

# Kraft Foods

## Q3 2010 Results

November 4, 2010



# Forward-looking statements

This slide presentation contains a number of forward-looking statements. Words such as “expects,” “goals,” “plans,” “believes,” “continues,” “may,” “will,” and variations of such words, and similar expressions, are intended to identify forward-looking statements including, but not limited to, statements about Q4 programming; our 2010 guidance; our cost synergy programs; our earnings trajectory; and our virtuous cycle of growth and investment. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause our actual results to differ materially from those indicated in our forward-looking statements. Such factors, include, but are not limited to, continued volatility of input costs, pricing actions, increased competition, risks from operating internationally, our indebtedness and our ability to pay our indebtedness, failure to realize the expected benefits of our combination with Cadbury, continued weakness in economic conditions and tax law changes. Please also see our risk factors, as they may be amended from time to time, set forth in our SEC filings, 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.

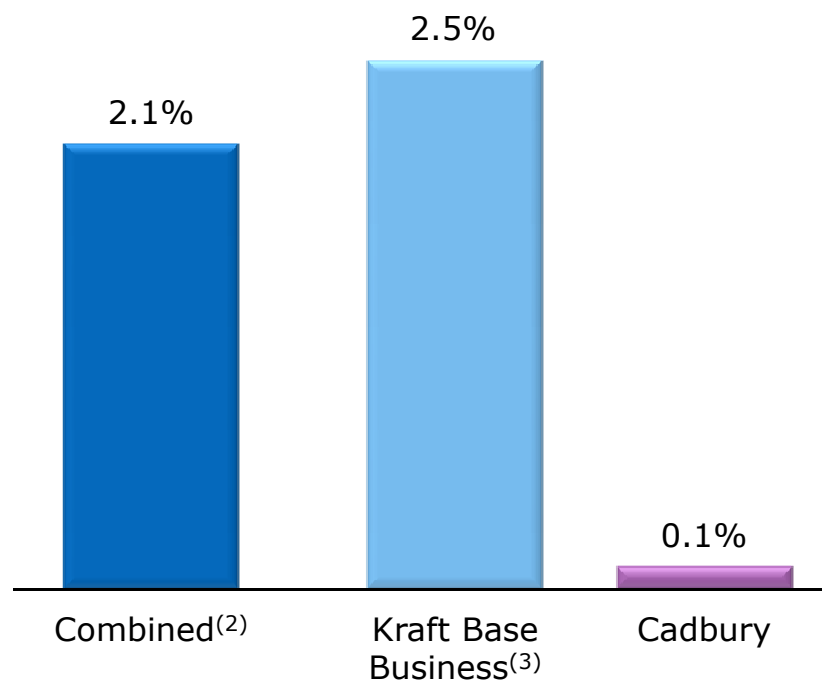


# Continued to build momentum in Q3

- Delivered solid performance in every geography
  - KFNA: Sequential top-line improvement
  - KFE: Solid growth and margin gains
  - KFDM: Continued strength in Latin America and Asia Pacific
- Reinvested portion of H1 2010 earnings upside
  - Significant step-up in brand-building investments
  - Normalizing of Cadbury trade inventories largely complete
- Initiated pricing actions to offset higher input costs

# Kraft Foods: Q3 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Focused investments driving Power Brands
- Net pricing up in every business unit
- Cadbury growth in line with plan
  - Normalizing trade inventories
  - Lapping strong *Trident Layers* and *Halls* comps

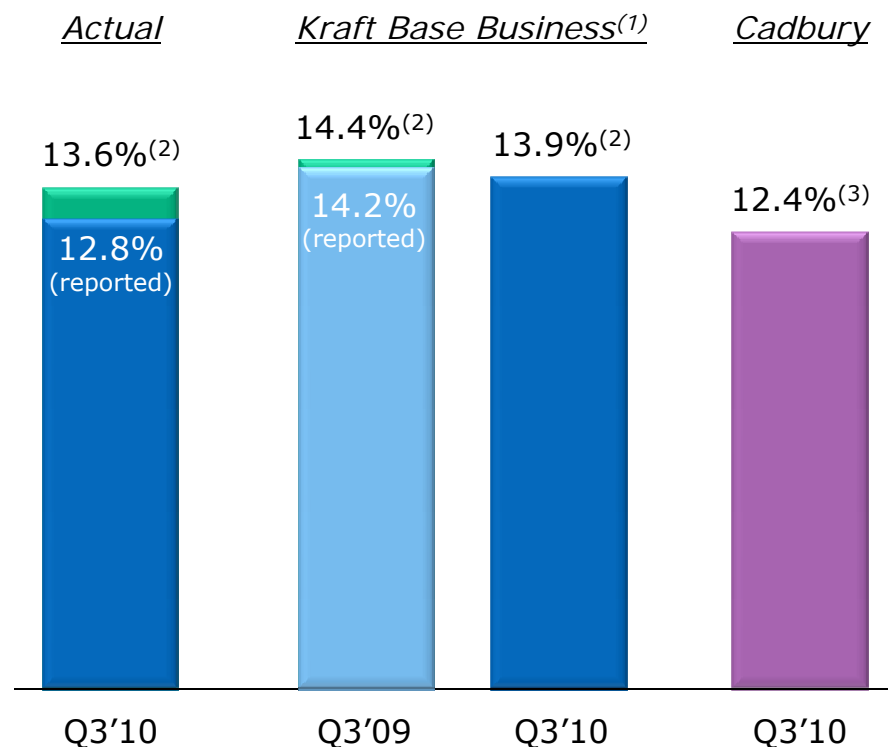
(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Net Revenues increased 26.2%.

(3) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

# Kraft Foods: Q3 Operating Income Margin

## Operating Income Margin



- Significantly increased advertising investments reduced margins
- Pricing lagged higher input costs
- Excellent progress on productivity, overhead costs
- Cadbury margin
  - Stepped-up marketing
  - Normalizing inventory levels

(1) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 10.6%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Q3 EPS reflects reinvestment of H1 upside and higher tax rate

	<u>Q3</u>	<u>September YTD</u>
<b>2009 Diluted EPS</b>	<b>\$0.55</b>	<b>\$1.56</b>
Earnings from Discontinued Operations	(0.03)	(0.11)
Acquisition-Related Costs	0.01	0.01
<b>2009 Operating EPS</b>	<b>\$0.53</b>	<b>\$1.46</b>
Operating Gains – Kraft Base Business	0.01	0.17
Change in Unrealized Gains/Losses from Hedging Activities	--	(0.06)
Change in Foreign Currency	(0.02)	0.01
Operating Earnings - Cadbury	0.12	0.30
Higher Interest Expense <sup>(1)</sup>	(0.05)	(0.14)
Change in Shares Outstanding	(0.06)	(0.18)
Changes in Taxes <sup>(2)</sup>	(0.06)	--
<b>2010 Operating EPS<sup>(3)</sup></b>	<b>\$0.47</b>	<b>\$1.56</b>
Integration Program Costs <sup>(4)</sup>	(0.05)	(0.13)
Acquisition-Related Costs <sup>(5)</sup> and Financing Fees <sup>(6)</sup>	0.01	(0.22)
U.S. Health Care Legislation Impact on Deferred Taxes	--	(0.08)
Earnings and Gain from Discontinued Operations	--	\$0.96
<b>2010 Diluted EPS</b>	<b>\$0.43</b>	<b>\$2.09</b>

(1) Excludes a negative \$0.10 per share impact (September YTD) from financing fees related to the Cadbury acquisition.

(2) Excludes the impact of a deferred tax charge of approximately \$0.08 per share (September YTD), resulting from U.S. health care legislation enacted in March 2010.

(3) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(4) Integration Program costs to combine the Kraft Foods and Cadbury businesses.

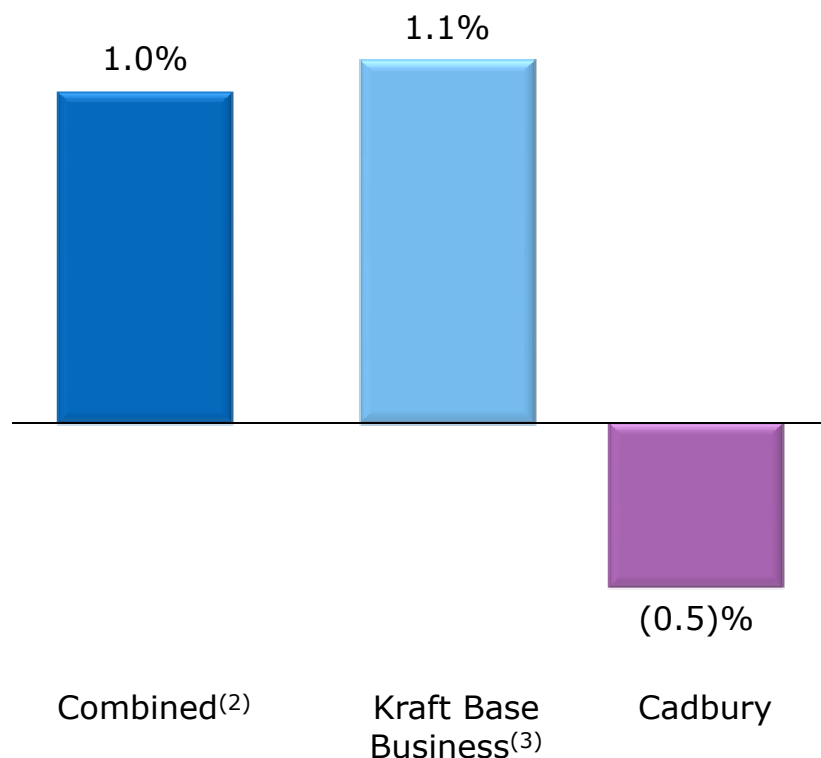
(5) Includes transaction advisory fees, UK stamp taxes and the impact of the Cadbury inventory revaluation.

(6) Includes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.



# Kraft Foods North America: Q3 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Power Brands +3%
- Kraft base business
  - Weak consumer trends
  - Lower merchandising vs. Q3'09
- Solid Q4 programming in place
- Cadbury results
  - 2009 *Trident Layers* launch
  - 2009 H1N1 boost to *Halls*

(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

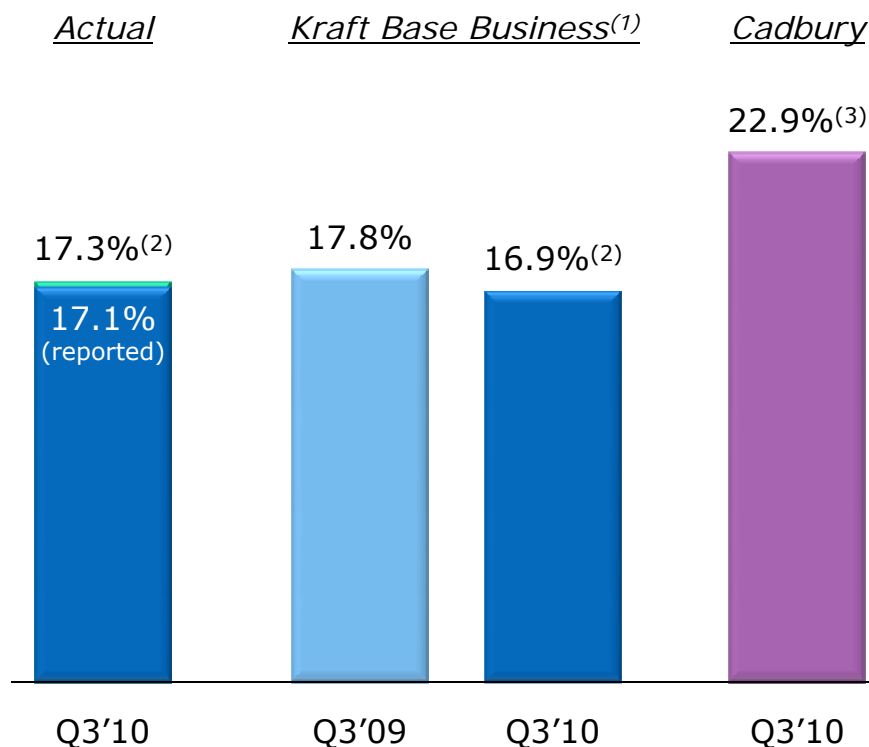
(2) Reported Net Revenues increased 9.3%.

(3) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.



# Kraft Foods North America: Q3 Segment Operating Income Margin

## Segment Operating Income Margin



- Kraft base business
  - Increased advertising investments
  - Pricing and productivity offset higher input costs
- Implemented or announced price increases in ~40% of portfolio
- Cadbury margin
  - Improved product mix
  - Productivity gains

(1) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

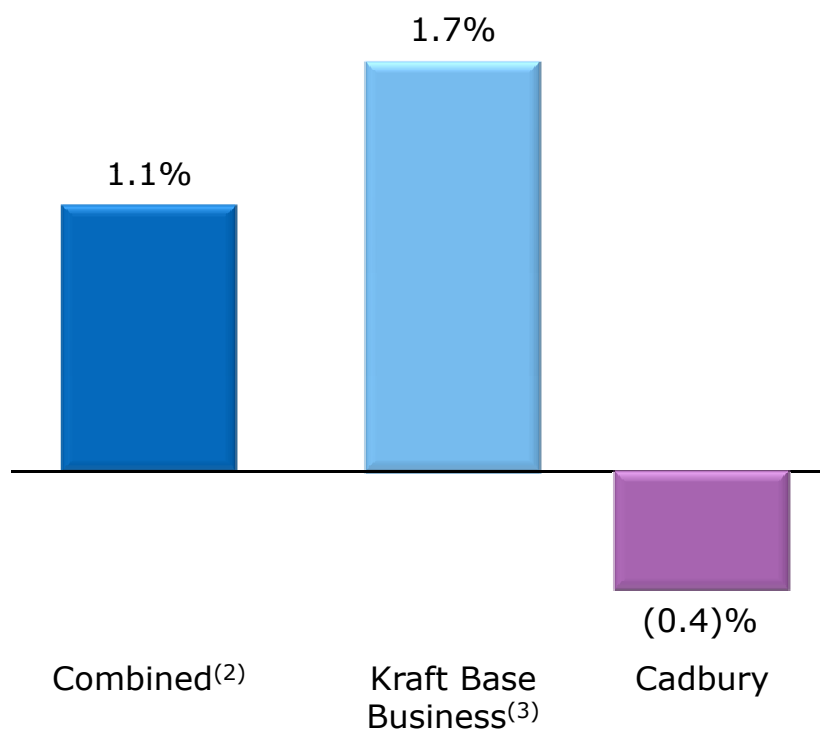
(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 20.2%. See GAAP to Non-GAAP reconciliation at the end of this presentation.



# Kraft Foods Europe: Q3 Organic Net Revenue Growth

## Organic Net Revenue Growth<sup>(1)</sup>



- Power Brands +3%
- Kraft base business
  - Increased focus on Power Brands
  - Greater marketing support
- Cadbury results
  - Weaker markets in Continental Europe
  - Solid growth in Britain and Ireland

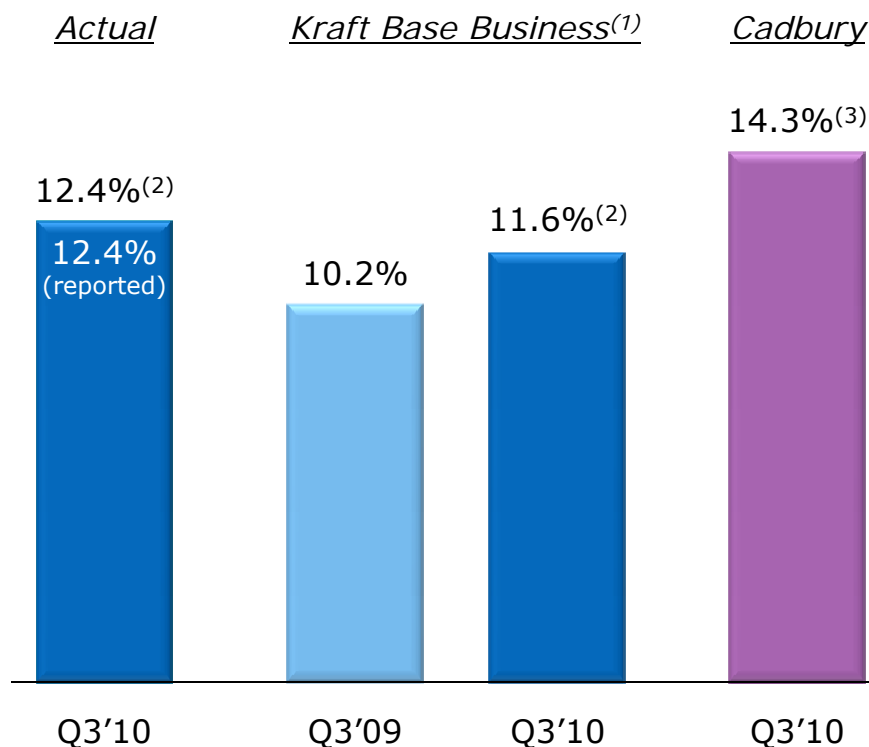
(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Net Revenues increased 29.0%.

(3) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

# Kraft Foods Europe: Q3 Segment Operating Income Margin

## Segment Operating Income Margin

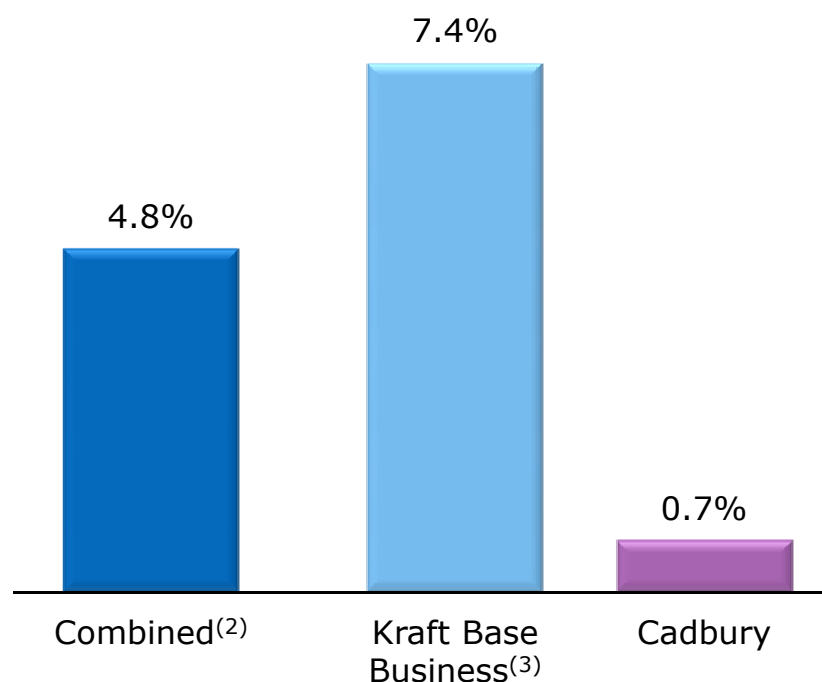


- Kraft base business
  - Productivity gains
  - Timing of advertising spending
  - Lower overheads
- Cadbury margin
  - Improved product mix
  - Supply chain efficiencies
- Implemented or announced price increases in more than half of portfolio

(1) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results  
(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.  
(3) Recorded operating income margin was 15.8%. 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<sup>(1)</sup>



- Power Brands +12%
- Kraft base business
  - Strength in Asia Pacific, Latin America
  - Weak consumer environment in CEEMA
- Cadbury growth tempered by normalizing trade inventories
  - ~(4)pp to Cadbury
  - ~(2)pp to Combined results

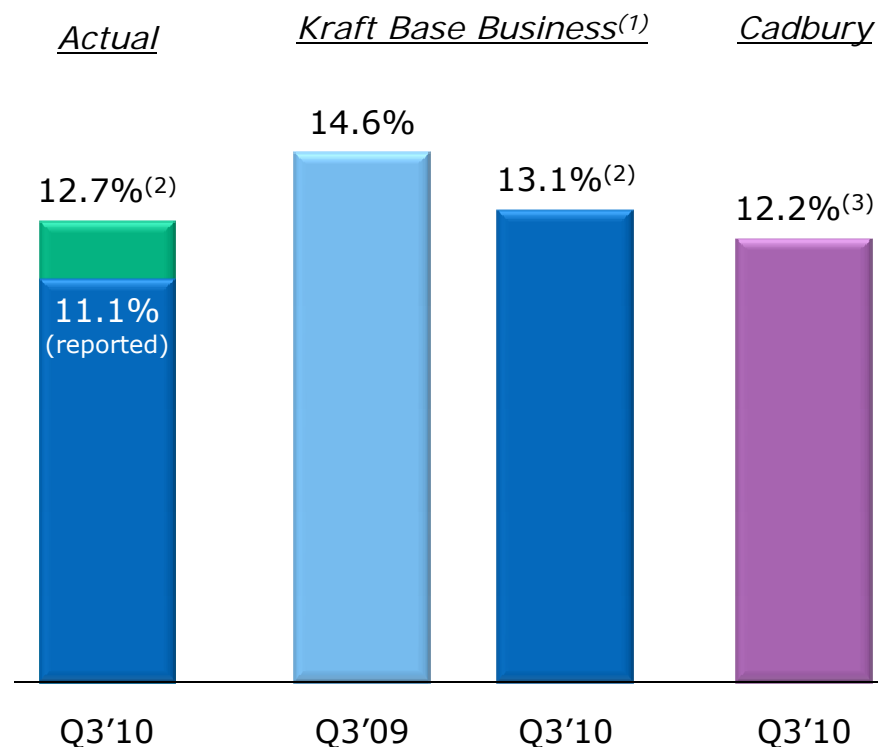
(1) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(2) Reported Net Revenues increased 69.8%.

(3) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

# Kraft Foods Developing Markets: Q3 Segment Operating Income Margin

## Segment Operating Income Margin



- Kraft base business
  - Significantly higher advertising investment
  - More than offset vol/mix gains and overhead leverage
- Cadbury margin
  - Incremental advertising
  - Impact of normalizing trade inventory levels

(1) Kraft base business is defined as the continuing operations of Kraft Foods, excluding the Cadbury financial results.

(2) Excludes acquisition-related and integration program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

(3) Recorded operating income margin was 9.5%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

# Confirmed 2010 guidance

- Combined Organic Net Revenue growth of 3-4%
  - Input cost driven price increases across portfolio
  - Solid programming in place for Q4
- Operating EPS of at least \$2.00
  - Increasing A&C to ~8% of Net Revenues
  - Normalizing Cadbury trade inventories
  - Selective response to aggressive promotional activity

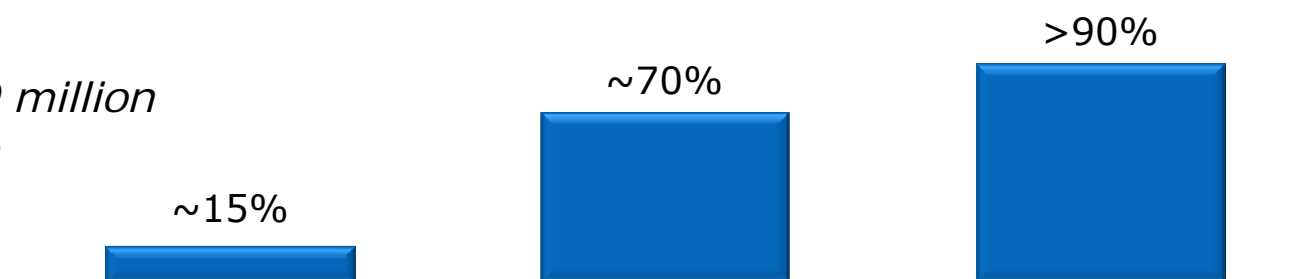
# Cost synergy programs remain on plan to deliver expected savings

## Cost Synergies / Pre-Tax Integration Costs

### Cost Synergies

*Total at least \$750 million*

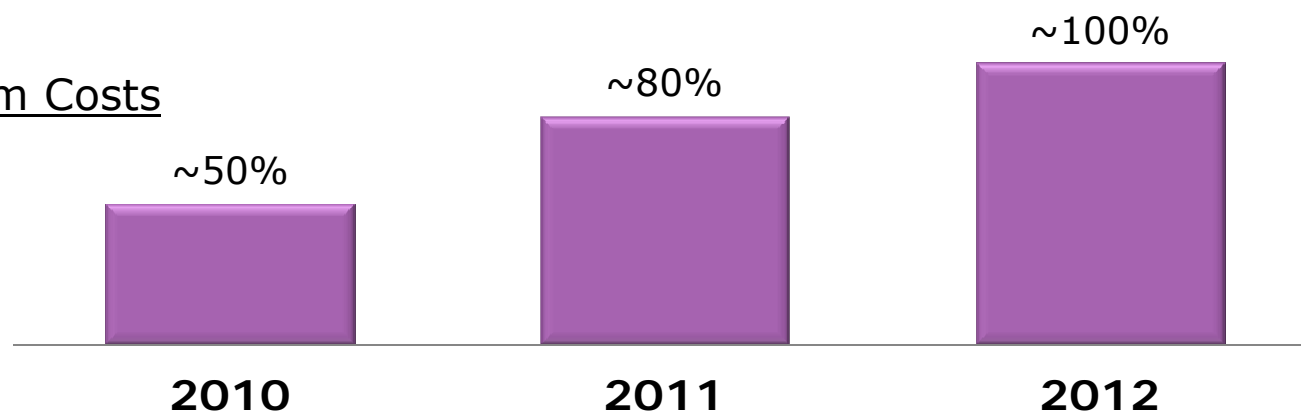
*(Cumulative P&L Impact)*



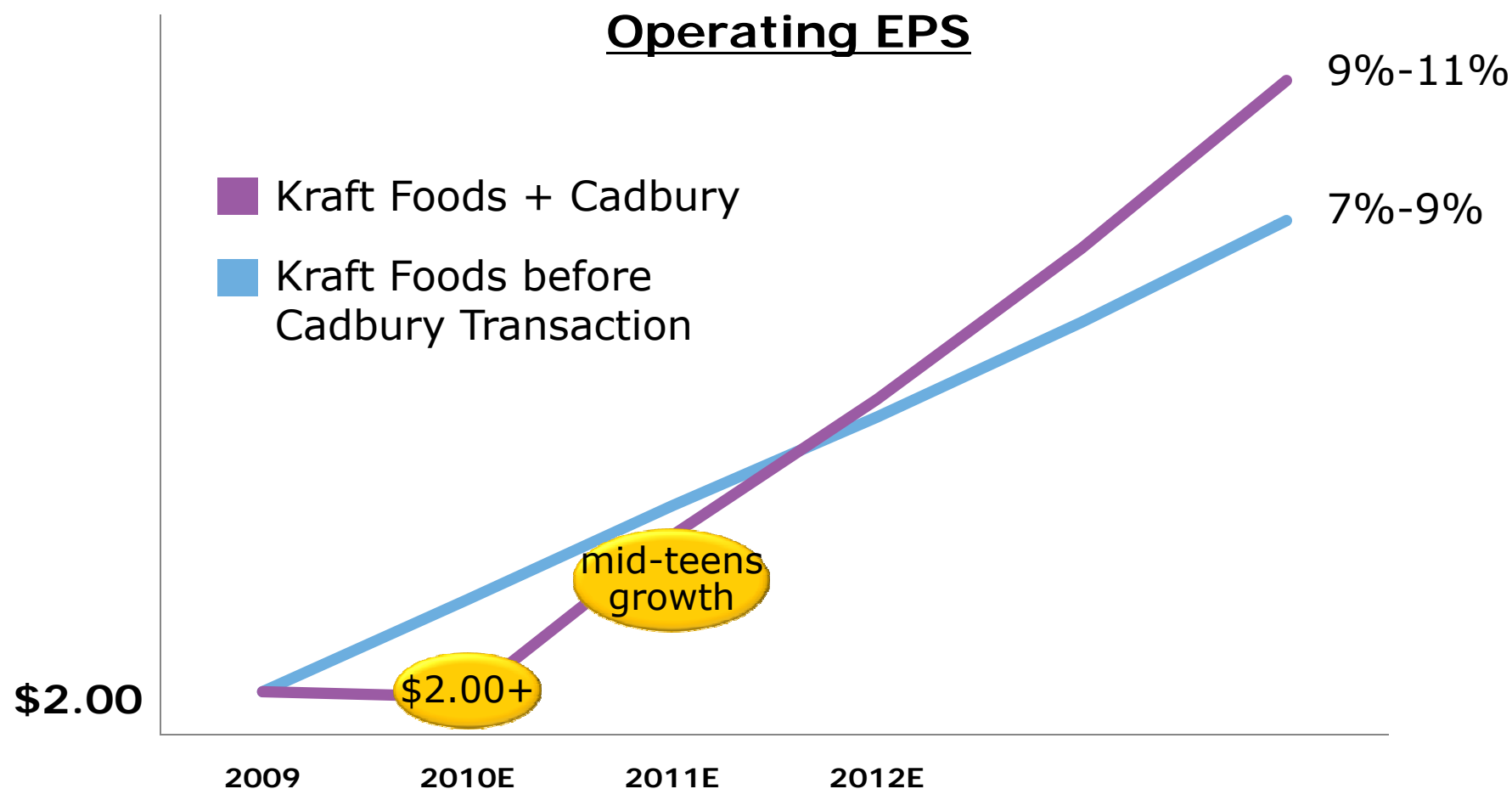
### Integration Program Costs

*Total ~\$1.5 billion*

*(Cumulative)*



# On track to significantly improve earnings trajectory



# Continuing virtuous cycle of growth and reinvestment







# GAAP to Non-GAAP Reconciliation

## Net Revenues to Organic Net Revenues

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

	Add back:										% Change			
	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions	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 North America	\$ 5,873	\$ -	\$ (415)	\$ (37)	\$ 5,421	\$ 415	\$ -	\$ (7)	\$ 408	\$ 5,829	9.3%	1.1%	(0.5)%	1.0%
Kraft Foods Europe	2,670	-	(746)	180	2,104	746	-	52	798	2,902	29.0%	1.7%	(0.4)%	1.1%
Kraft Foods Developing Markets	3,320	-	(1,292)	71	2,099	1,292	(25)	(55)	1,212	3,311	69.8%	7.4%	0.7%	4.8%
<b>Kraft Foods</b>	<b>\$ 11,863</b>	<b>\$ -</b>	<b>\$ (2,453)</b>	<b>\$ 214</b>	<b>\$ 9,624</b>	<b>\$ 2,453</b>	<b>\$ (25)</b>	<b>\$ (10)</b>	<b>\$ 2,418</b>	<b>\$ 12,042</b>	<b>26.2%</b>	<b>2.5%</b>	<b>0.1%</b>	<b>2.1%</b>
<b>2009 (As Revised) <sup>(2)</sup></b>														
Kraft Foods North America	\$ 5,372	\$ (11)	\$ -	\$ -	\$ 5,361	\$ 410	\$ -	\$ -	\$ 410	\$ 5,771				
Kraft Foods Europe	2,070	(1)	-	-	2,069	801	-	-	801	2,870				
Kraft Foods Developing Markets	1,955	-	-	-	1,955	1,258	(54)	-	1,204	3,159				
<b>Kraft Foods</b>	<b>\$ 9,397</b>	<b>\$ (12)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,385</b>	<b>\$ 2,469</b>	<b>\$ (54)</b>	<b>\$ -</b>	<b>\$ 2,415</b>	<b>\$ 11,800</b>				

<sup>(1)</sup> Kraft Foods acquired Cadbury plc on February 2, 2010. Cadbury data, shown above, is for Q3 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.

<sup>(2)</sup> As revised to reflect Frozen Pizza as a discontinued operation.



# GAAP to Non-GAAP Reconciliation

## Operating Income Margins

For the Three Months Ended September 30, 2010  
(\$ in millions, except percentages) (Unaudited)

	As Reported (GAAP)	Integration Program Costs <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup>	Excluding Acquisition- Related and Integration Program Costs (Non-GAAP)	Cadbury	Base Kraft Foods (Non-GAAP)
<b><u>Kraft Foods</u></b>						
Net revenues	\$ 11,863	\$ -	\$ -	\$ 11,863	\$ (2,453)	\$ 9,410
Operating Income	\$ 1,519	\$ 92	\$ 2	\$ 1,613	\$ (303)	\$ 1,310
Operating Income Margin	12.8%			13.6%		13.9%
<b><u>Kraft Foods North America</u></b>						
Net revenues	\$ 5,873	\$ -	\$ -	\$ 5,873	\$ (415)	\$ 5,458
Operating Income	\$ 1,002	\$ 13	\$ -	\$ 1,015	\$ (95)	\$ 920
Operating Income Margin	17.1%			17.3%		16.9%
<b><u>Kraft Foods Europe</u></b>						
Net revenues	\$ 2,670	\$ -	\$ -	\$ 2,670	\$ (746)	\$ 1,924
Operating Income	\$ 332	\$ (1)	\$ -	\$ 331	\$ (107)	\$ 224
Operating Income Margin	12.4%			12.4%		11.6%
<b><u>Kraft Foods Developing Markets</u></b>						
Net revenues	\$ 3,320	\$ -	\$ -	\$ 3,320	\$ (1,292)	\$ 2,028
Operating Income	\$ 370	\$ 53	\$ -	\$ 423	\$ (158)	\$ 265
Operating Income Margin	11.1%			12.7%		13.1%

<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

## Operating Income Margins

For the Three Months Ended September 30, 2009

(\$ in millions, except percentages) (Unaudited)

	As Revised (GAAP) <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup>	Excluding Acquisition- Related Costs (Non-GAAP)
<b><u>Kraft Foods</u></b>			
Net revenues	\$ 9,397	\$ -	\$ 9,397
Operating Income	\$ 1,339	\$ 11	\$ 1,350
Operating Income Margin	14.2%		14.4%

<sup>(1)</sup> As revised to reflect Frozen Pizza as a discontinued operation.

<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

## Operating Income Margins - Cadbury

For the Three Months Ended September 30, 2010

(\$ in millions, except percentages) (Unaudited)

	As Recorded (GAAP) <sup>(1)</sup>	Integration Program Costs <sup>(2)</sup>	Acquisition- Related Costs <sup>(3)</sup>	Excluding Acquisition- Related and Integration Program Costs (Non-GAAP)
<b>Pro Forma Cadbury</b>				
Net revenues	\$ 2,453	\$ -	\$ -	\$ 2,453
Operating Income	\$ 260	\$ 43	\$ -	\$ 303
Operating Income Margin	10.6%			12.4%
<b>Pro Forma Cadbury North America</b>				
Net revenues	\$ 415	\$ -	\$ -	\$ 415
Operating Income	\$ 84	\$ 11	\$ -	\$ 95
Operating Income Margin	20.2%			22.9%
<b>Pro Forma Cadbury Europe</b>				
Net revenues	\$ 746	\$ -	\$ -	\$ 746
Operating Income	\$ 118	\$ (11)	\$ -	\$ 107
Operating Income Margin	15.8%			14.3%
<b>Pro Forma Cadbury Developing Markets</b>				
Net revenues	\$ 1,292	\$ -	\$ -	\$ 1,292
Operating Income	\$ 123	\$ 35	\$ -	\$ 158
Operating Income Margin	9.5%			12.2%

<sup>(1)</sup> Pro Forma Cadbury results included Integration Program costs and acquisition-related costs as they were recorded in their results.

<sup>(2)</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>(3)</sup> Acquisition-related costs reflect 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)

	As Reported (GAAP)	Integration Program Costs <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup> and Financing Fees <sup>(3)</sup>	Operating (Non-GAAP)	% Growth	
					As Reported EPS Growth (GAAP)	Operating EPS Growth (Non- GAAP)
<b>2010</b>						
Diluted EPS						
- Continuing operations	\$ 0.43	\$ 0.05	\$ (0.01)	\$ 0.47	(17.3)%	(11.3)%
- Discontinued operations	-					
- Net earnings attributable to Kraft Foods	\$ 0.43					
<b>2009 (As Revised) <sup>(4)</sup></b>						
Diluted EPS						
- Continuing operations	\$ 0.52	\$ -	\$ 0.01	\$ 0.53		
- Discontinued operations	0.03					
- Net earnings attributable to Kraft Foods	\$ 0.55					

<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.

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

<sup>(4)</sup> As revised to reflect Frozen Pizza as a discontinued operation.



# 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 <sup>(1)</sup>	Acquisition- Related Costs <sup>(2)</sup> and Financing Fees <sup>(3)</sup>	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non- GAAP)	As Reported EPS Growth (GAAP)	Operating EPS Growth (Non- GAAP)
<b>2010</b>							
Diluted EPS							
- Continuing operations	\$ 1.13	\$ 0.13	\$ 0.22	\$ 0.08	\$ 1.56	(22.1)%	6.8%
- Discontinued operations	0.96						
- Net earnings attributable to Kraft Foods	\$ 2.09						
<b>2009 (As Revised) <sup>(4)</sup></b>							
Diluted EPS							
- Continuing operations	\$ 1.45	\$ -	\$ 0.01	\$ -	\$ 1.46		
- Discontinued operations	0.11						
- Net earnings attributable to Kraft Foods	\$ 1.56						

<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.

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

<sup>(4)</sup> As revised to reflect Frozen Pizza as a discontinued operation.

