	Chocolate	3.4
	Kraft	Chocolate	2.8
	Kraft	Chocolate	2.6






# Kraft is the absolute leader in total confectionery

## Total Confectionery

<u>Company</u>	<u>% Share</u>
 kraft foods <small>realize today delicious</small>	31.2
Nestlé/Garoto	19.4
Arcor	7.4
Florestal	3.1
Dori	2.8

# We are a leader in every sub-segment of confectionery ...

Chocolates		Gum		Candy	
Nestlé/Garoto	45%	 71%		 56%	
 36%		Arcor	11%	Perfetti	14%
Garoto	22%	Riclan	5%	Ferrero	11%
Ferrero	6%	Perfetti	3%	Riclan	7%
Arcor	3%			Arcor	6%

... and in every category in which we compete

### Powdered Beverages



47%

Ajinomoto 11%

Vilma 5%

Casa Doce 3%

Gen'l Brands 2%

### Cream Cheese



66%

Polengui 17%

Danubio 15%

### Biscuits

M.D. Branco 17%

Nestlé 13%



12%

Bauducco 8%

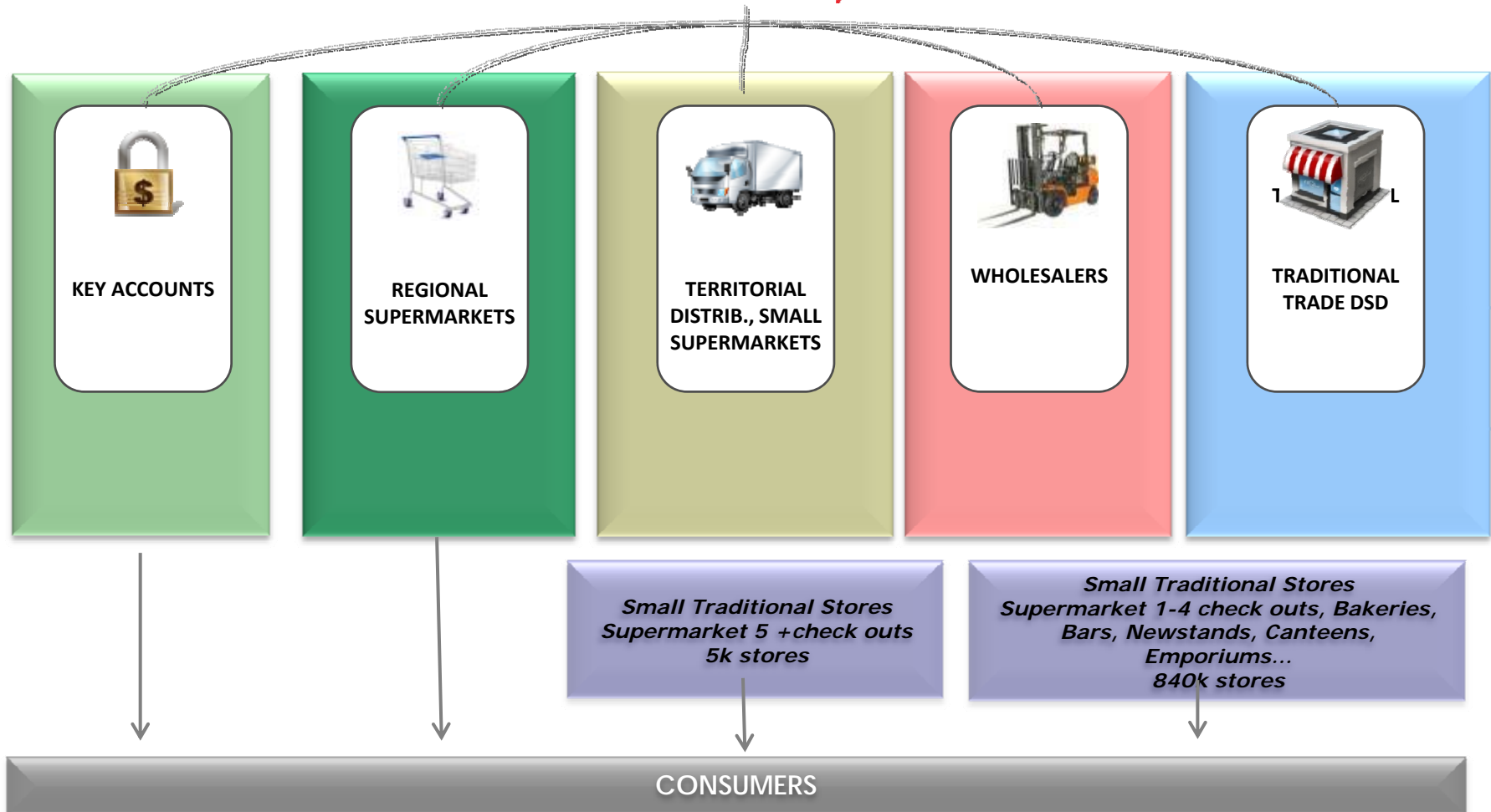
Marilan 6%

# Strong route-to-market

## Deep Distribution

- 241K traditional stores called directly
- Strong distributor network
- Wholesale partnerships

# Brazil route-to-market



# Strong route-to-market

## Deep Distribution

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## Impactful Visibility

- Hot Zone expertise
- 50% of modern trade check-outs
- Back of store across categories

# Impactful visibility





# Hot Zone expertise





# Strong route-to-market

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## Impactful Visibility

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## Trade Clout & Knowledge

- Long history & experience
- Category captainship / cross-category
- Deep shopper insights



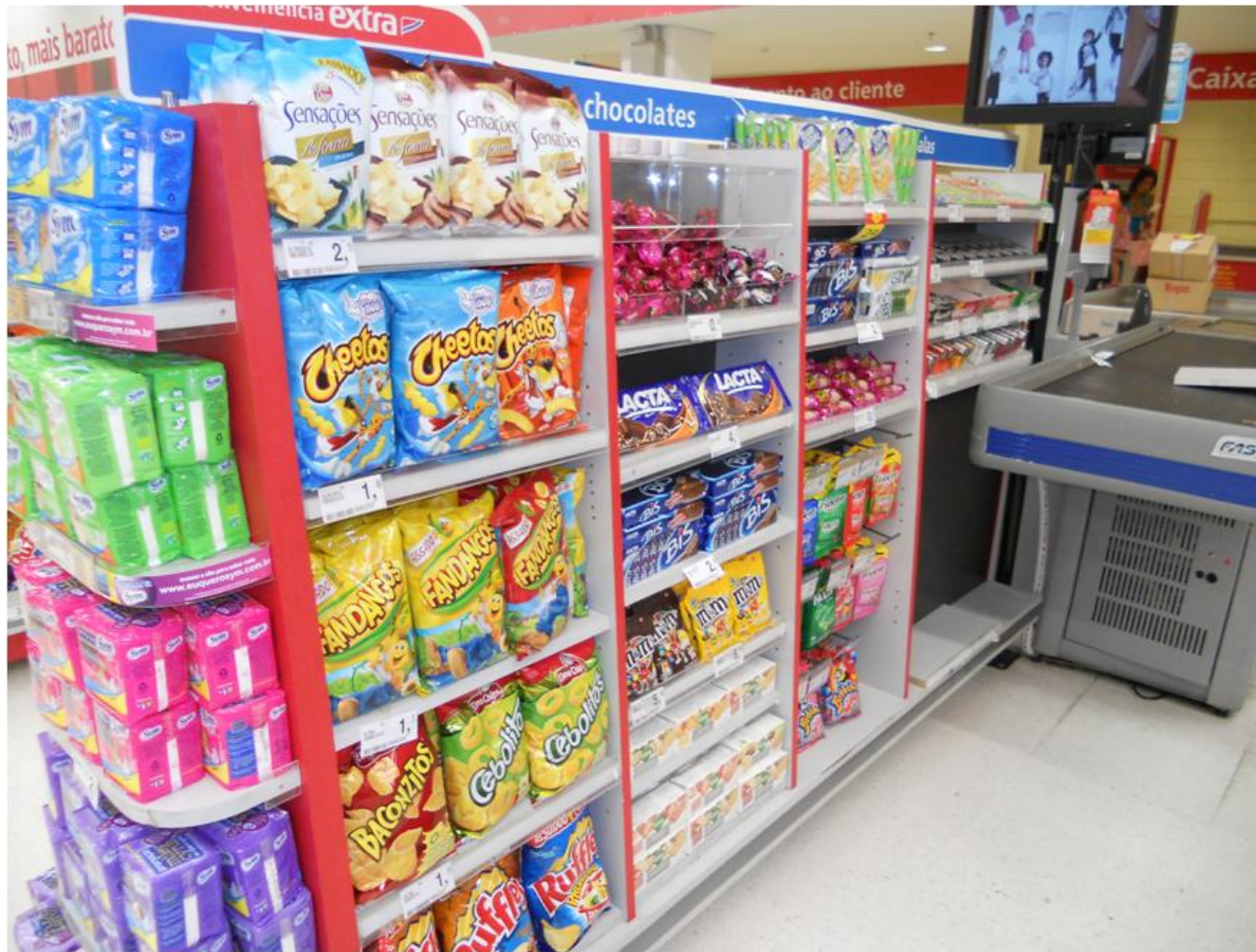
# Trade clout and knowledge



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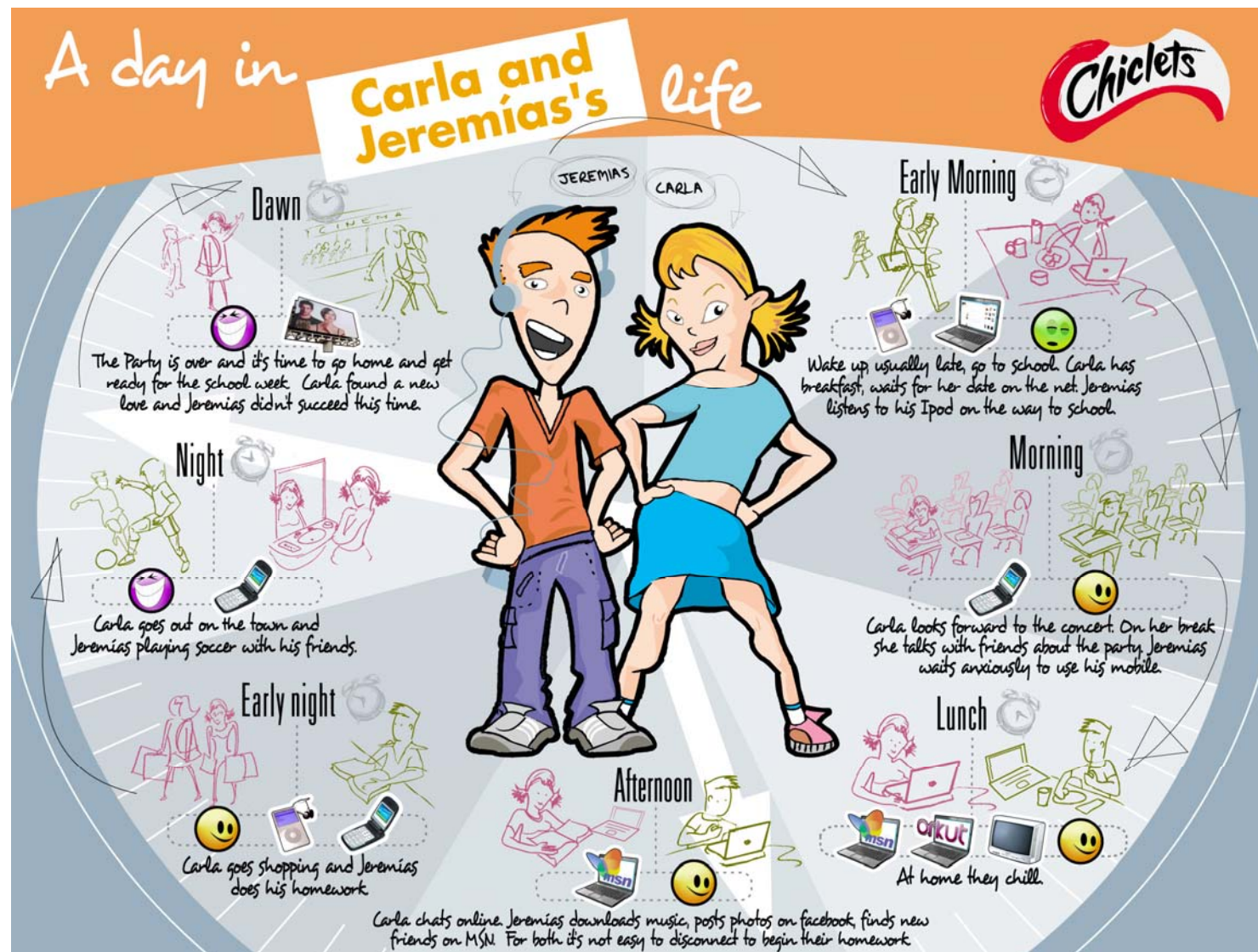


# Trade clout and knowledge





# Insights into action



# Responsive business model

## Multi-Location Virtual Organization

- São Paulo – new commercial front office
- Curitiba – back office
- Recife – North/Northeast focused entrepreneurial team
- Category centered

# Responsive business model

**Multi-Location  
Virtual  
Organization**

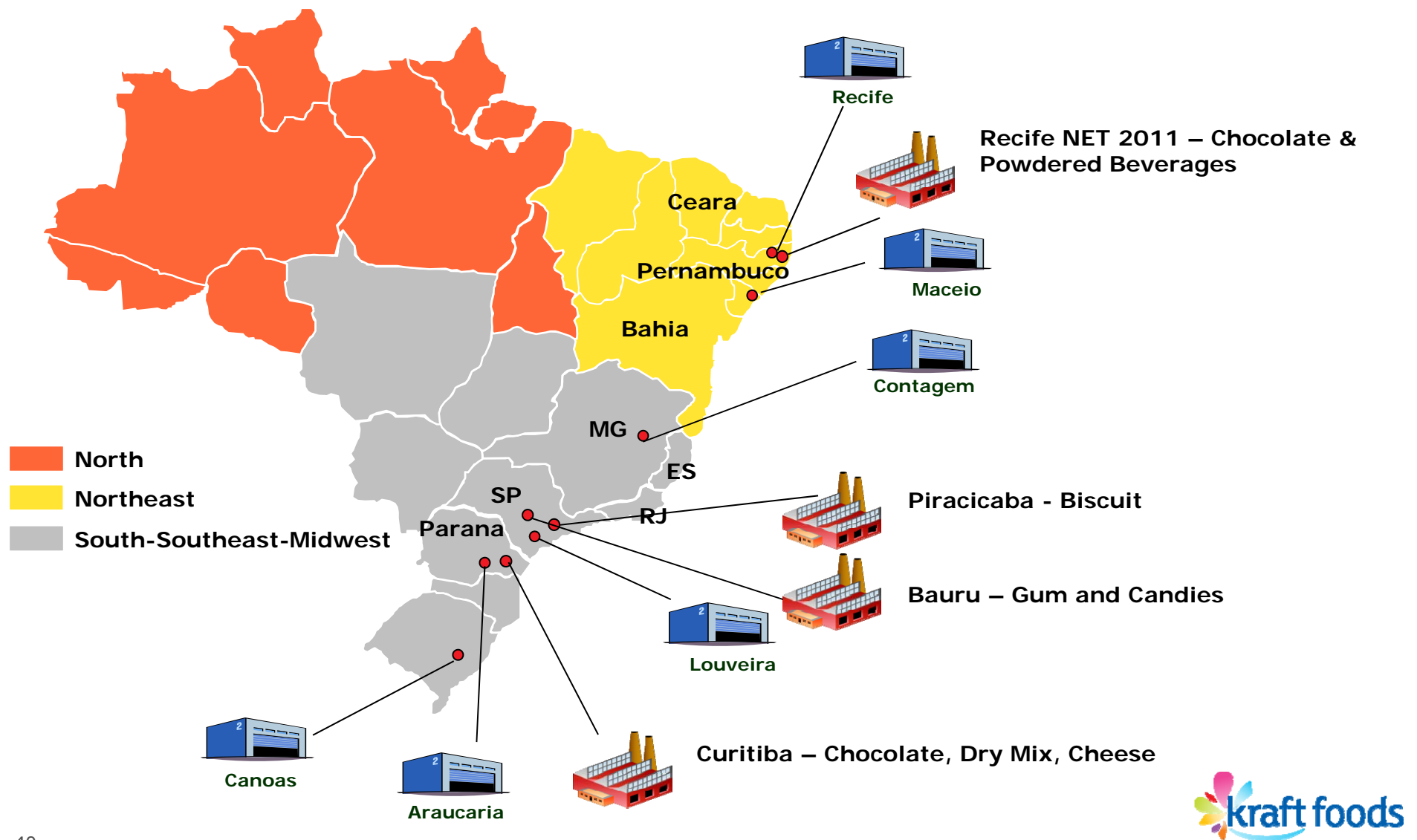
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**Efficient  
Supply Chain**

- 6 plants – scale / specialization
- 6 distribution centers



# Manufacturing footprint





# Vitória de Sto Antão, Pernambuco – May 2011



# Responsive business model

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## Experienced Management Team

- Blend Kraft / Cadbury
- Financial discipline
- Strategic selling
- Brand connections

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## Evolving / Vibrant Culture

- Outward focus / partnerships
- “Glocal”
- Accountability / collaboration

**Raising the quality of the management team**



# Kraft is well-positioned to capture growth

## Growth Drivers

### **Distribution Expansion & Visibility**

- North / Northeast region
- Product configuration
- Total snacks visibility solution
- Partnerships (BR Foods)

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- Formulation / packaging
- New occasions / need states
- New price points

# Core renovation and innovation





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### **Higher A&C Investment**

- Digital / social media
- Right / better partners
- Creativity
- Marketing mix modeling

# Increasing A&C investments to strengthen brands and fuel growth

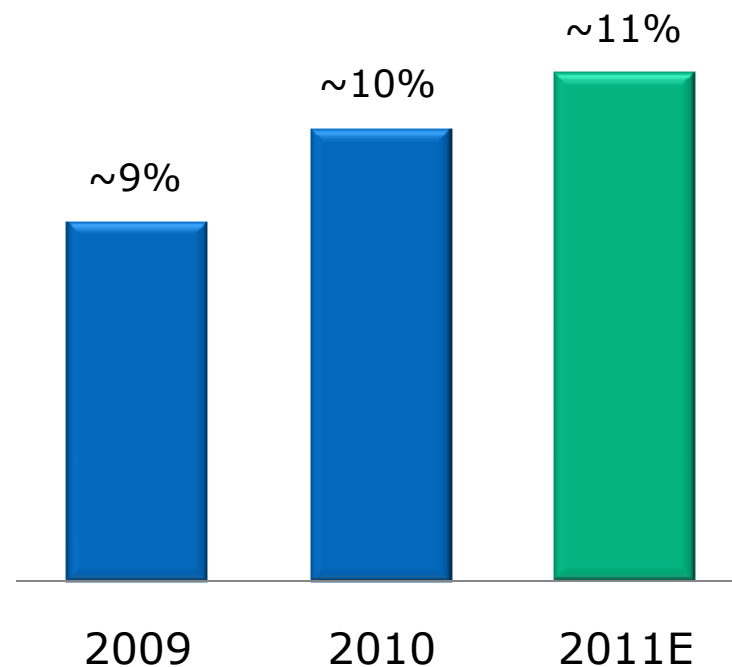
## A&C Spending: 2011E vs. 2010

*(Constant FX)*

### By Category

Powdered Beverages	~30%
Gum & Candy	~30%
Chocolate	~25%
Biscuits	~20%
Other	~(5)%
Total	~25%

## A&C as a % of Net Revenue





# Kraft is well-positioned to capture growth

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### Higher A&C Investment

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- Right / better partners
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### White Space Opportunities

- Biscuits
- Powdered beverages



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# GAAP to Non-GAAP Reconciliation

## Net Revenues to Organic Net Revenues

For the Twelve Months Ended December 31,  
(\$ in millions, except percentages) (Unaudited)

	Add back:											% Change			
	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions	Impact of Integration Program	Impact of Currency	Base Kraft Foods Organic (Non-GAAP)	Impact of Acquisitions - Cadbury <sup>(1)</sup>	Divestitures - Cadbury's Poland and Romania Operations <sup>(1)</sup>	Impact of Currency - Cadbury <sup>(1)</sup>	Cadbury Organic (Non-GAAP) <sup>(1)</sup>	Combined Organic (Non-GAAP)	As Reported (GAAP)	Base Kraft Foods Organic (Non-GAAP)	Cadbury Organic (Non-GAAP) <sup>(1)</sup>	Combined Organic (Non-GAAP)
<b>2010</b>															
Kraft Foods Developing Markets	\$ 13,613	\$ -	\$ (4,753)	\$ 1	\$ 15	\$ 8,876	\$ 4,753	\$ (105)	\$ (302)	\$ 4,346	\$ 13,222	71.1%	11.8%	5.1%	9.5%
<b>2009</b>															
Kraft Foods Developing Markets	\$ 7,956	\$ (14)	\$ -	\$ -	\$ -	\$ 7,942	\$ 4,341	\$ (207)	\$ -	\$ 4,134	\$ 12,076				

<sup>(1)</sup> Kraft Foods acquired Cadbury plc on February 2, 2010. Cadbury data, shown above, is for February through December 2010 and 2009, adjusted from IFRS to U.S. GAAP and translated to US\$ from local countries' currencies. Cadbury 2009 data is presented on a combined company, pro forma basis.



# GAAP to Non-GAAP Reconciliation

## Gross Profit Margin

For the Twelve Months Ended December 31,  
(\$ in millions, except percentages) (Unaudited)

	2010						2009	Increase/(Decrease)	
	As Reported (GAAP)	Integration Program Costs <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup>	Cadbury	Currency	As Adjusted (Non-GAAP)	As Reported (GAAP)	As Reported (GAAP)	As Adjusted (Non-GAAP)
<b><u>Kraft Foods Developing Markets</u></b>									
Net Revenues	\$ 13,613	\$ 1	\$ -	\$ (4,753)	\$ 15	\$ 8,876	\$ 7,956		
Gross Profit	\$ 5,096	\$ 6	\$ 25	\$ (1,952)	\$ 33	\$ 3,208	\$ 2,831		
Gross Profit Margin	37.4%					36.1%	35.6%	1.8 pp	0.5 pp

<sup>(1)</sup> 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.

<sup>(2)</sup> Acquisition-related costs include transaction advisory fees, UK stamp taxes and the impact of the Cadbury inventory revaluation.



# GAAP to Non-GAAP Reconciliation

## Overheads

For the Twelve Months Ended December 31,  
(\$ in millions, except percentages) (Unaudited)

	2010					2009	Increase/(Decrease)	
	As Reported (GAAP)	Integration Program Costs <sup>(1)</sup>	Operating (Non- GAAP)	Cadbury	As Adjusted (Non-GAAP)	As Reported (GAAP)	As Reported (GAAP)	As Adjusted (Non-GAAP)
<b><u>Kraft Foods Developing Markets</u></b>								
Net Revenues	\$ 13,613	\$ 1	\$ 13,614	\$ (4,753)	\$ 8,861	\$ 7,956		
Overheads	\$ 2,186	\$ (158)	\$ 2,028	\$ (814)	\$ 1,214	\$ 1,203	81.7%	0.9%
Overheads As % of Net Revenues	16.1%		14.9%		13.7%	15.1%	1.0 pp	(1.4)pp

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