

# Kraft Foods

## Hitting Our Sweet Spot

September 15, 2010



# 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 revenue growth, earnings per share, market share, portfolio mix, our strategies, margins, cost savings and synergies, brand equities, new products, growth strategies, future operating results, cash flows, pricing, anticipated marketing campaigns, the Cadbury integration and return on invested capital. 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 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 emerging 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 document, except as required by applicable law or regulation.

Chris Jakubik  
Vice President Investor  
Relations



# Agenda

- Hitting our sweet spot
- Seizing our global snacks opportunity
  - Biscuits
  - Gum and Candy
  - Chocolate
- Winning in each region
  - North America
  - Europe
  - Developing Markets
- Transforming our financial performance

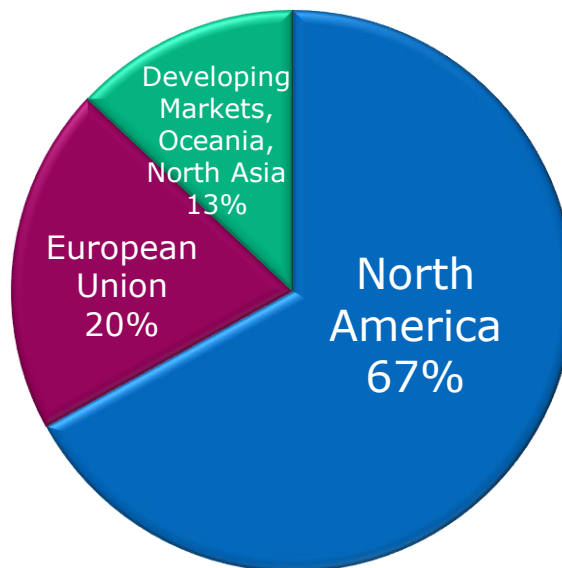


Welcome  
to today's  
Kraft Foods

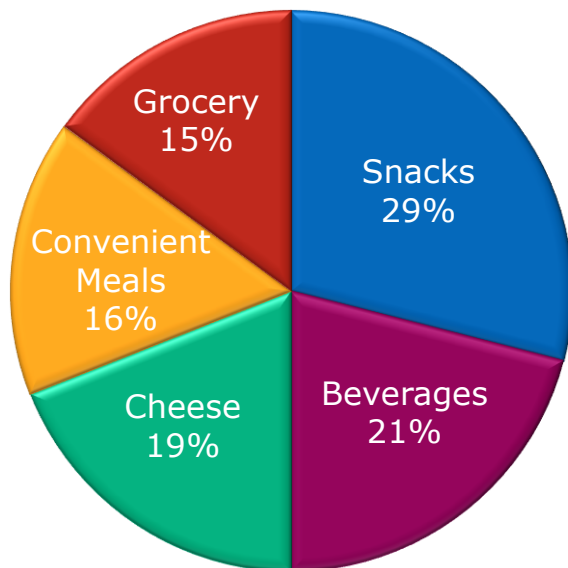


# Kraft Foods in 2006

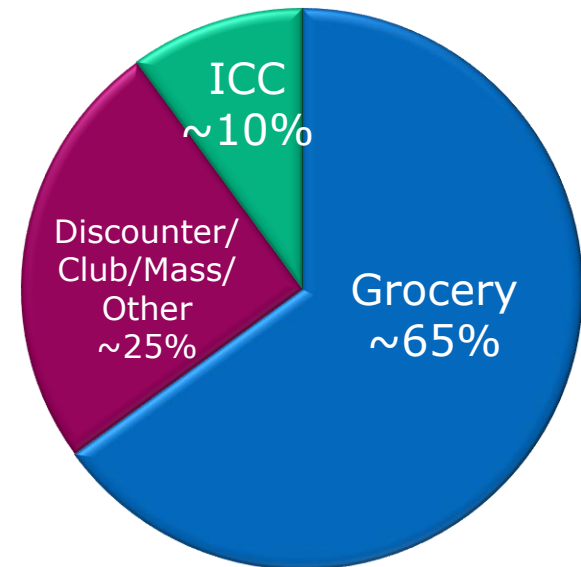
## Geographic Mix<sup>(1)</sup>



## Sector Mix<sup>(1)</sup>

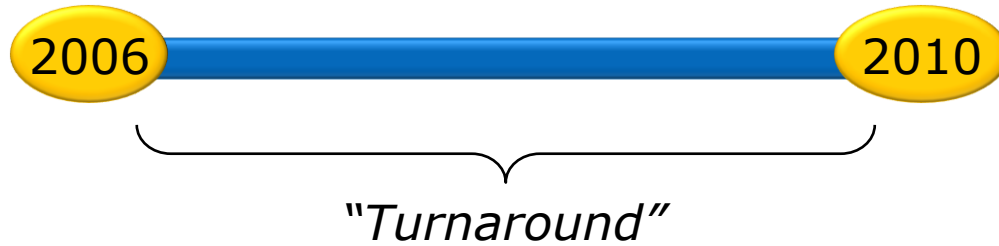


## Channel Mix



(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.

# Rebuilding the foundation



- Fix the base
- Improve portfolio mix
- Peer-average growth

# Fixed the base

## 2006

- Limited exposure to outside ideas
- Centralized structure
- Inferior product quality, limited advertising support
- Overhead cost disadvantage



## 2009

- 80% of top leaders new to company or position
- Accountable Business Units
- ~2/3 of Base Kraft Foods revenue rated preferred/superior
- Base Kraft Foods A&C spending +\$600 million versus 2006
- Base Kraft Foods overheads held essentially flat as a percent of net revenue since 2006

# Improved portfolio mix

## Divestitures



## Acquisitions



*(European rights)*



# Started to deliver growth in line with peer averages

## Operating EPS Growth<sup>(1)</sup>

2006		2007		2008		2009	
1	Danone 31.0%	1	Nestle 17.3%	1	ConAgra 32.9%	1	Hershey 15.4%
2	Nestle 15.0%	2	Coca-Cola 13.9%	2	Sara Lee 19.3%	2	General Mills 13.1%
3	PepsiCo 12.8%	3	PepsiCo 12.7%	3	Coca-Cola 16.7%	3	Heinz 10.3%
4	Coca-Cola 8.7%	4	Kellogg 10.0%	4	General Mills 10.7%	4	<b>Kraft Foods 8.0%</b>
5	Campbell 6.4%	5	Heinz 9.7%	5	Heinz 10.5%	5	Campbell 6.2%
6	Kellogg 6.4%	6	Campbell 7.1%	6	PepsiCo 8.9%	6	Kellogg 5.7%
7	Hershey 3.9%	7	Danone 6.2%	7	Kellogg 8.3%	7	PepsiCo 0.8%
8	<b>Kraft Foods 3.2%</b>	8	General Mills 6.0%	8	Campbell 7.2%	8	Nestle 0.7%
9	General Mills 2.7%	9	ConAgra 3.6%	9	Nestle 4.0%	9	Danone (0.8)%
10	ConAgra 2.2%	10	<b>Kraft Foods (6.2)%</b>	10	<b>Kraft Foods 3.3%</b>	10	Coca-Cola (2.9)%
11	Heinz (7.3)%	11	Hershey (12.2)%	11	Danone 1.2%	11	Sara Lee (15.2)%
12	Sara Lee (20.1)%	12	Sara Lee (30.3)%	12	Hershey (9.6)%	12	ConAgra (20.0)%

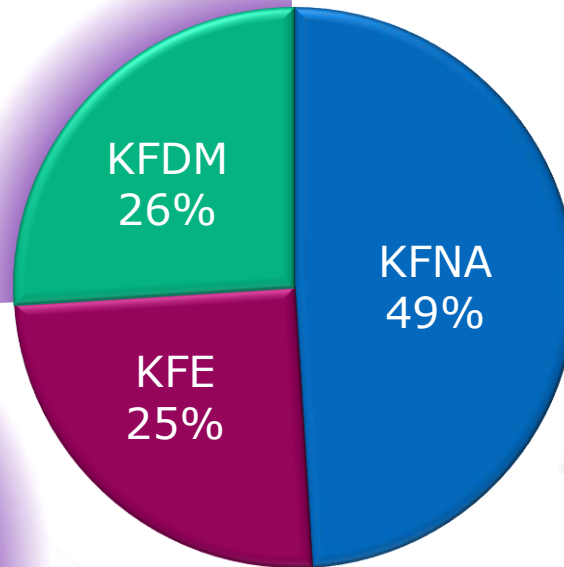
(1) Based on fiscal year. Source: Thomson First Call.

# Cadbury was the final piece of the puzzle

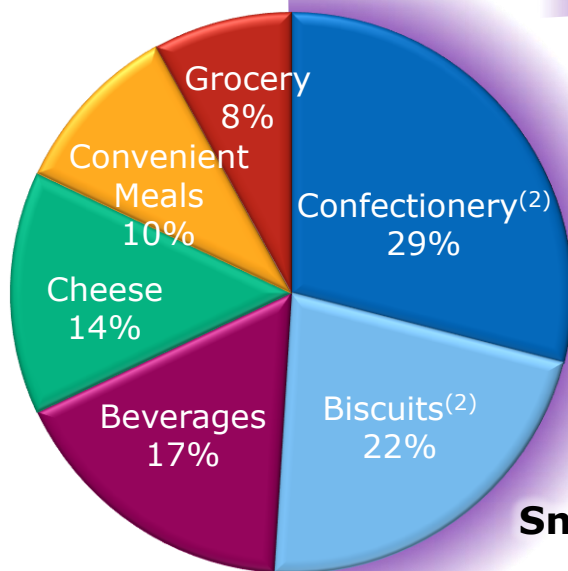


# Today's Kraft Foods

## Geographic Mix<sup>(1)</sup>

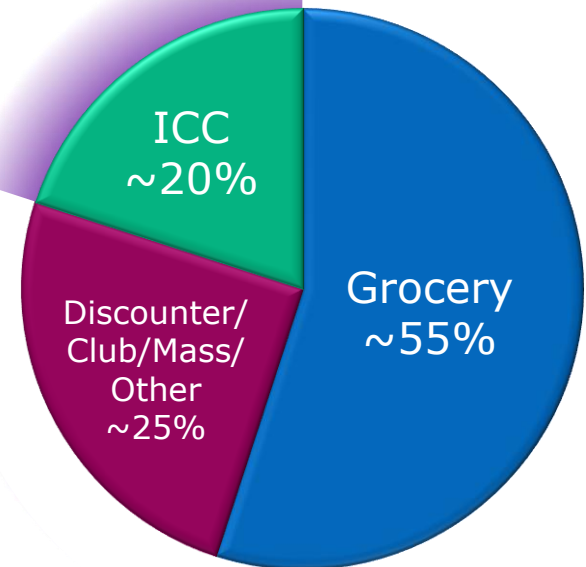


## Sector Mix<sup>(1)</sup>



**Snacks 51%**

## Channel Mix<sup>(1)</sup>

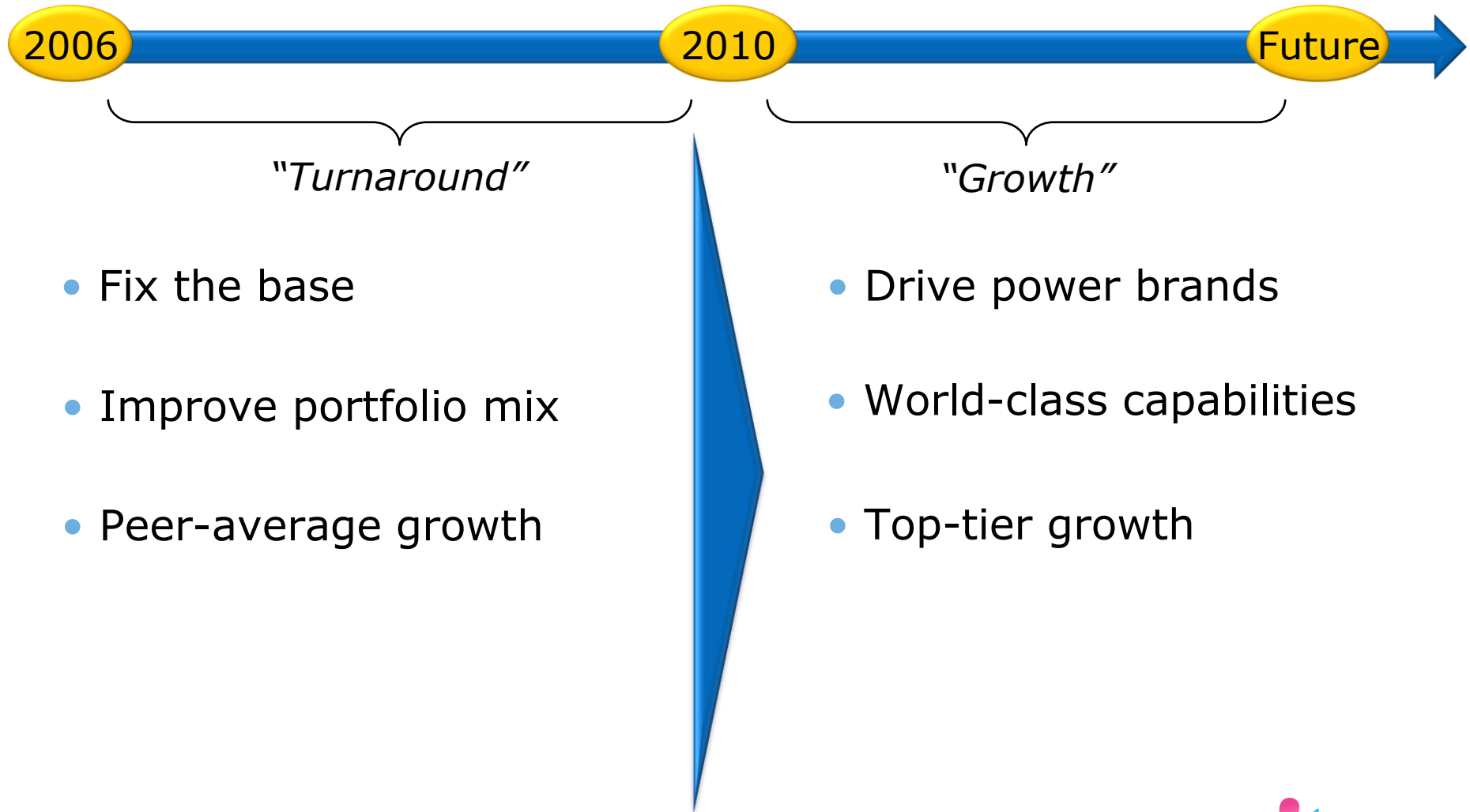


(1) 2009 Pro Forma amounts are based on the acquisition of Cadbury and the divestiture of the Pizza business.

(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.



# Shifting from Turnaround to Growth



## 14



# Three strategies drive growth

**Delight Global  
Snacks Consumers**

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

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

# Being a global snacks powerhouse accelerates long-term growth

## **Delight Global Snacks Consumers**

- Snacks is an advantaged growth category
- Snacks carry inherently higher margins
- We are ideally positioned to capitalize on these advantages



# Snacks is an advantaged growth category

- Aligned with consumer trends

- On-the-go consumption
- Simple indulgences
- Health & Wellness (Crackers, Gum)



# Snacks is an advantaged growth category

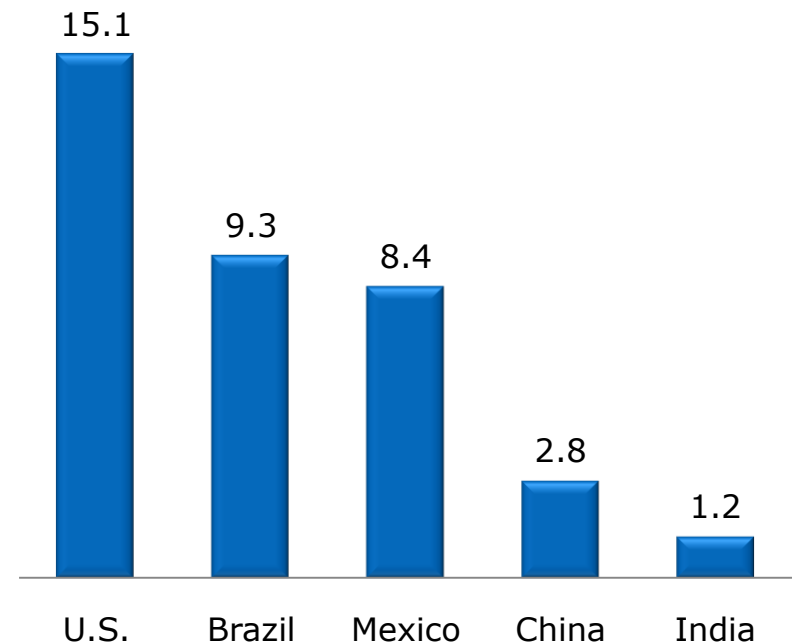
- Aligned with consumer trends
- Sales are expandable
  - Highly responsive to merchandising
  - Multiple channels of distribution
  - Flexible pack sizes



# Snacks is an advantaged growth category

- Aligned with consumer trends
- Sales are expandable
- Consumption in developing markets likely to rise with GDP growth

**Snacks kg per capita\***



# Snacks carry inherently higher margins

- Lower levels of private label penetration

## % Private Label<sup>(1)</sup>

	<b><u>Packaged Food</u></b>	<b><u>Gum</u></b>	<b><u>Chocolate</u></b>	<b><u>Biscuits</u></b>
Global	12%	1%	4%	9%
U.S.	18%	<1%	1%	9%

\*Source: For Gum, Chocolate and Biscuits, Euromonitor 2009. For Packaged Good, Euromonitor 2008.



# Snacks carry inherently higher margins

- Lower levels of private label penetration
- Greater percentage of sales in Immediate Consumption Channels

% Revenue from ICC	
Total Confectionery <sup>(1)</sup>	KFNA U.S. <sup>(2)</sup>
34%	5%

(1) Source: IRI

(2) Source: Nielsen

# Snacks carry inherently higher margins

- Lower levels of private label penetration
- Greater percentage of sales in Immediate Consumption Channels
- Extensive distribution infrastructure



# Snacks carry inherently higher margins

- Lower levels of private label penetration
- Greater percentage of sales in Immediate Consumption Channels
- Extensive distribution infrastructure
- Consistent global consumer behavior enables marketing and innovation scale



# Today's Kraft Foods is uniquely positioned to capitalize on these advantages

## **Share of Global Snacking**<sup>(1)</sup>

	<u>% Global Share</u>
Kraft Foods <sup>(2)</sup>	10.1%
PepsiCo	7.6
Mars-Wrigley	6.1
Nestlé	3.9
Hershey	2.1
Ferrero	2.0
Kellogg	1.4

(1) "Snacking" includes Sweet and Savory Snacks, Snack Bars, Confectionery, Biscuits, Packaged/Industrial Cakes and Packaged/Industrial Pastries.

(2) Includes Kraft Foods and Cadbury.

Source: Euromonitor 2009



# Today's Kraft Foods is uniquely positioned to capitalize on these advantages

## Market Share Position

	North America	Europe	Developing Markets				Global
			Latin America	Asia Pacific	Eastern Europe	Middle East & Africa	
Biscuits	#1	#1	#1	#1	#1	#1	#1
Chocolate	NM	#1	#2	#1	#1	#1	#1
Gum	#2	#2	#1	#3	#2	#1	#2
Candy	#3	#2	#2	#2	#1	#2	#1
Nuts	#1	NM	NM	NM	NM	NM	#1

# Undisputed leader of global snacks

## **Delight Global Snacks Consumers**

- Skew investments to Snacks Power Brands
- Drive growth through global innovation platforms
- Become the world's leader in "Hot Zone"

# Diversified portfolio of Snacks Power Brands will drive sustainable growth

## Biscuits & Nuts



## Chocolate



## Gum & Candy



**Mid-to-high single-digit top-line growth**  
**Mid-teens margins**

# Iconic brands outside of Snacks are integral to our strategy

## Unleash the Power of Our Iconic Heritage Brands

- Category-leading, “must-have” brands for retail customers
- High margin, strong cash flow businesses
- Enables scale advantage versus competition



# Driving success in two ways

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

- Invest strategically in Regional Power Brands
- Apply entrepreneurial mindset to Local Brands

# Invest strategically in regional Power Brands

North  
America



Europe



Developing  
Markets



**Mid  
single-digit  
top-line  
growth**

**High-teens  
margins**

# Apply entrepreneurial mindset to Local Brands

North  
America



Europe



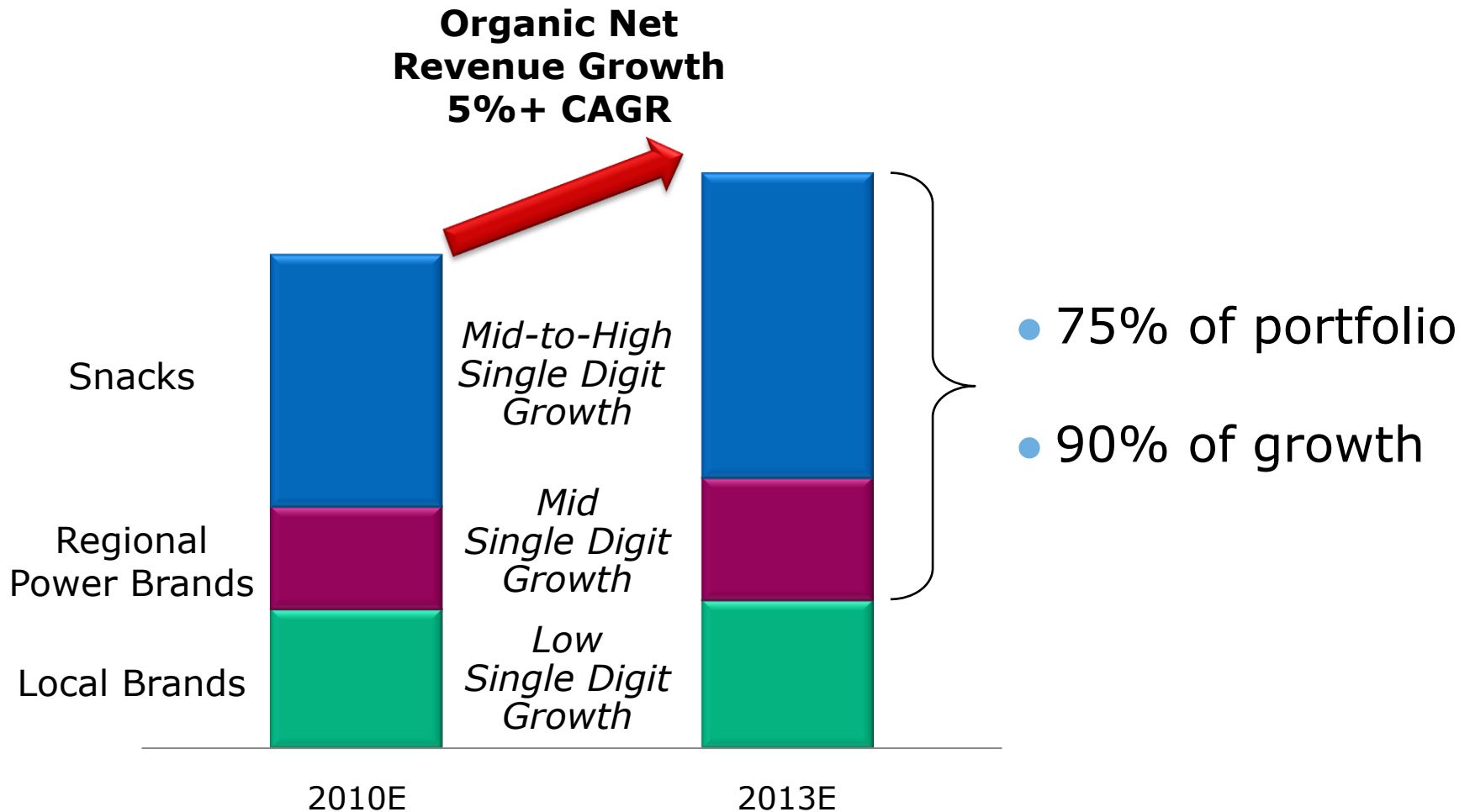
Developing  
Markets



Low  
single-digit  
top-line  
growth

High-teens  
margins

# Snacks and Regional Power Brands will drive top-tier organic revenue growth



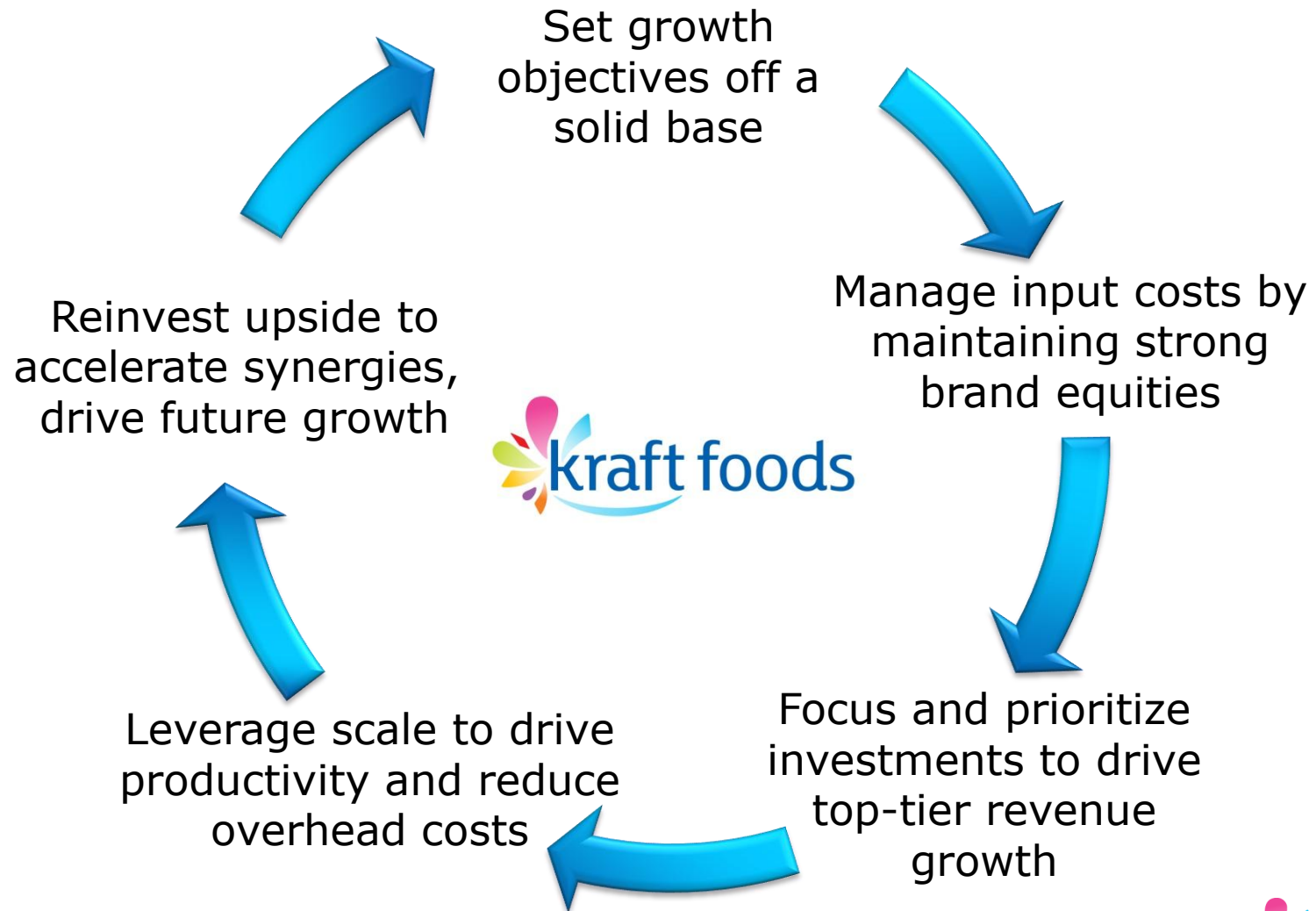
Note: 2010 includes 12 months of Cadbury results. Snacks includes other Kraft Foods Snacks businesses beyond core categories (e.g., Handi-Snacks, Marshmallows, etc.).

# Seizing growth opportunities with world-class execution

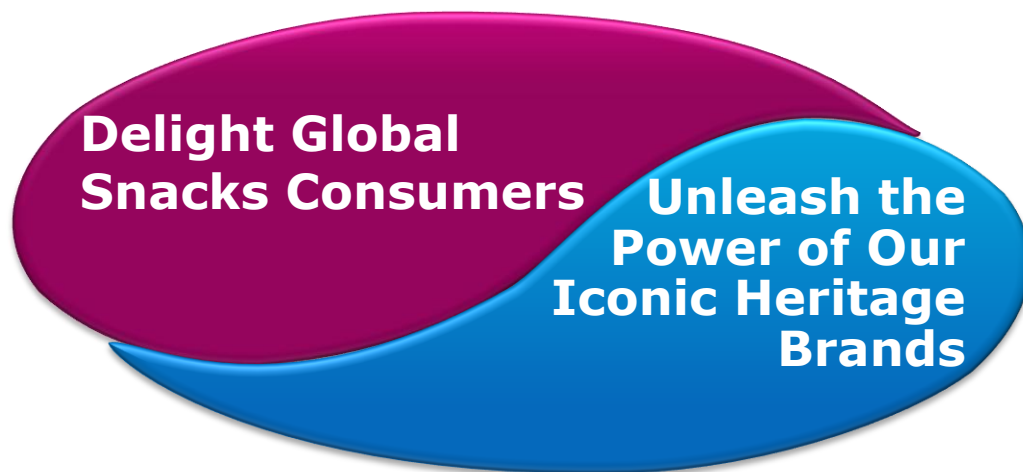
- Unmatched consumer connections
- Strong leadership, deep bench
- Business-relevant societal issues
- World-class cost structure

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

# Business positioned to benefit from a virtuous cycle



# Our strategies will deliver sustainable, top-tier growth



**Organic revenue growth 5%+**

**Mid- to high-teens margins**

**EPS growth 9-11%**

# Agenda

- Hitting our sweet spot
- Seizing our global snacks opportunity
  - Biscuits
  - Gum and Candy
  - Chocolate
- Winning in each region
  - North America
  - Europe
  - Developing Markets
- Transforming our financial performance



# Global Category Teams (GCTs) accelerate Snacks growth

- Approach based on experience and benchmarking
  - Best of Kraft Foods
  - Best of Cadbury
  - Lessons learned from benchmarking other companies
- Cornerstone of competitive advantage
  - Facilitates sharing of best practices
  - Enables rapid deployment of ideas globally

# GCTs focused on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands

- Deliver effective brand equity management within a “glocal” framework

## Leverage Capabilities

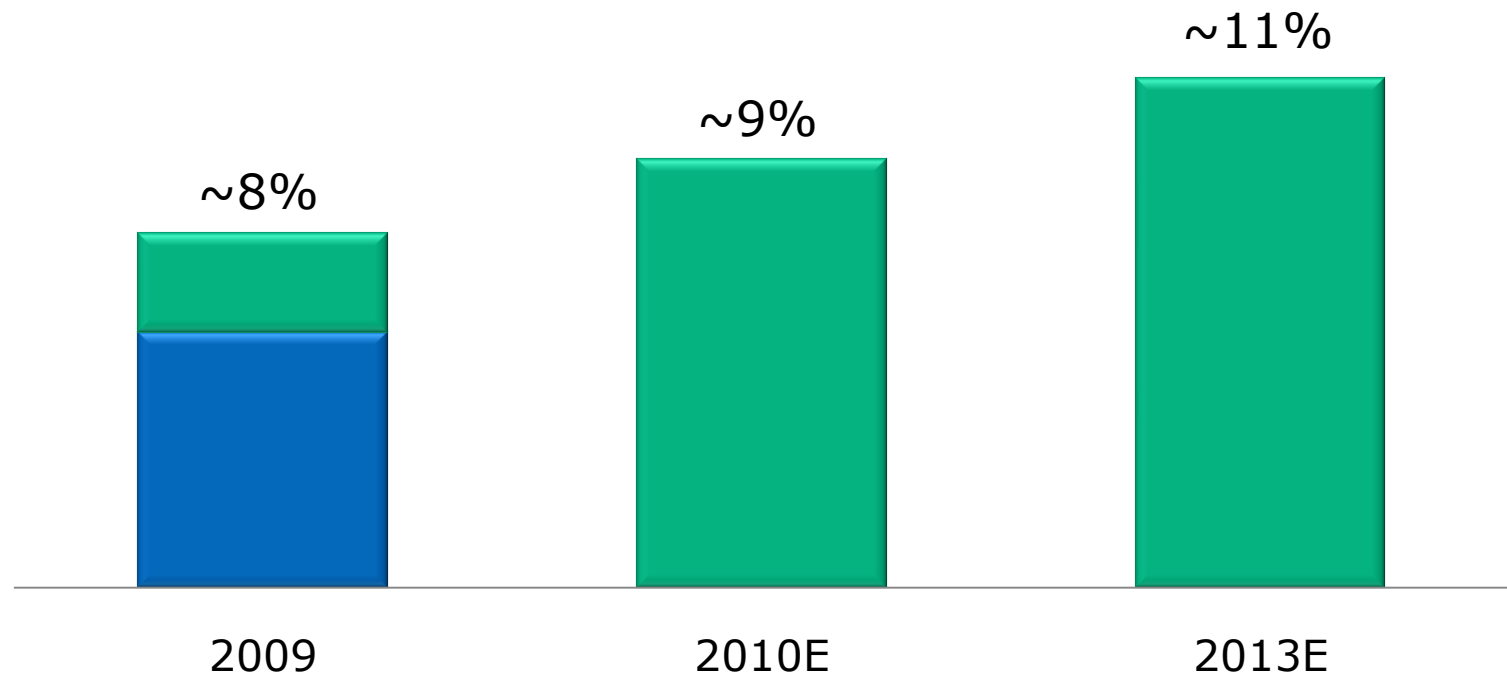
- Drive best practices across markets

## Drive Innovation Platforms

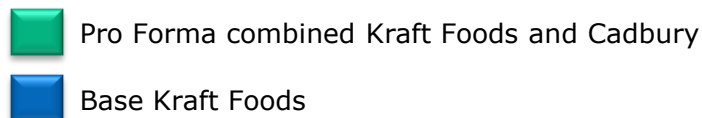
- Build the innovation pipeline to drive growth

# GCT structure key to stepping up growth from new products

## New Product Development as % of Total Revenue<sup>(1)</sup>



(1) 3-year trailing basis.



# Striking the right balance between global and local

- Business Units retain P&L authority
- GCTs compensated based on global category growth
- BUs and GCTs work together to drive “glocal” behavior

# Together, GCTs and Business Units will drive meaningful revenue synergies

- Targeting \$1 billion of revenue synergies over next three years
  - ~85% of revenue synergies to come from Snacks
  - Key driver of 5%+ organic net revenue growth
- Multiple areas of opportunity
  - White space within newly expanded geographic footprint
  - Highly complementary sales and distribution capabilities
  - Brand extensions / packaging innovations

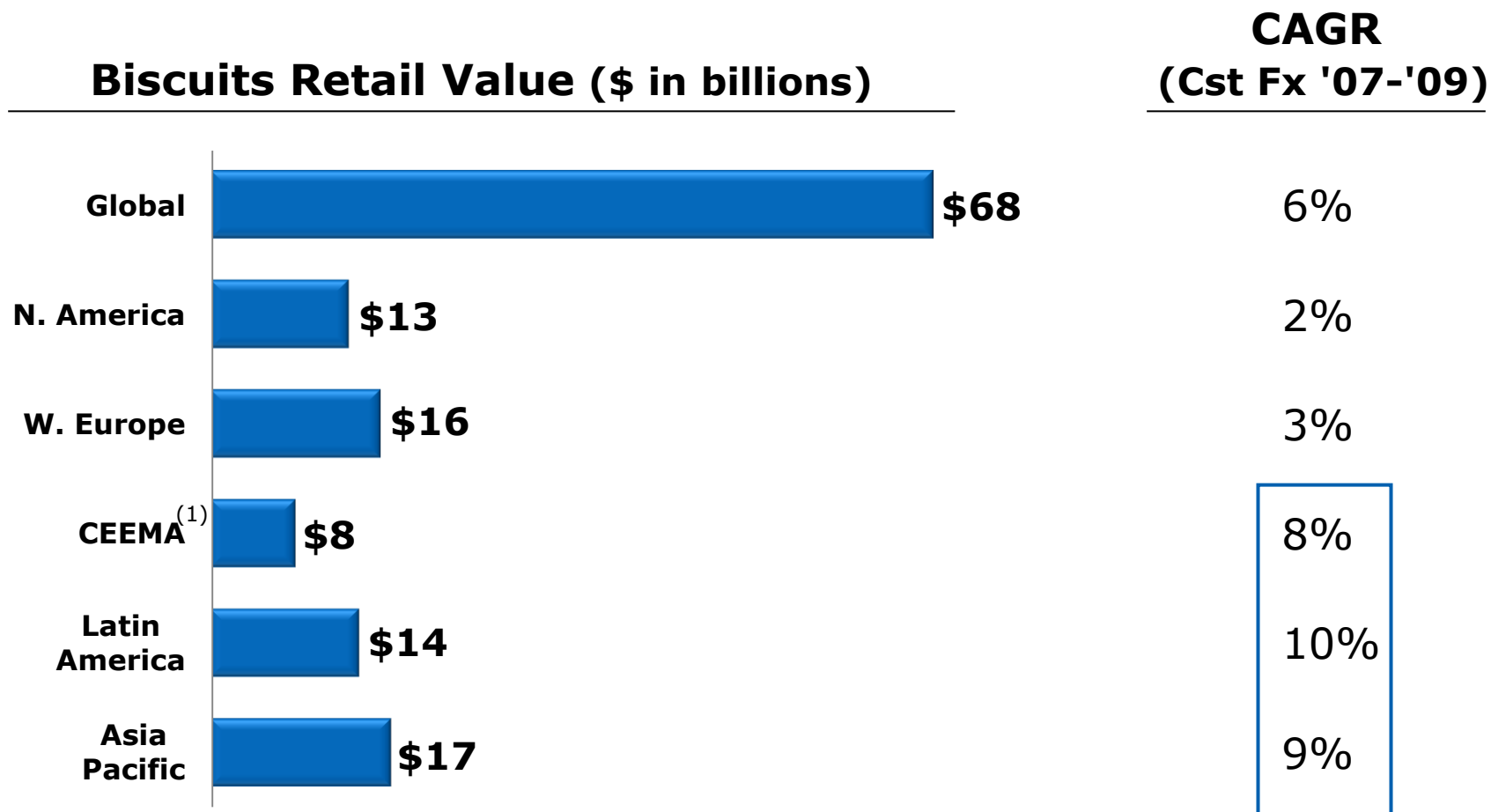


# Mark Clouse

Senior Vice President and  
Global Biscuits Category  
Team Leader



# Global Biscuits is a \$68B category with strong growth, especially in developing markets



(1) Central and Eastern Europe, Middle East and Africa.  
Source: Euromonitor 2009 based on fixed USD exchange rates



# We're the undisputed global leader in Biscuits, more than the next five players combined

(2009 \$ in billions)

	<b>Kraft Foods</b>	<b>Kellogg</b>	<b>Campbell</b>	<b>United Biscuit</b>	<b>Nestlé</b>	<b>PepsiCo</b>	<b>Retailer Brands</b>
<b><u>Total Biscuits</u></b>							
Net Revenues	\$9.1 <sup>(1)</sup>	\$2.0	\$1.4	\$1.3	\$1.0	\$0.8	\$3.8
Global Share	19%	4%	3%	3%	2%	1%	9%

## **Key Brands**



(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.

Source: Euromonitor 2009 for global shares and Kraft Foods internal analysis

# No. 1 in 8 of Top 10 markets, representing 75% of global revenues

(\$ in billions)

## Kraft Foods Biscuits Top Ten Country Share Performance

Country	Kraft Foods			Leading Branded Competitor	
	Revenue <sup>(1)</sup>	Position	Share	Name	Share
USA	\$4.1	1	45%	Kellogg	23%
France	1.2	1	27	United Biscuit	6
Canada	0.5	1	51	Dare	13
China	0.4	1	24	Ting Hsin	8
Venezuela	0.3	1	49	Puig	17
Italy	0.3	2	11	Barilla	36
Spain	0.2	1	28	Cuetara	10
Brazil	0.2	3	12	M. Dias Branco SA	17
Belgium	0.2	1	37	United Biscuit	12
Czech Republic	0.2	1	50	IDC Holdings	12

(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.  
Source: Nielsen

# Biscuits will continue to fuel Kraft Foods' leadership in Snacks

- Global scale as competitive advantage
- Combined Snacking scale with Cadbury market access and chocolate brands
- Strong Health and Wellness bundles
- Talent with “Biscuits in their blood”

# Focus on Power Brands, world-class capabilities and innovation

**Grow Snacks  
Power Brands**

**OREO**

**CLUB  
SOCIAL**

**Chips  
Ahoy!**

**LU**

**Triscuit**

**TUT**

**RITZ**

**Biskuat**

**PRINCE**

**WABICO**

# Spotlight: Oreo is the No. 1 cookie in the world



**"Glocal": The best of local and global**



## Global Appeal



The Product



New Oreo triplets, more biscuit, more cream, more fun

The Ritual: Twist, Lick, and Dunk



The Moment

## "Glocal" Model



Global Innovation Bundles



Local Flavors and Formats



Local IMC and Activation

Global Package and Product



## Global Impact



Over 100 Countries, growing over 15%



9 Million Fans #1 Snack

# Focus on Power Brands, world-class capabilities and innovation

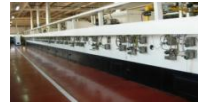
## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D



Route-to-Market

# Building global operations capabilities as a tangible competitive advantage



## Operations

- Key challenge is the complex and broad range of offerings in Biscuits
- Unmatched global scale enables unique opportunities for Kraft Foods' advantage
  - Develop efficient and sustainable manufacturing technology
  - Global network to fast adapt quality and cost savings processes
  - Scale investments to create efficiency smaller players can not match



# Focus on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D



Route-to-Market

## Drive Innovation Platforms



Sweet Treats



Hunger Satisfaction




Wholesome Snacks



Chocolate Bakery



# Innovation platforms allow us to win in multiple markets

Platforms	Growth Strategy	Focus Brands
Sweet Treats	<ul style="list-style-type: none"><li>Expand largest global cookie brands to snacking icons</li></ul>	 
Hunger Satisfaction	<ul style="list-style-type: none"><li>Provide compelling savory snacking alternatives to address hunger needs anytime and anywhere</li></ul>	  
Wholesome Snacking	<ul style="list-style-type: none"><li>Create unique wholesome bundles with great taste and benefits for adults and kids</li></ul>	   
Chocolate Bakery	<ul style="list-style-type: none"><li>Leverage iconic chocolate brands to new chocolate and biscuit products</li></ul>	 

# Spotlight: On-the-go crackers going global



## Two Brands / One Global Platform



### Harmonized Bundle



### Harmonized Target and Communication



### World-Class Activation



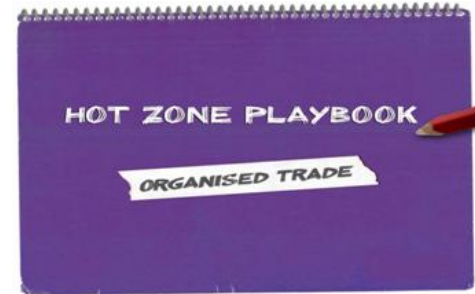
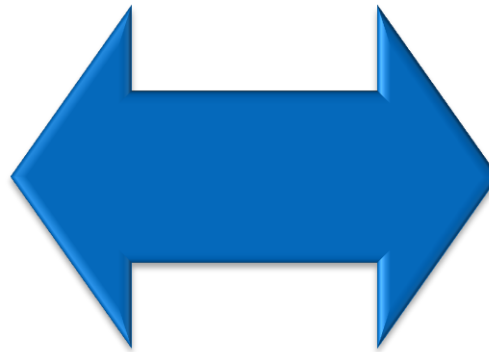
# Significant revenue synergies



**Choco-Bakery  
Technology**



**White Space  
Opportunities**



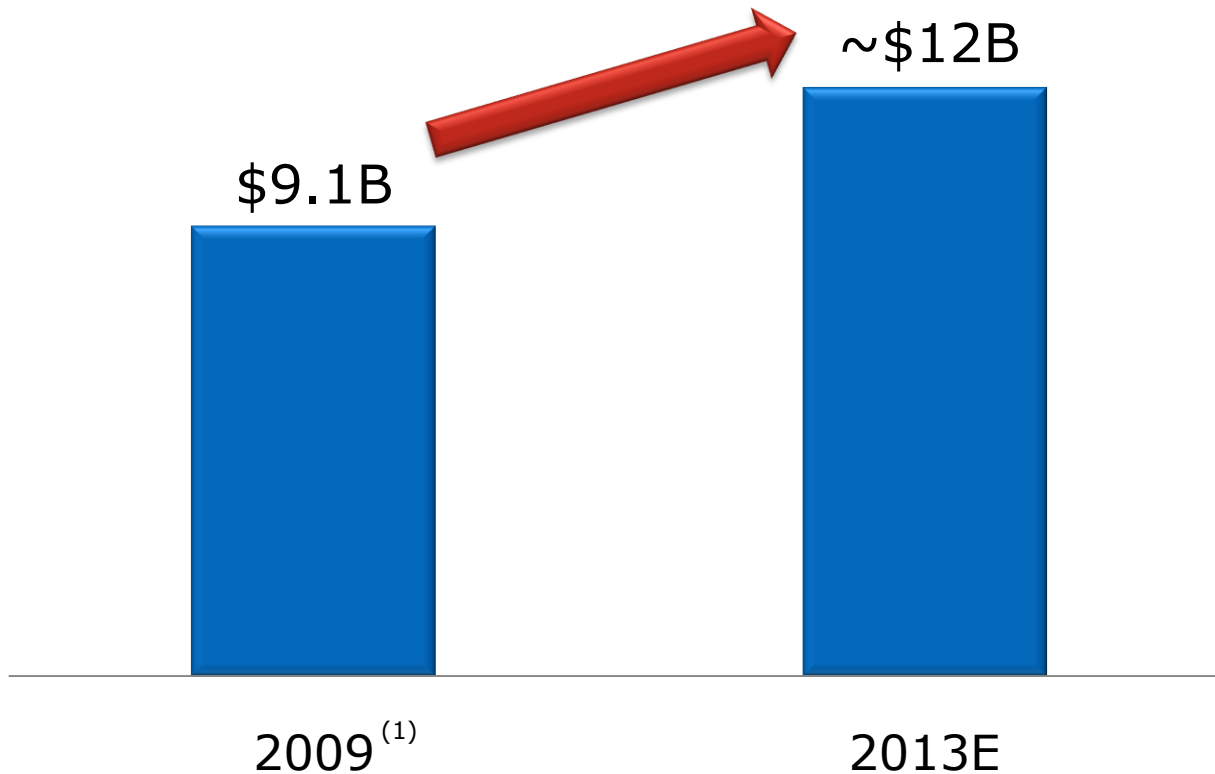
**Route to Market**



**White Space  
Opportunities**

# Accelerating growth to build ~\$12B Biscuits business

## Biscuit Platforms – Net Revenue Growth



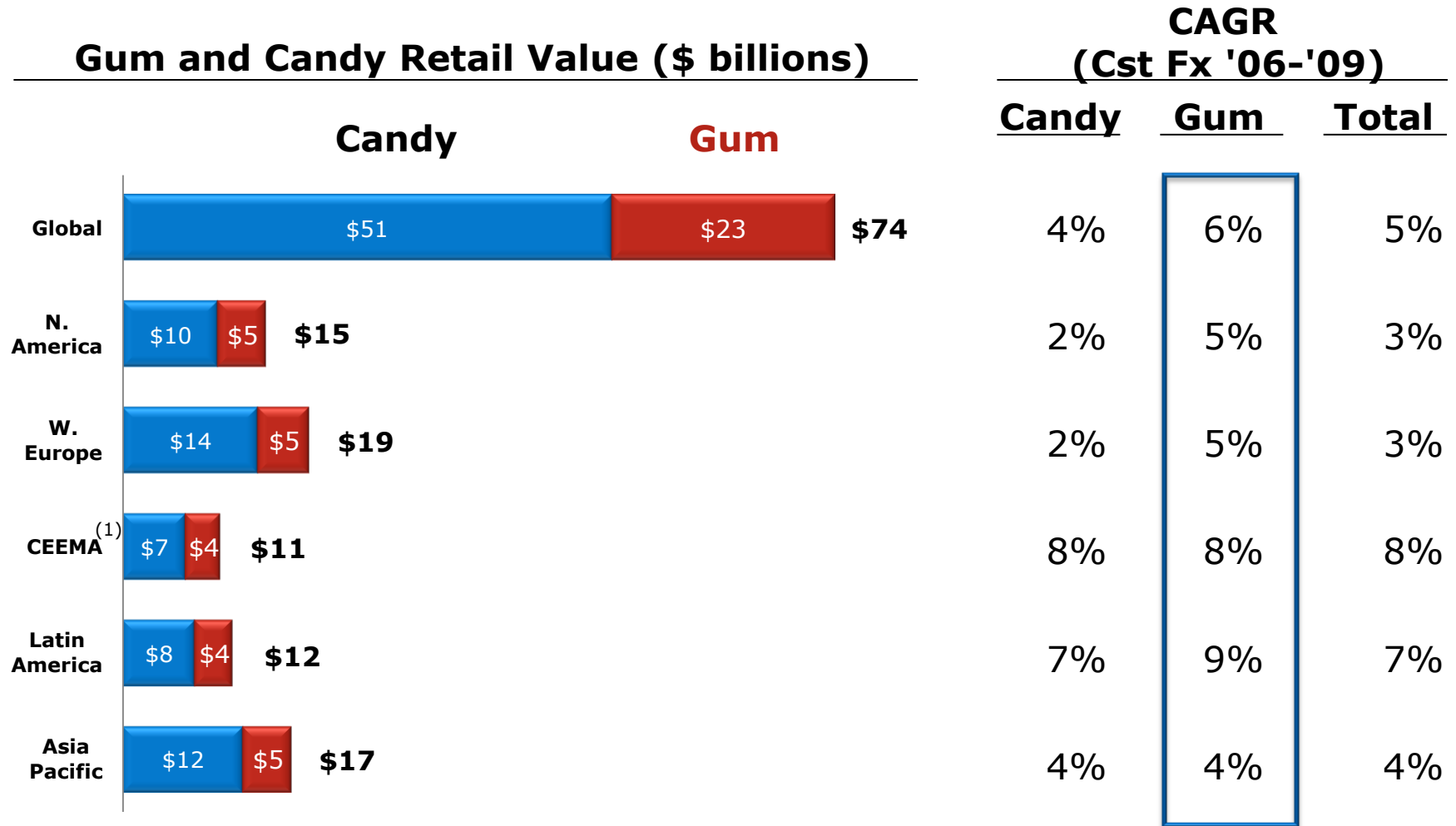
(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.

# Jim Cali

Senior Vice President and  
Global Gum and Candy  
Category Team Leader



# Global Gum and Candy is a \$74B category with strong growth, especially in gum



(1) Central and Eastern Europe, Middle East and Africa.  
Source: Euromonitor 2009 based on fixed USD exchange rates

# Challenging for leadership in gum and candy globally

(2009 \$ in billions)

	<b>Kraft Foods<sup>(1)</sup></b>	<b>Mars-Wrigley</b>	<b>Perfetti Van Melle</b>	<b>Lotte</b>	<b>Hershey</b>	<b>Haribo</b>	<b>Nestlé</b>
<b><u>Total Gum &amp; Candy</u></b>							
Net Revenues	\$5.2 <sup>(1)</sup>	\$5.6	\$3.1	\$1.4	\$0.8	\$0.7	\$0.6
Global Share	14%	14%	7%	3%	2%	2%	2%

## **Key Brands**



(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.  
Source: Euromonitor 2009 for global shares and Kraft Foods internal analysis



# No. 1 or No. 2 in all Top 10 gum markets, representing 75% of global revenue

(\$ in billions)

## **Kraft Foods Gum Top Ten Country Share Performance<sup>(2)</sup>**

<b>Country</b>	<b>Kraft Foods</b>			<b>Leading Branded Competitor</b>	
	<b>Revenue<sup>(1)</sup></b>	<b>Position</b>	<b>Share</b>	<b>Name</b>	<b>Share</b>
USA	\$0.7	2	37%	Mars-Wrigley	56%
Mexico	0.3	1	87%	Mars-Wrigley	3%
Brazil	0.3	1	71%	Arcor	11%
Japan	0.2	2	26%	Lotte	52%
France	0.2	1	50%	Mars-Wrigley	33%
Russia	0.1	2	21%	Mars-Wrigley	73%
Canada	0.1	2	45%	Mars-Wrigley	51%
Turkey	0.1	1	59%	Perfetti VM	31%
Spain	0.1	1	44%	Mars-Wrigley	42%
Argentina	0.1	1	67%	Arcor	32%

(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.

(2) Latest 4-week market share based on local Nielsen / IRI reports, May/June 2010.



# Become the world's leading gum and candy company

- Highly attractive category fundamentals
- Leverage global scale and growth momentum
- Strong Developing Market position and potential
- Advantaged route-to-market scale with total Snacks portfolio

# Focus on Power Brands, world-class capabilities and innovation

**Grow Snacks  
Power Brands**



# Spotlight: *Trident* – World's #1 brand, growing double-digits

## Base Renovation



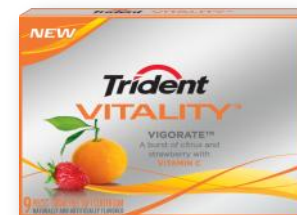
## Functional Extension



## Permissible Pleasure



## Wellness



	Brazil	Mexico	USA	Spain
<b>2009 Revenues</b>	<b>\$230</b>	<b>\$180</b>	<b>\$420</b>	<b>\$100</b>
<b>Share<sup>(1)</sup></b>	<b>48%</b>	<b>46%</b>	<b>20%</b>	<b>44%</b>
Chg ('05-'09)	+910 bps	+1,570 bps	+570 bps	+250 bps

(1) Source: Nielsen / IRI

# Spotlight: *Halls* – World's #1 brand, growing across both high and low development markets

## Low Brand Maturity: India

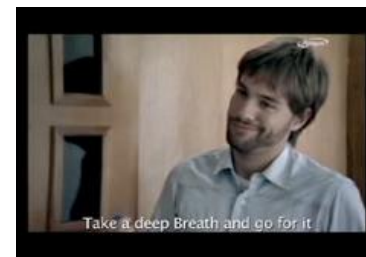
- Product centric advertising and core flavor



Net Revenue 20%+ July '10 YTD  
Share +510 bps since 2007<sup>(1)</sup>

## High Brand Maturity: Mexico

- Emotional communication and innovation builds new occasion



Net Revenue up nearly 30% July '10 YTD  
Share +1,630 bps since 2005<sup>(1)</sup>

(1) Source: Nielsen

# Focus on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D

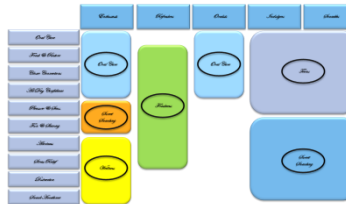


Route-to-Market

# Building global insights as a tangible competitive advantage

- Globally led insight platforms drive multi-market learning, accelerate innovation and drive total category

Category Segmentation  
... 20 markets globally



Iterative New Product  
Design and Screening

Consumer Portraits ...  
understand need states  
and usage occasions



# Focus on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D



Route-to-Market

## Drive Innovation Platforms



Pleasure



Freshness



Oral Care



Wellness



Halls



# Driving growth across 6 Gum and Candy innovation platforms

Innovation Platforms	Growth Strategy	Focus Brands
Freshness	<ul style="list-style-type: none"> <li>Grow share - mouth freshness and confidence</li> <li>Example : <i>Dentyne Pure</i> (US), <i>Fresh n' Clean</i> (EU)</li> </ul>	 
Oral Care	<ul style="list-style-type: none"> <li>Grow occasions - mouth and cosmetic care</li> <li>Example: <i>Trident White</i>, <i>Trident Extra Care</i></li> </ul>	
Wellness	<ul style="list-style-type: none"> <li>Create new Gum occasions and adult penetration</li> <li>Example: <i>Trident Vitality</i></li> </ul>	
Pleasure / Sweet Snacking	<ul style="list-style-type: none"> <li>Capture greater share of "sweet" occasions</li> <li>Example: <i>Trident Layers</i>, <i>Stride Shift</i>, <i>Chiclets</i></li> </ul>	  
Halls	<ul style="list-style-type: none"> <li>Increase occasions supporting global position</li> <li>Example: <i>Halls Aqua</i></li> </ul>	
Indulgent Candy	<ul style="list-style-type: none"> <li>Capture affordable indulgence moments</li> <li>Example: <i>Cadbury Eclairs</i></li> </ul>	 



# Consumer Insights Provide Base for Innovation

## Driving Advantage

- New Format
- Ingredient Technology
- Unlock New Need State

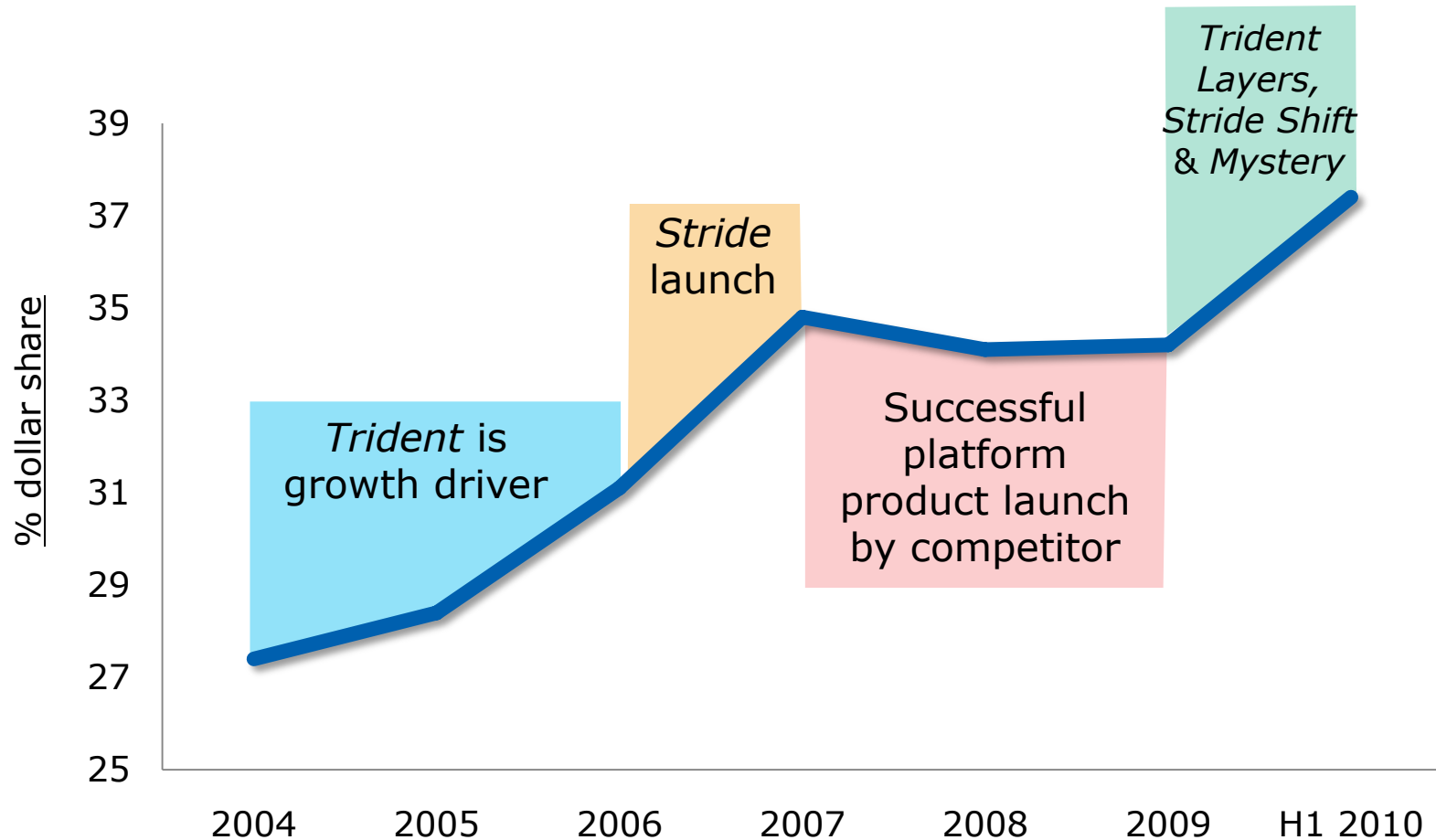
## Impact

- U.S. Launch Q4 2009
- Year 1 sales \$130 MM
- Rollout 2011
- U.S. Launch Q2 2010
- *Stride* Growth +200 bps
- Rollout 2010 -11
- U.S. Launch Q1 2011



# Innovation supported 10 share points of growth in U.S. Gum category

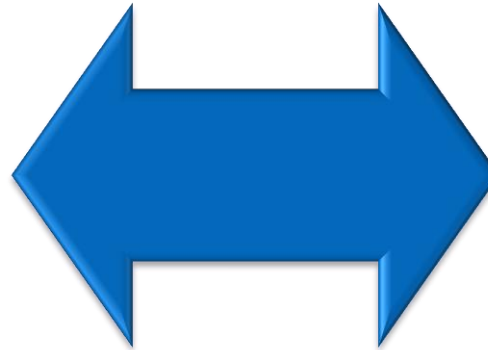
## U.S. Market Share<sup>(1)</sup>



(1) Includes food, drug, mass merchants (excluding Wal-Mart) and convenience stores.

Source: IRI

# Significant revenue synergies



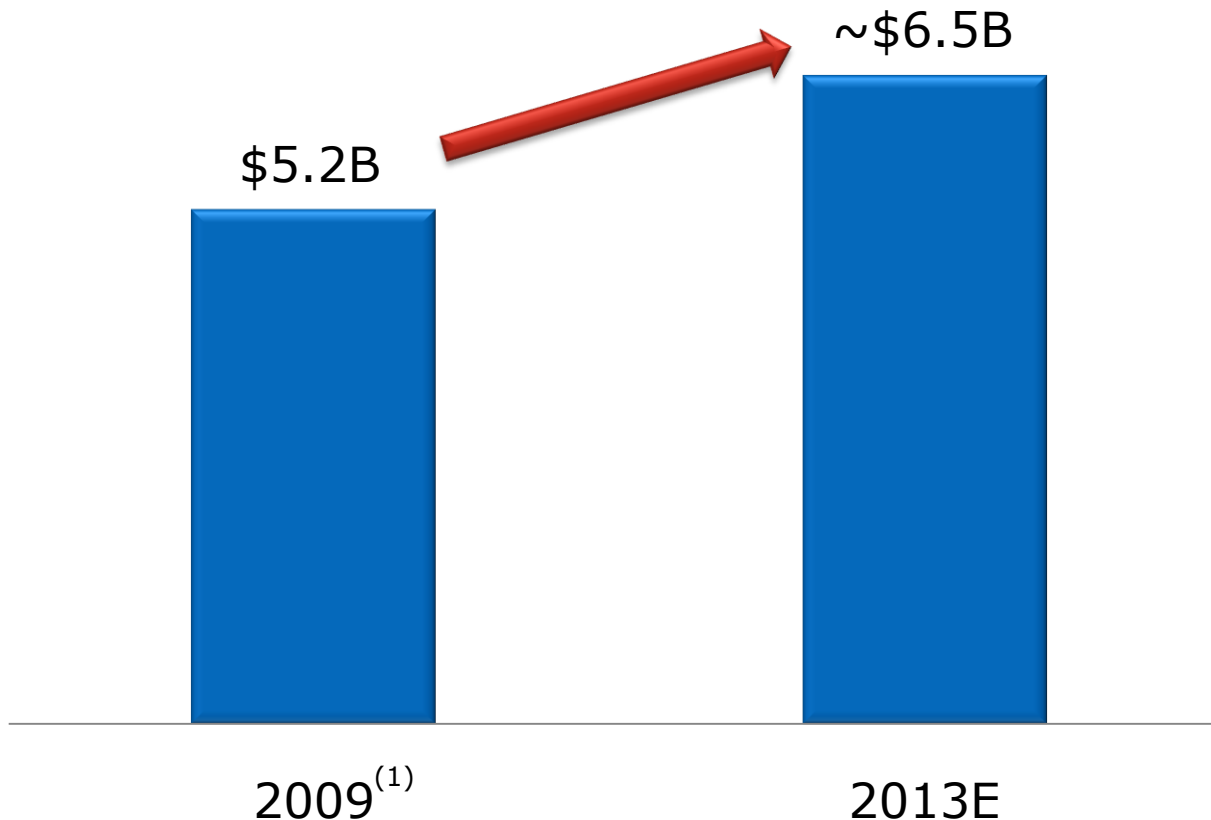
Scale to strengthen  
position vs. competition



Route-to-Market:  
Leverage Cadbury  
"Hot Zone" expertise

# Accelerate growth to build \$6.5 billion gum and candy business

## Gum and Candy Platforms – Net Revenue Growth



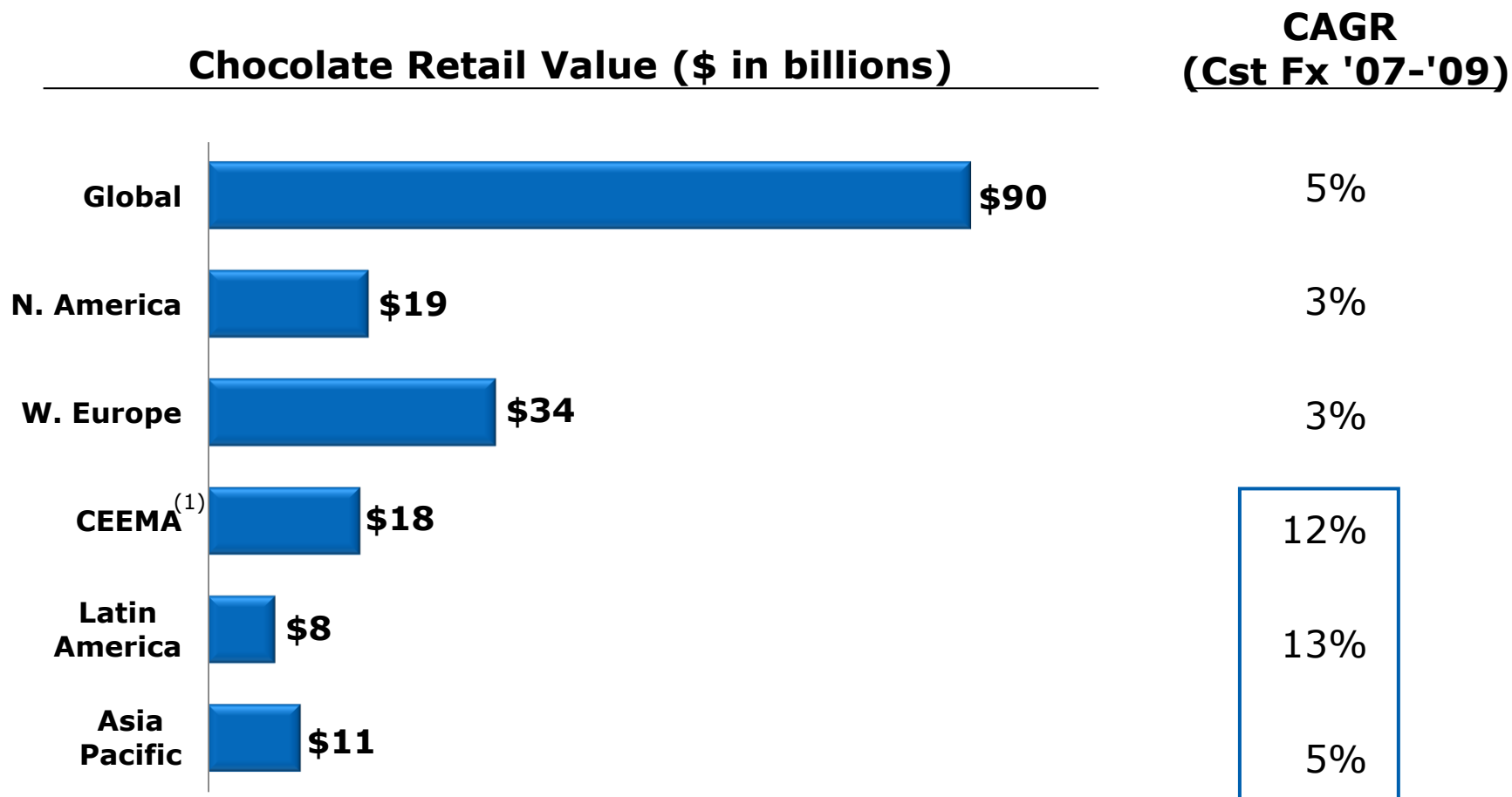
(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.

# Tim Cofer

Senior Vice President and  
Global Chocolate Category  
Team Leader



# Global Chocolate is an \$90B category with strong growth, especially in developing markets



(1) Central and Eastern Europe, Middle East and Africa.  
Source: Euromonitor 2009 based on fixed USD exchange rates

# We are a global leader in Chocolate

(2009 \$ in billions)

<u>Total Chocolate</u>	<u>Kraft Foods<sup>(1)</sup></u>	<u>Mars-Wrigley</u>	<u>Nestlé</u>	<u>Ferrero</u>	<u>Hershey</u>	<u>Lindt</u>	<u>Retailer Brands</u>
Net Revenues	\$8.2 <sup>(1)</sup>	\$8.0	\$6.4	\$3.9	\$3.8	\$2.2	\$2.0
Global Share	15%	15%	13%	7%	7%	3%	4%

## Key Brands



(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.  
Source: Euromonitor 2009 for global shares and Kraft Foods internal analysis

# No. 1 or No. 2 in all Top 10 markets, representing 60% of global revenue

(\$ in billions)

## **Kraft Foods Chocolate Top Ten Country Share Performance**

<b>Country</b>	<b>Kraft Foods</b>			<b>Leading Branded Competitor</b>	
	<b>Revenue<sup>(1)</sup></b>	<b>Position</b>	<b>Share</b>	<b>Name</b>	<b>Share</b>
United Kingdom	\$1.6	1	36%	Mars-Wrigley	24%
Germany	0.6	2 <sup>(2)</sup>	12%	Ferrero	21%
Australia	0.6	1	49%	Mars-Wrigley	17%
Brazil	0.6	2	36%	Nestlé <sup>(3)</sup>	45%
Russia	0.4	2	20%	Mars-Wrigley	22%
France	0.4	2	16%	Ferrero	22%
Canada	0.3	2	18%	Nestlé	20%
India	0.2	1	70%	Nestlé	25%
Ireland	0.2	1	46%	Mars-Wrigley	20%
South Africa	0.2	1	45%	Nestlé	27%

(1) 2009 Pro forma net revenues based on the Cadbury acquisition.

(2) Ranked #2 excluding Retailer brands.

(3) Includes Garoto business.



# Become the world's most loved, fastest-growing chocolate company

- Global scale as competitive advantage
- Strong emerging market position
- “Fabric of the nation” power brands
- Strong innovation pipeline, RD&Q and marketing capabilities
- Route-to-market scale of total Snacks
- Talent with “chocolate in their veins”

# Focus on Power Brands, world-class capabilities and innovation

**Grow Snacks  
Power Brands**



# Spotlight: *Milka* is a proven growth engine, up 46% to \$1.6 billion in last 3 years

## Iconic Brand Image



## Brand Values

Innocence,  
Naturalness, Joyful  
and Confident

## Recent Innovation

### Flowpack



### Big Foot



### Premium








### Say it with Milka



# Spotlight: Cadbury is a Power Brand beyond compare



Country	Share	Market Position	Brand Comments
	34%	#1	<ul style="list-style-type: none"> <li>British icon beyond compare; Top 3 Consumer "Power Brand" status above BBC, Facebook, Marks &amp; Spencer and Coca-Cola</li> <li>Continued robust growth +5% (latest 52 Weeks)</li> </ul>
	47%	#1	<ul style="list-style-type: none"> <li>Australia's most trusted brand again in 2009 (Reader's Digest)</li> </ul>
	70%	#1	<ul style="list-style-type: none"> <li>Explosive growth continues +28% (latest 52 weeks)</li> <li>3 out of every 4 chocolate bars purchased are Cadbury</li> </ul>
	44%	#1	<ul style="list-style-type: none"> <li>Voted #1 Favorite Confectionery brand 3 years running (2007-2009 Sunday Times)</li> </ul>
	43%	#1	<ul style="list-style-type: none"> <li>Top 10 Consumer Brand in Ireland in 2010 (Irish Times)</li> </ul>

Source: Nielsen  
MAT June 2010 (Aus, India, RSA, IE), MAT July (UK)

# Focus on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D



Route-to-Market

# Building global R&D capabilities as a tangible competitive advantage

## Modernize Core Classics

### Special Indulgence



## Unique Tastes & Textures

### Multi-Texture



## New Formats

### Bitesize



## Permissibility

### Wafer



### Modern Convenience



### Multi-Flavour Fusions



### Pocket Pack



### Aeration



### Best Chocolate



### Magical Experience



### Choco-Bakery



### Fewer Calories





# Focus on Power Brands, world-class capabilities and innovation

## Grow Snacks Power Brands



## Leverage Capabilities



Insights



Operations



Talent



R&D



Route-to-Market

## Drive Innovation Platforms



Value-Added Tablets



Countlines



Sharing & Bite Size



Gifting & Seasonals



Affordability

# Innovation platforms allow us to win in multiple markets and counter competitive threats

Platforms	Growth Strategy
Tablets	<ul style="list-style-type: none"><li>Strengthen leadership position</li><li>Drive category growth via expansion into new textures, occasions and segments</li></ul>
Countlines	<ul style="list-style-type: none"><li>Leverage our strong brands and advantaged RTM capability across new geographies</li></ul>
Sharing & Bite Size	<ul style="list-style-type: none"><li>Rapidly expand across markets, brands and more sharable formats</li></ul>
Gifting & Seasonals	<ul style="list-style-type: none"><li>Bring novelty to the seasons</li><li>Re-ignite locally loved year-round gifting brands</li></ul>
Affordability	<ul style="list-style-type: none"><li>Expand consumption in high growth developing markets</li><li>Offer iconic brands at more affordable prices</li></ul>





# Kraft Foods continues to extend leadership in Tablets via consistent innovation success

## Rejuvenate the Core

### Break the rules in packaging



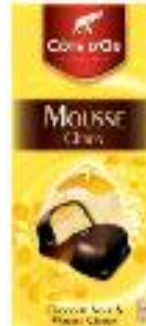
### Modernise and extend through new formats



35g

## More Special

### More indulgent, multi-layer, mousse texture



### More generous inclusions



## Lighter Feel

### Lighter textures



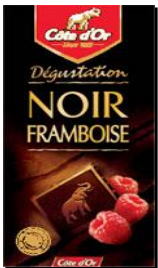
# Significant revenue synergies



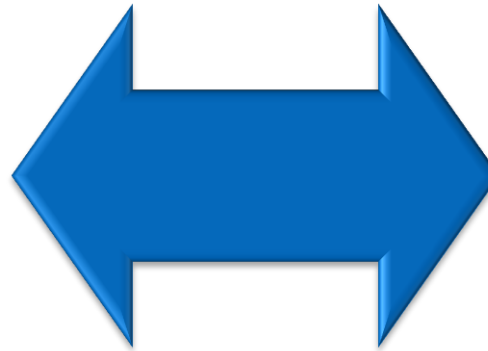
**Tablets  
Fast-Adapts**



**Gifting  
Fast-Adapts**



**Premium  
Expansion**



**Countlines  
Expansion**



**Affordability  
Expansion**

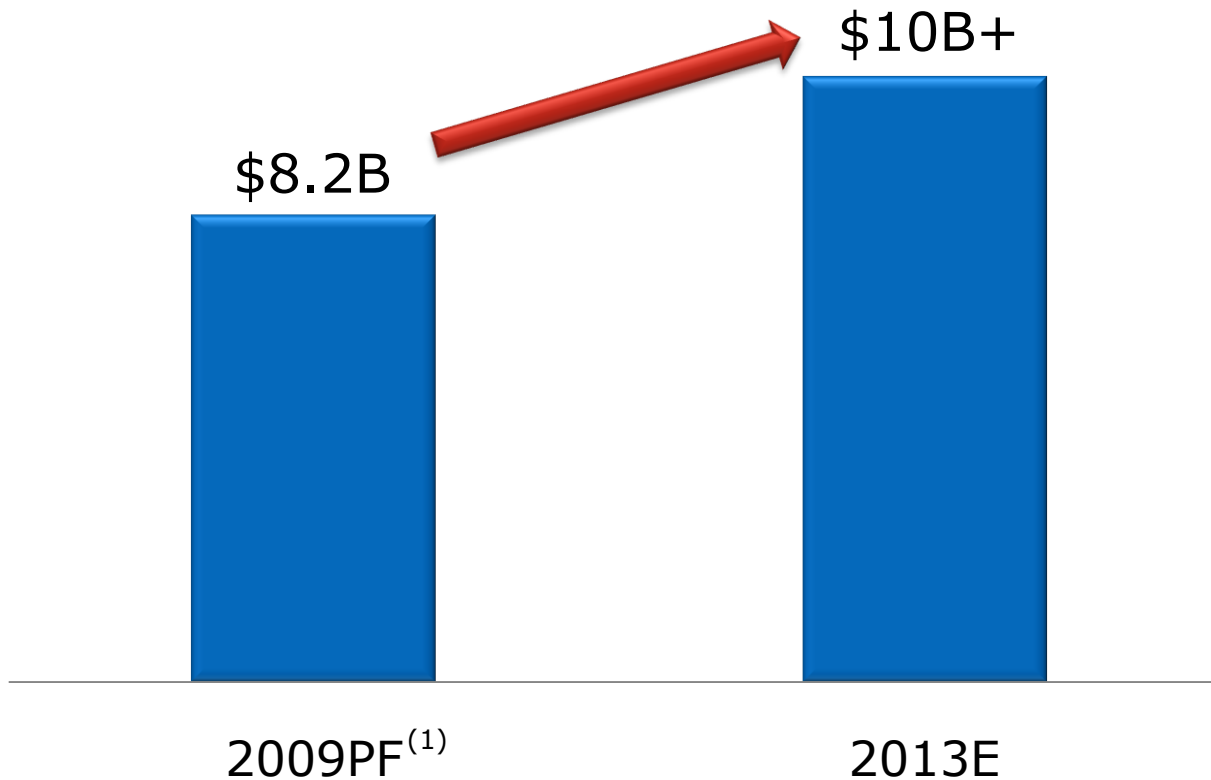


**Bite Size  
Expansion**



# Accelerate growth to build \$10 billion global chocolate business

## Chocolate Platforms – Net Revenue Growth



(1) 2009 Pro Forma net revenues based on the Cadbury acquisition.

# Irene Rosenfeld

Chairman and CEO



# Agenda

- Hitting our sweet spot
- Seizing our global snacks opportunity
  - Biscuits
  - Gum and Candy
  - Chocolate
- **Winning in each region**
  - North America
  - Europe
  - Developing Markets
- Transforming our financial performance

# Winning in each region

## Focus Resources

- Focus on Power Brands to drive growth
- Local Brands provide scale and cash flow

## Leverage Sales

- Strengthen capabilities in both grocery and ICC channels
- Leverage consumer insights for collaborative marketing programs

## Expand Margins

- Drive End-to-End productivity
- Manage overheads

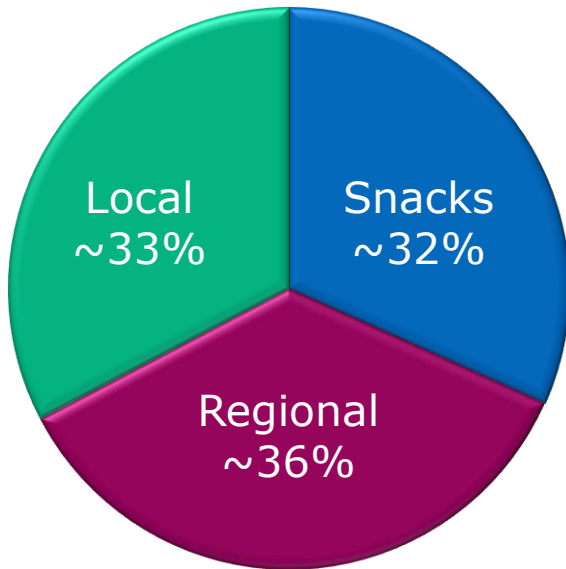
# Portfolio composition varies by region

## Category Portfolio Composition

2009 Pro Forma<sup>(1)</sup>

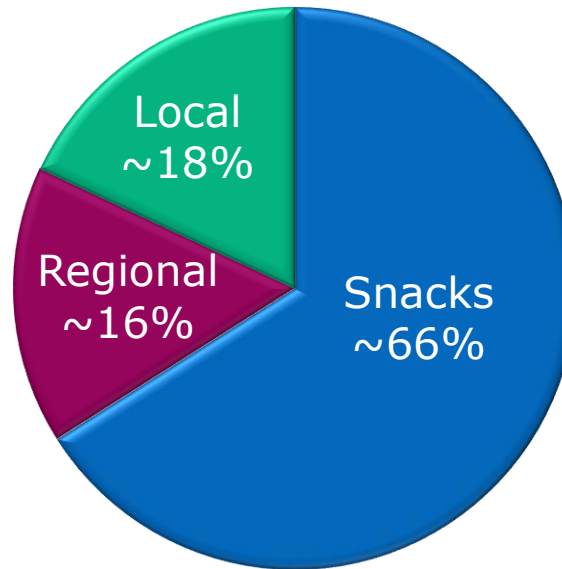
### North America

\$23.6B Revenue



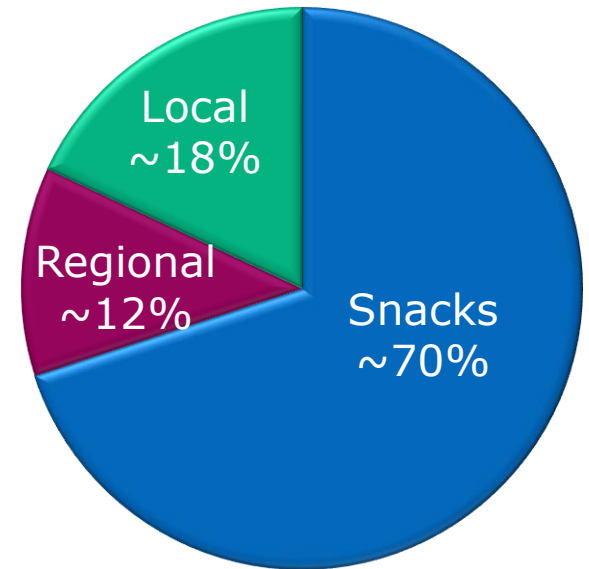
### Europe

\$11.9B Revenue



### Developing Markets

\$12.6B Revenue



(1) 2009 Pro Forma amounts are based on the Cadbury acquisition and the divestiture of the Pizza business.

# Tony Vernon

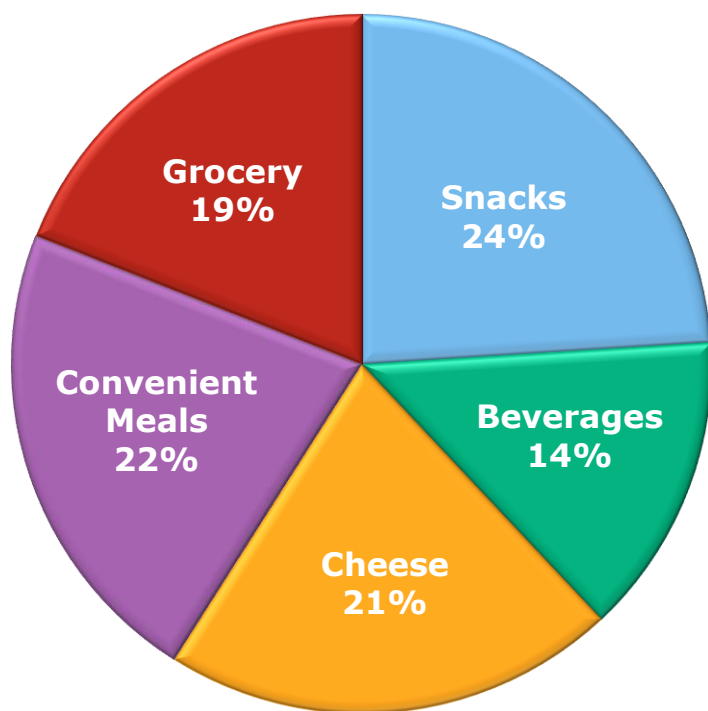
Executive Vice President and  
President, Kraft Foods  
North America





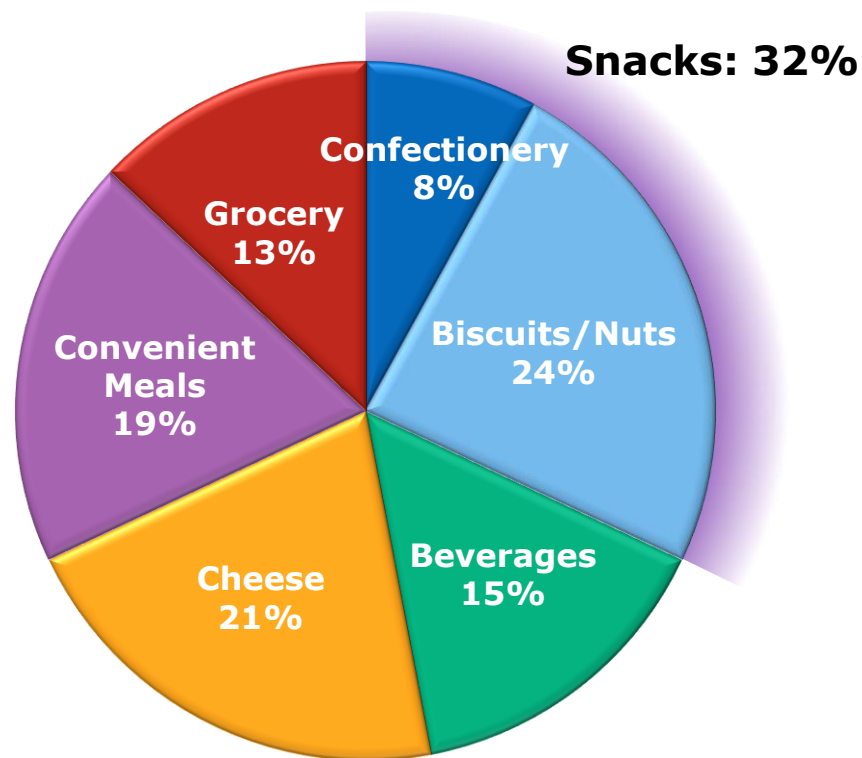
# Improved portfolio mix

**KFNA 2006<sup>(1)</sup>**



2006 Net Revenues  
\$23.1 billion

**KFNA Today<sup>(2)</sup>**



2009 Net Revenues  
\$23.6 billion

(1) As originally reported 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.

(2) 2009 Pro Forma amounts are based on the acquisition of Cadbury and the divestiture of the Pizza business.

# Unrivalled collection of iconic brands

## Snacks



## Beverages



## Convenient Meals



## Cheese



## Grocery



# Strong positions in snack categories

	<u>Position</u>	<u>Kraft Foods % Share</u>	<u>Relative to Nearest Branded Competitor</u>	<u>Private Label % Share</u>
Cookies	#1	45%	2.7x	2%
Crackers	#1	46%	1.6x	9%
Gum	#2	35%	0.6x	4%
Nuts	#1	27%	4.5x	37%

# Strong market shares with below-average private label exposure

	Position	Kraft Foods % Share	Relative to Nearest Branded Competitor	Private Label % Share
<b><u>Beverages</u></b>				
• Powdered Soft Drinks	#1	50%	7.0x	23%
• Aseptic	#1	65%	4.6x	2%
• Coffee	#2	27%	0.8x	10%
<b><u>Cheese</u></b>				
• Cream Cheese	#1	66%	66.1x	30%
• Processed Slices	#1	53%	5.7x	31%
• Natural Cheese	#1	18%	2.9x	45%
<b><u>Convenient Meals</u></b>				
• Lunch Combinations	#1	88%	7.2x	0%
• Cold Cuts	#1	35%	2.6x	16%
• Hot Dogs	#2	22%	0.9x	5%
• Bacon	#1	25%	1.6x	22%
<b><u>Grocery</u></b>				
• Dinners	#1	82%	21.4x	14%
• Dry Packaged Desserts	#1	80%	32.1x	12%
• Refrigerated Desserts	#1	62%	3.5x	6%
• Spoonable Dressings	#2	38%	0.9x	11%
• Salad Dressings	#1	23%	1.2x	12%



# Environment will remain difficult

## Economy

- GDP slowly rebounding
- Recovery remains jobless
- Commodities expected to rise

## Consumer

- Consumer confidence remains low
- Continued focus on value
- Away-from-home traffic improving, but below historical levels

## Customer

- “Loss leaders” used to drive traffic / differentiation
- Recent promotional tactics creating market disruption
- Value-focused retailers winning

# Solid operating momentum ... but work to do

- Solid base volume trend improvements
  - Product quality advantages
  - Advertising improvements ... both quality and spending levels
- Organization refocused from category managers to accountable ***brand advocates***
- Heightened cost management focus delivering results
- Clear room for improvement on revenue trends
  - Broaden advertising improvements across Power Brands
  - More entrepreneurial marketing of our Local Brands
  - Focus innovation against bigger ideas with more support

# Profitably grow our brands

## Focus Resources

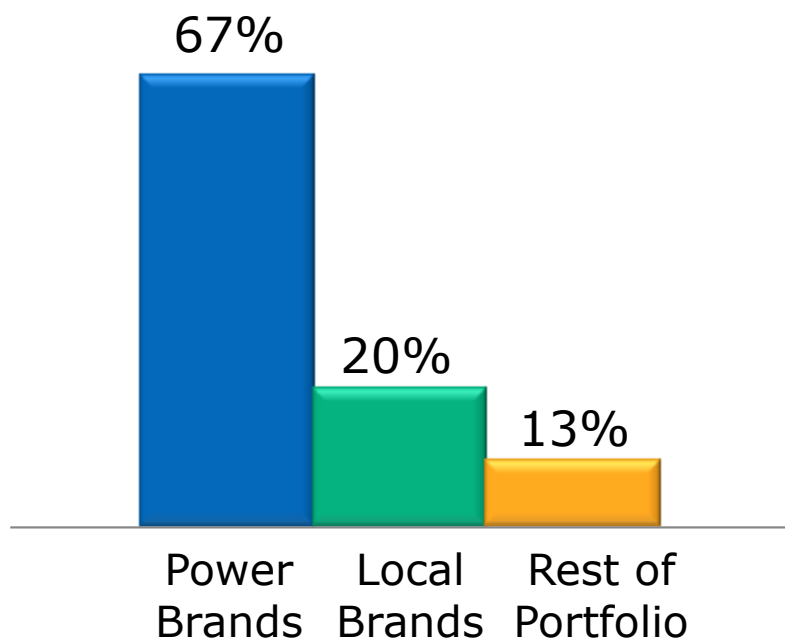
- 20 Power Brands
- 20 Local Brands
- Win with people

# 40 Brands drive North America

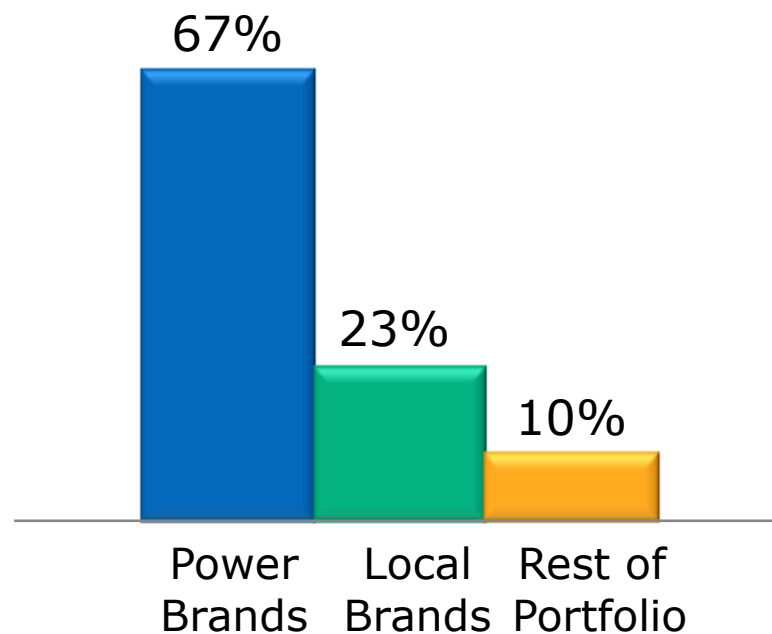
## U.S. Retail Portfolio

2010E - Percentage of Net Revenue and Operating Income

### Net Revenue



### Operating Income





# Marketing & Innovation focused on 20 Power Brands

## Snacks



## Beverages



## Convenient Meals



## Cheese



## Grocery



# 15 new Power Brand advertising campaigns in the last year

## New Advertising

<u>Q2-Q3 '09</u>	<u>Q4 '09</u>	<u>Q1 '10</u>	<u>Q2 '10</u>	<u>To Come H2 '10</u>
				
				
				
				

**Power Brand Base Volume trend improvement 200+ bps<sup>(1)</sup>**

(1) August 2010 YTD base dollar volume growth versus full year 2009.

# Big innovation focused on Power Brands

## **Jell-O Mousse**



- Launched Q4 '09
- New consumer usage occasion: "Permissible Indulgence"
- Top SKU ranked #1 in category velocity

## **Ritz Crackerfuls**



- Launched Q2 '09
- Targets significant 'meal bridge' consumer need
- Strong repeat and incrementality
- Extendable platform

## **Oscar Mayer Deli Carved**



- Launching Q3 '10
- Builds on *Deli Shaved* platform ... with next generation quality in packaged meat
- Very favorable retailer response / distribution
- Extendable platform



# Ritz Crackers marketing



- “Open For Fun” campaign
- Brand contemporization
- Marketing spending +25% August YTD
- *Crackerfuls* innovation expanding user base
- Strong base dollar volume results<sup>(1)</sup>
  - August YTD +13%
- August YTD revenues +12%

(1) Nielsen, August 21, 2010.

# Oscar Mayer marketing



- Unifying brand campaign across categories leveraging scale
- “It doesn’t get better than this” campaign
- Marketing spending +20% August YTD
- *Deli Carved* innovation driving quality trade-up
- Solid base dollar volume results<sup>(1)</sup>
  - August YTD +2%
- August YTD revenues +4%

(1) Nielsen, August 21, 2010.



# Capri Sun marketing



- Complementary “I can respect that” Mom and “Disrespectoids” Kid campaigns
- Integrated Sustainability marketing with Pouch Brigades
- Marketing halo working for subline innovations (Sunrise and Roaring Waters)
- Strong base dollar volume results<sup>(1)</sup>
  - August YTD +8%
- August YTD revenues +11%

(1) Nielsen, August 21, 2010.

# Kraft/Velveeta Mac & Cheese marketing



You know you love it.™



- “You Know You Love It” Kraft campaign
- Integrated ‘Noodle’ marketing: Iconic brand at Iconic places
- Focused *Velveeta* “Ultimate Get Together” campaign
- Marketing spending +45% August YTD
- *Kraft Homestyle* innovation driving quality trade-up
- Strong base dollar volume<sup>(1)</sup>
  - August YTD +5%
- August YTD revenues + 5%

(1) Nielsen, August 21, 2010.



# Philadelphia Cream Cheese marketing



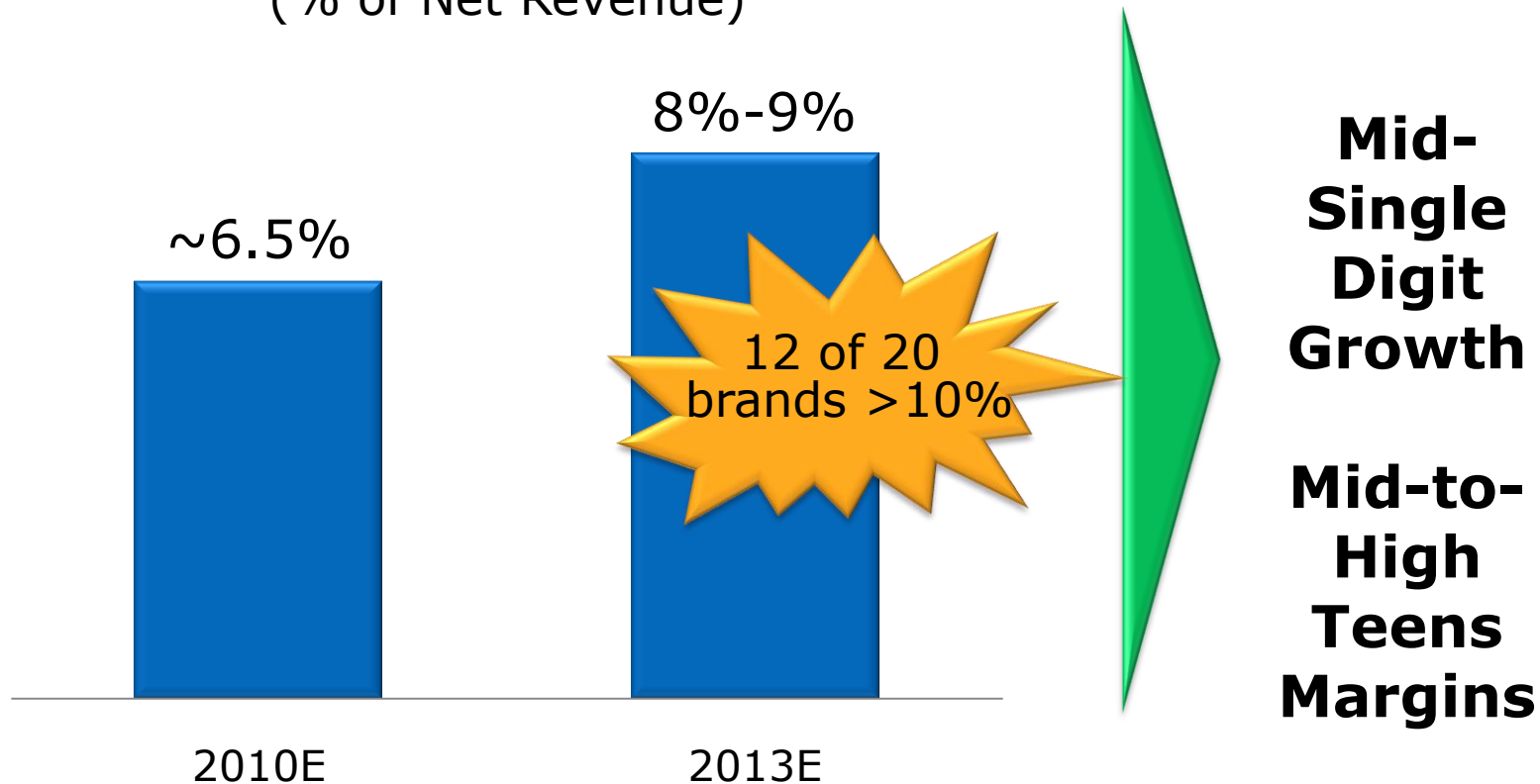
- "Spread a little Philly" campaign
- Broadened recipe usage campaign
- Integrated plan with significant digital elements (e.g., Paula Dean)
- Marketing spending +30% August YTD
- Usage-based innovation pipeline
- Solid base dollar volume results<sup>(1)</sup>
  - August YTD +2%
- August YTD revenues +5%



(1) Nielsen, August 21, 2010.

# Increased Power Brand advertising spending driving mid-single digit growth

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



# 20 Local Brands managed smartly for profitable growth

## Snacks



## Beverages



## Convenient Meals



## Cheese



## Grocery



# Entrepreneurial Local Brands approach

- Focused “one-idea” marketing
- Non-traditional media
- Scale-enabled customer relationship marketing
- Focused Wall-to-Wall Sales utilization
- High-potential brand managers with ownership, entrepreneurial spirit



**Low  
Single  
Digit  
Growth**

**High  
Teens  
Margins**

# Jet Puffed Marshmallows marketing



**MORE S'MORES.  
MORE S'MILES.**



- "One idea" marketing focus on S'mores
- Branded partnership pooling resources
- Traditional and non-traditional vehicles
- Bundled marketing in Kraft Food & Family
- Wall-To-Wall in-store leverage for displays
- Trajectory-changing impact



**PREMIUM**



# Winning with our people in North America

- Performance-driven, values-led culture
- Strong, diverse talent base ... but supplementing with proven, external leaders
- Broader best practice sharing and implementation
- Significantly reduced internal processes



- Marketers focused on Marketing!
- Sales focused on Customers!
- Grow faster than market, key competitors



# Profitably grow our brands

## Focus Resources

- 20 Power Brands
- 20 Local Brands
- Win with people

## Leverage Sales

- Win in store
- Customer team transformation
- Trade spending efficiency



# Win every account, every store, every household, your Mom

## Grocery / Wall-to-Wall

### To Date

- Coverage in 16,600 stores
- Automated and customer-specific in-store agenda
- Margin accretive investment based on better merchandising

### Refinements to Come

- Top-down in-store agenda prioritization
- Power SKU distribution focus
- Greater linkage of performance and compensation

## ICC / Hot Zone

- Significant convenience store synergies
- “Hot Zone” opportunities
- Strong channel margins
- Best practices from Cadbury and around the world

# Customer team transformation

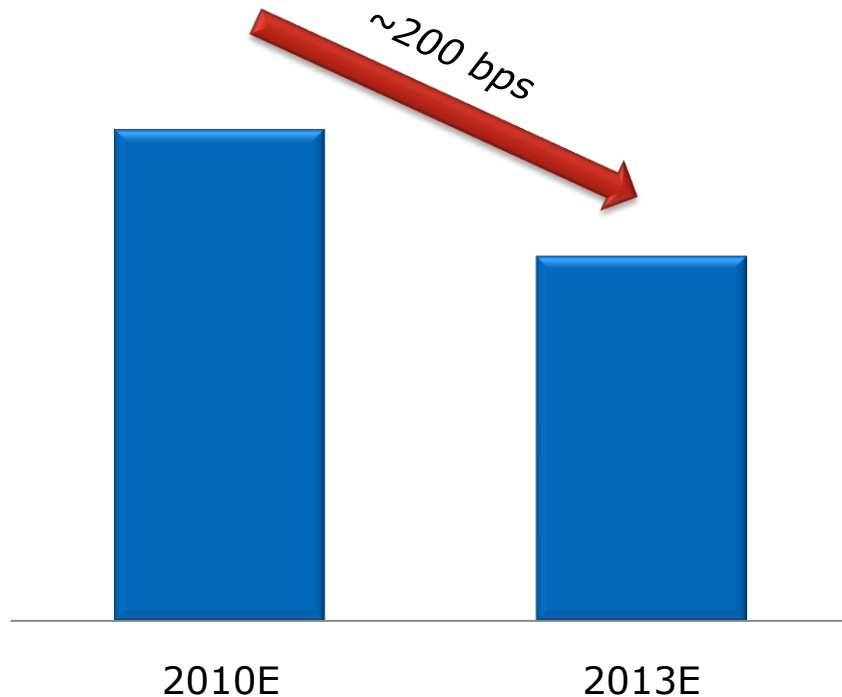
- Further customer segmentation
- Centralization of administrative tasks
- Aligned “One Number” planning approach



**Outcome: Increased Effectiveness  
AND Lower Cost**

# Trade spending efficiencies

## Trade Spending as % of Gross Revenue



- Rolled out new system and tools
- Driving efficiency
  - Optimizing low return events
  - Price-deal realignments to reduce promoted price variability
- Changing sales incentive to improve customer team alignment with brands
- Reinvesting efficiencies into advertising

# Profitably grow our brands

## Focus Resources

- 20 Power Brands
- 20 Local Brands
- Win with people

## Leverage Sales

- Store coverage optimization
- Customer team transformation
- Trade spending efficiency

## Expand Margins

- Productivity step-up
- Zero overhead growth
- Cost synergies

# Cadbury integration update

The Trident logo features the word "Trident" in a bold, black, sans-serif font. A red curved line arches over the "i" and "d" of the word.The Stride logo is written in a blue, cursive script font with a light blue outline.The Dentyne logo is written in a blue, stylized font with a light blue outline and a slight 3D effect.The HALLS logo is written in a white, bold, sans-serif font inside a blue, rounded rectangular shape with a silver border.

- Integration progressing very well
- Base business strong
  - H1'10 revenues up mid-single digits
  - H1'10 YTD U.S. gum share +2.4 pp
  - U.S. gum share up 8+ pp in 6 years
- Distinct innovation culture
  - *Trident Layers*
  - *Stride Mega Mystery*
  - *Dentyne Pure*
- Retained key management / marketers
- Bringing innovation mindset and processes back to base Kraft Foods businesses

# Profitably grow our brands

- “Big marketing” on our Power Brands
- Entrepreneurial management of our Local Brands
- Leverage Sales scale
- Relentless focus on cost improvements across the business



**Organic  
Revenue  
growth of  
3%-4%**

**High-teens  
Operating  
Income  
Margins**

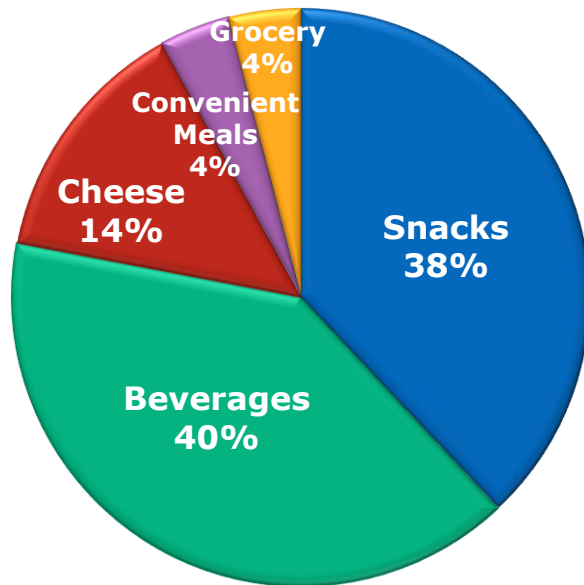
# Michael Clarke

Executive Vice President and  
President, Kraft Foods Europe



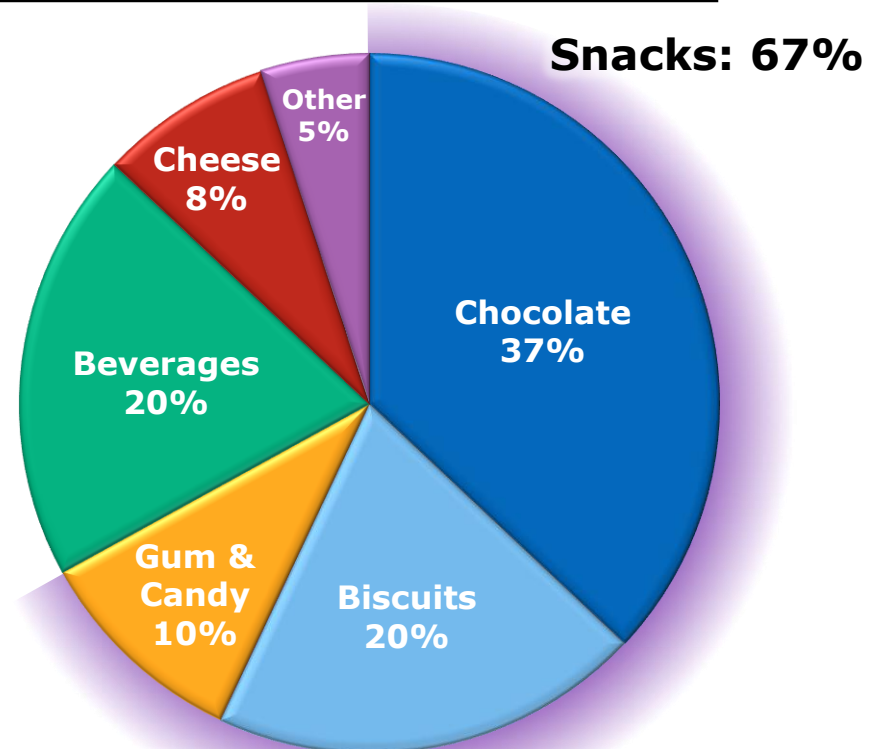
# Today's Kraft Foods Europe

**KFE 2006<sup>(1)</sup>**



2006 Net Revenues  
\$6.7 billion

**KFE Today<sup>(2)</sup>**



2009 Net Revenues  
\$11.9 billion

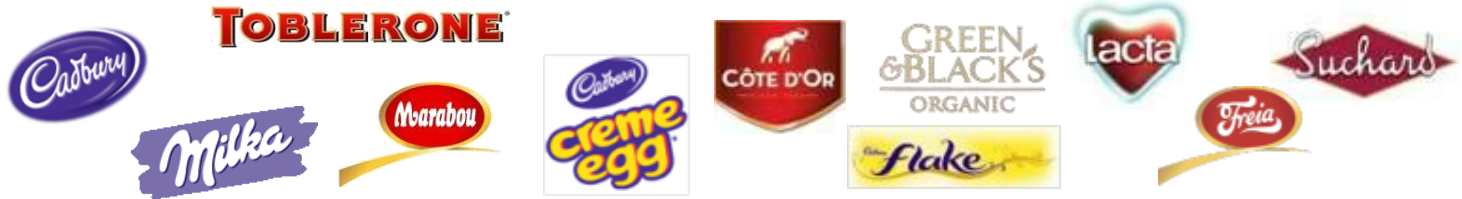
(1) As originally reported in Kraft Foods 2006 Form 10-K filed with the SEC on March 1, 2007. Amounts have not been revised to reflect the current Kraft Foods structure and accordingly are not in line with current presentation.

(2) 2009 Pro Forma amounts are based on the acquisition of Cadbury.



# An unrivaled collection of global, regional and local brands

## Chocolate



## Biscuits



## Gum & Candy



## Coffee



## Cheese & Grocery



# Leadership positions in key categories ...

<b>Category</b>	<b>Position</b>	<b>Kraft Foods Share%</b>	<b>Relative to Nearest Branded Competitor</b>
Chocolate	#1	20	1.2
Biscuits	#1	15	1.6
Gum & Candy	#1	30	1.5
Coffee	#1	22	1.4
Cream Cheese	#1	40	5.4

Source: Nielsen 2009, shares in categories in countries in which Kraft Foods competes

# ... and #1 in Snacks

<b><u>Company</u></b>	<b><u>Share in Snacks</u></b> <sup>(1)</sup>
Kraft Foods	14%
Mars-Wrigley	8%
Ferrero	6%
Nestlé	5%
PepsiCo	5%

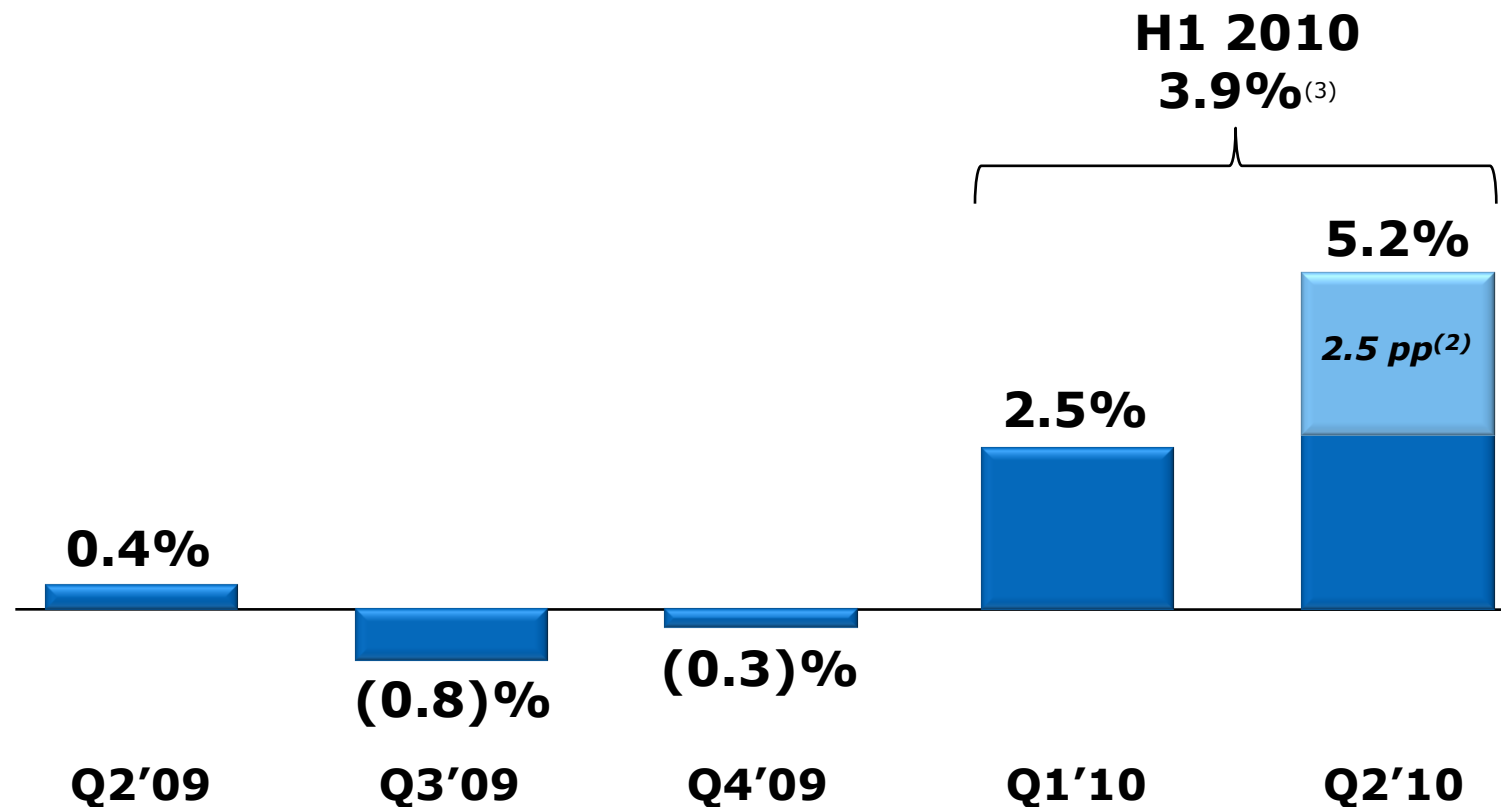
(1) Source: Euromonitor 2009. Total \$89 billion Snacking market for Western Europe (all markets whether KFE competes or not) includes Confectionery (Chocolate, Gum, Candy), Biscuits, Snack Bars and Sweet / Savory Snacks.

# Transforming operations

- Established pan-European category business model
- Focusing on priority brands and opportunities
- Driving savings through End-to-End Productivity
- Reducing overhead costs

# Top-line results are improving ...

## **Base Kraft Foods Europe Organic Net Revenue Growth<sup>(1)</sup>**



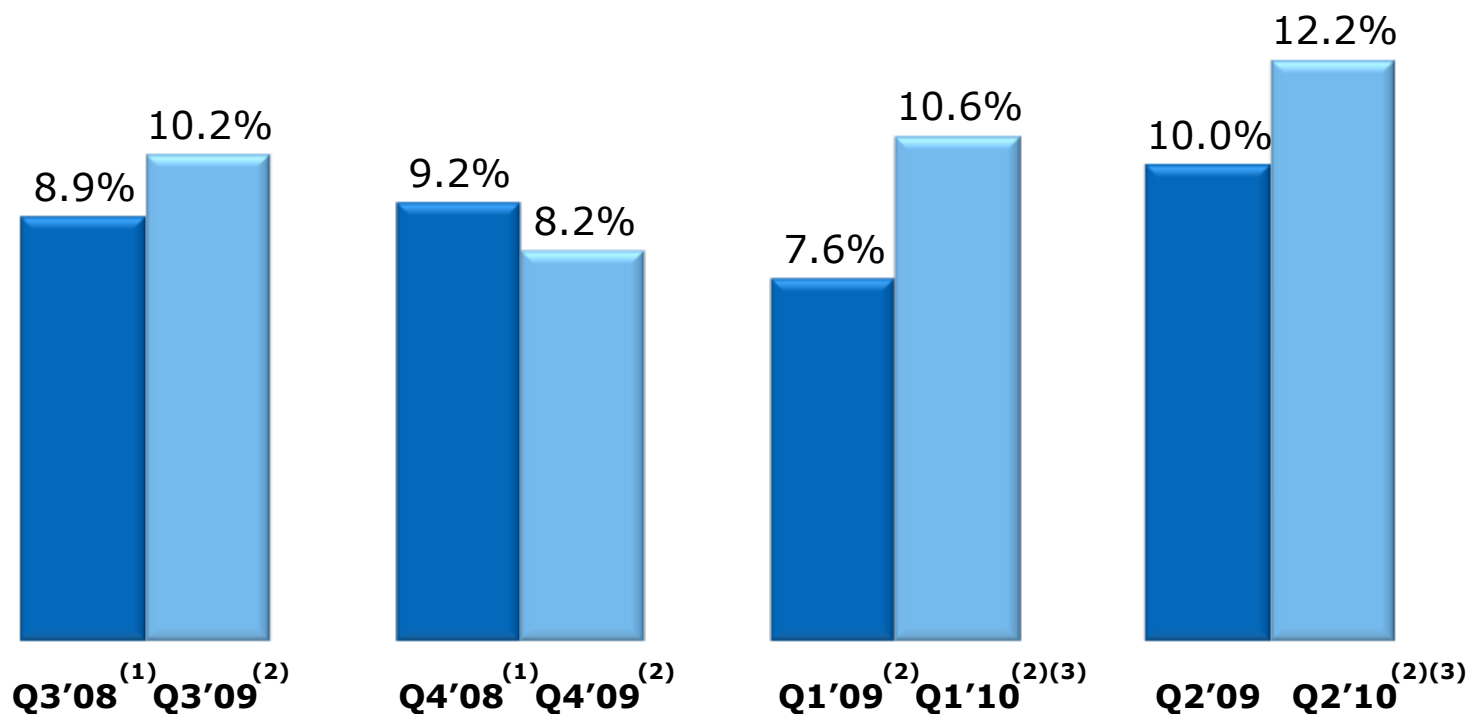
(1) Reported net revenues for each period were the following: Q2'09, (17.4)%; Q3'09, (11.5)%; Q4'09, 8.0%; Q1'10, 40.5%; Q2'10, 34.1%. See GAAP to Non-GAAP Reconciliation at the end of this presentation.

(2) Favorable impact of an accounting calendar change for certain biscuits operations.

(3) The accounting calendar change had a favorable impact to H1 2010 of 1.3 pp.

# ... and margins continue to expand

## Base Kraft Foods Europe Operating Income Margin



(1) Reported Operating Income Margins were the following: 4.9% Q3'08; and (6.7)% Q4'08. See GAAP to Non-GAAP Reconciliation at the end of this presentation.

(2) Operating Income Margins were negatively impacted by expenses incurred in support of cost savings initiatives, resulting in the following percentage point impacts: (0.0)pp in Q1'09; (1.5)pp in Q2'09 ; (0.4)pp in Q3'09, (3.4)pp in Q4'09; (0.3)pp in Q1'10; and (0.7)pp in Q2'10.

(3) Reported Operating Income Margins were 10.7% in Q1'10 and 12.0% in Q2'10. See GAAP to Non-GAAP Reconciliation at the end of this presentation.

# Positioned to succeed despite a slow economic recovery

## Economy

- GDP back to growth
  - 1.0% to 1.5%
  - Pre-Recession: 2.5%
- High unemployment
  - 9% to 10%
  - Pre-Recession: 7.2%
- EU financial crisis and Euro devaluation
- Commodities remain at a high level

## Consumer

- Consumer confidence slowly recovering
- Continued consumer focus on:
  - Convenience
  - Health & Wellness
  - Sustainability
- Trend turnaround
  - Trading up
  - Out-of-home consumption

## Customer

- Retailer consolidation continues
- Retailer brands with 30% share, part of consumer repertoire
- Discounter channel with 17%+ share, continues to grow
- Retailers recognize need for greater differentiation

# Europe's favorite Snacking company

## Focus Resources

- 15 Power Brands
- Snacks platforms
- Proprietary propositions in Coffee and Cheese
- Local Brands
- Win with people



# Focus resources on 15 Power Brands, 10 of which are in Snacks

## Chocolate



**TOBLERONE**

## Biscuits



belVita

Choco-Bakery



## Gum & Candy

**Trident**  
Platform



## Coffee



**JACOBS**



## Cheese & Grocery



# Expand from pure Chocolate to Snacking

- Power Brand focus



- Differentiate packaging and integrated marketing communications
- Leverage proprietary technologies to drive new product growth
- Capture revenue synergies



# Reframe Biscuits into Snacking

- Power Brand focus



- Differentiate local heritage brands, leveraging LU umbrella brand
- Accelerate global and regional growth platforms
- Capture white space opportunities



# Grow Gum and expand *Halls*

- Power Brand focus

**Trident®** **HALLS**

- Grow Gum via 360° communication and innovation
- Expand usage of *Halls* via range relaunch and new products
- Leverage Kraft Foods scale in snacks





# Leverage proprietary propositions in Coffee and Cheese

## Coffee

- Power Brands focus



- Expand *Tassimo* in on-demand



- Reframe Soluble and strengthen Roast & Ground

## Cheese & Grocery

- Focus on *Philadelphia*



- Leverage versatility strategy and proprietary propositions



# Local Brands contributing to growth

## Nordic Chocolate

- Market leader in all segments



- Leverage EU growth platforms & co-branding opportunities



- Entrepreneurial spirit

**H1 2010**

**Net Revenue in H1'10 up  
mid-single digits  
+160 bps Gross Margin**

## Kraft Process Cheese

- Market leader in Italy, UK, Spain



- Common asset base/platforms
- Invest in proprietary proposition



**H1 2010**

**Net Revenue in H1'10 up  
mid-single digits  
+200 bps Gross Margin**

# Win with our people

- Build performance-driven, value-led culture
  - Pride in our brands
  - External focus
  - Winning spirit
- Leverage change management capability to integrate and restructure
- Strong, diverse talent
- Recognized leader in Sales and Marketing

# Europe's favorite Snacking company

## Focus Resources

- 15 Power Brands
- Snacks platforms
- Proprietary propositions in Coffee and Cheese
- Local Brands
- Win with people

## Leverage Sales

- Drive availability
- Shopper insights
- Merchandising
- Customer collaboration



# Leverage our Sales strength

- Drive availability
  - Leverage “best of both” to win in store and Instant Consumption
  - Invest in feet on the street
- Leverage shopper insights
- Win at point of sale
  - Own events, cross category promotions
  - Hot Zone, multi-touch points
- Effective customer collaboration
  - Joint business planning
  - Tailored initiatives



# Europe's favorite Snacking company

## Focus Resources

- 15 Power Brands
- Snacks platforms
- Proprietary propositions in Coffee and Cheese
- Local Brands
- Win with people

## Leverage Sales

- Drive availability
- Shopper insights
- Merchandising
- Customer collaboration

## Expand Margins

- Mix improvement
- End-to-End productivity savings
- Reduce overheads
- Integration synergies

# Reduce costs and expand margins

- Category model driving mix
  - Resource allocation behind power brands
  - Geographic / portfolio mix improvement
- End-to-End productivity savings
  - Targeting COGS productivity of 4%
  - Procurement savings step-up (SAVOR)
  - Supply chain re-configuration
- Continued negative overhead growth
  - Functional transformation programs
  - Country restructuring
- Synergies from LU & Cadbury acquisitions

# Driving growth and margins as Europe's favorite Snacking company

- Unrivalled portfolio, #1 position in Snacks
- Strategies are working, building momentum
- Growth roadmap defined
- Significant synergy potential



**Organic  
Revenue  
growth of  
2%-3%**

**Mid-teens  
Operating  
Income  
Margins**

# Sanjay Khosla

Executive Vice President and  
President, Kraft Foods  
Developing Markets



# Three years ago, laid out plan to turn around KFDM to sustainable long-term growth

- Winning through focus strategy has three pillars:
  - 5 Categories, 10 Power Brands and 10 Priority Markets (5-10-10)
  - Win locally, leverage globally
  - Build depth of international talent

# KFDM has delivered excellent results

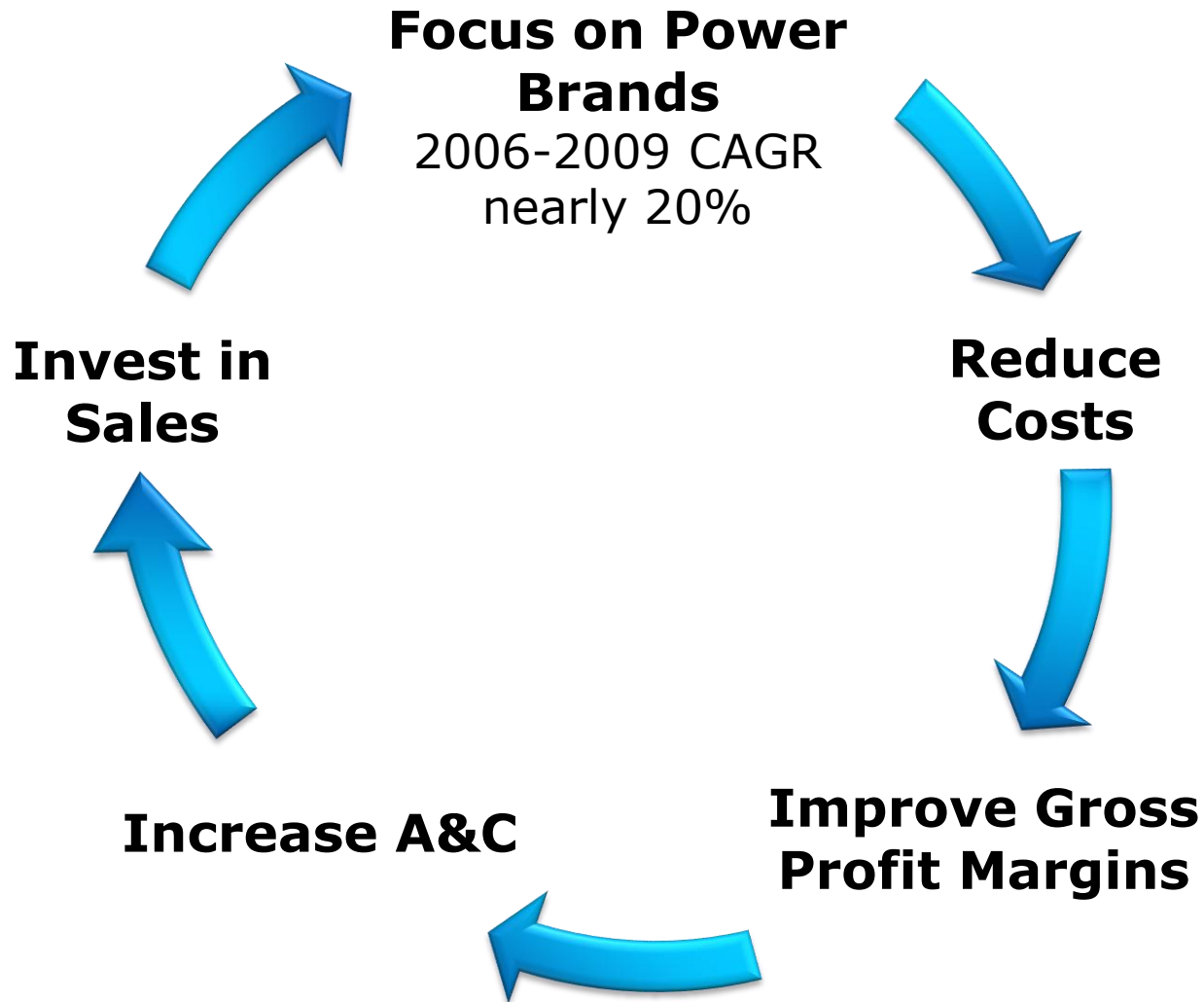
## 2006-2009 CAGR

Organic Net Revenue:<sup>(1)</sup> +13%

Operating Income: +24%

(1) Reported Net Revenue 2006-2009 CAGR was 16%. See GAAP to Non-GAAP Reconciliation at the end of this presentation.

# Moved KFDM to a virtuous cycle





# Favorable environment provides further opportunity

## Economy

- Growing Asia-Pacific and Latin America markets
- Slow recovery in Central and Eastern Europe

## Consumer

- Increasing purchasing power
- Rising demand for on-the-go snacks

## Customer

- Both Modern and Traditional Trade are growing

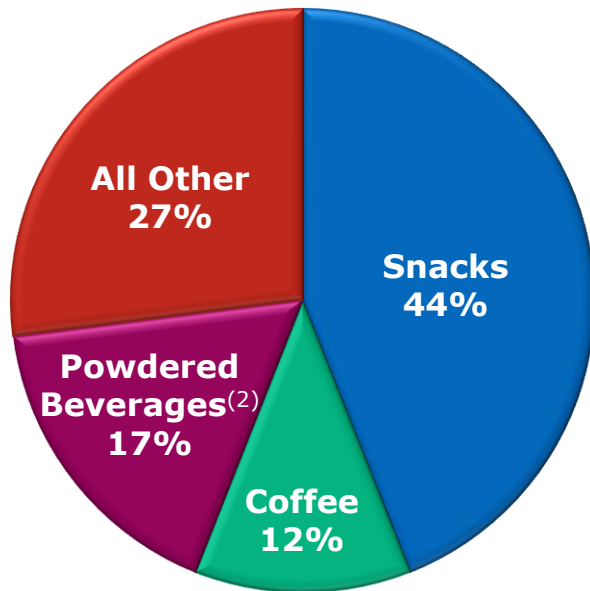
# Win in Developing Markets through Snacks leadership

## Focus Resources

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

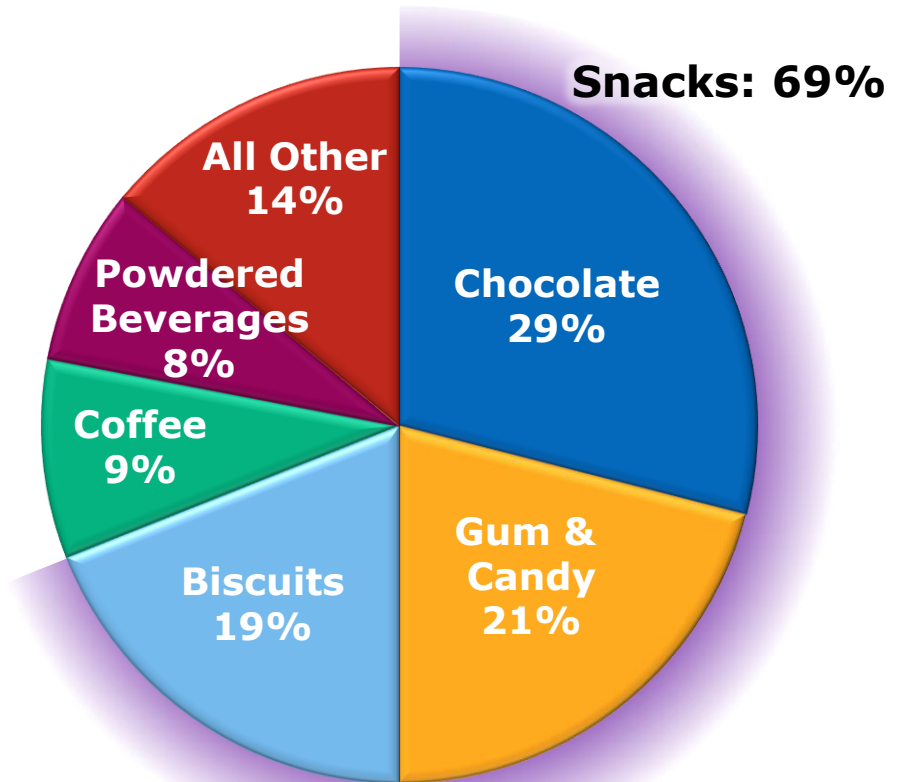
# Today's Kraft Foods Developing Markets

## KFDM 2006



2006 Net Revenues  
\$4.6 billion

## KFDM Today<sup>(1)</sup>



2009 Net Revenues  
\$12.6 billion

(1) Pro Forma amounts are based on the acquisition of Cadbury.

(2) Includes certain ready-to-drink beverages that have since been divested or discontinued.

# 10 Power Brands will grow strong double-digit with high gross margins

Chocolate



Gum &  
Candy



Biscuits



Coffee



Powdered  
Beverages



# Focus on ten priority markets

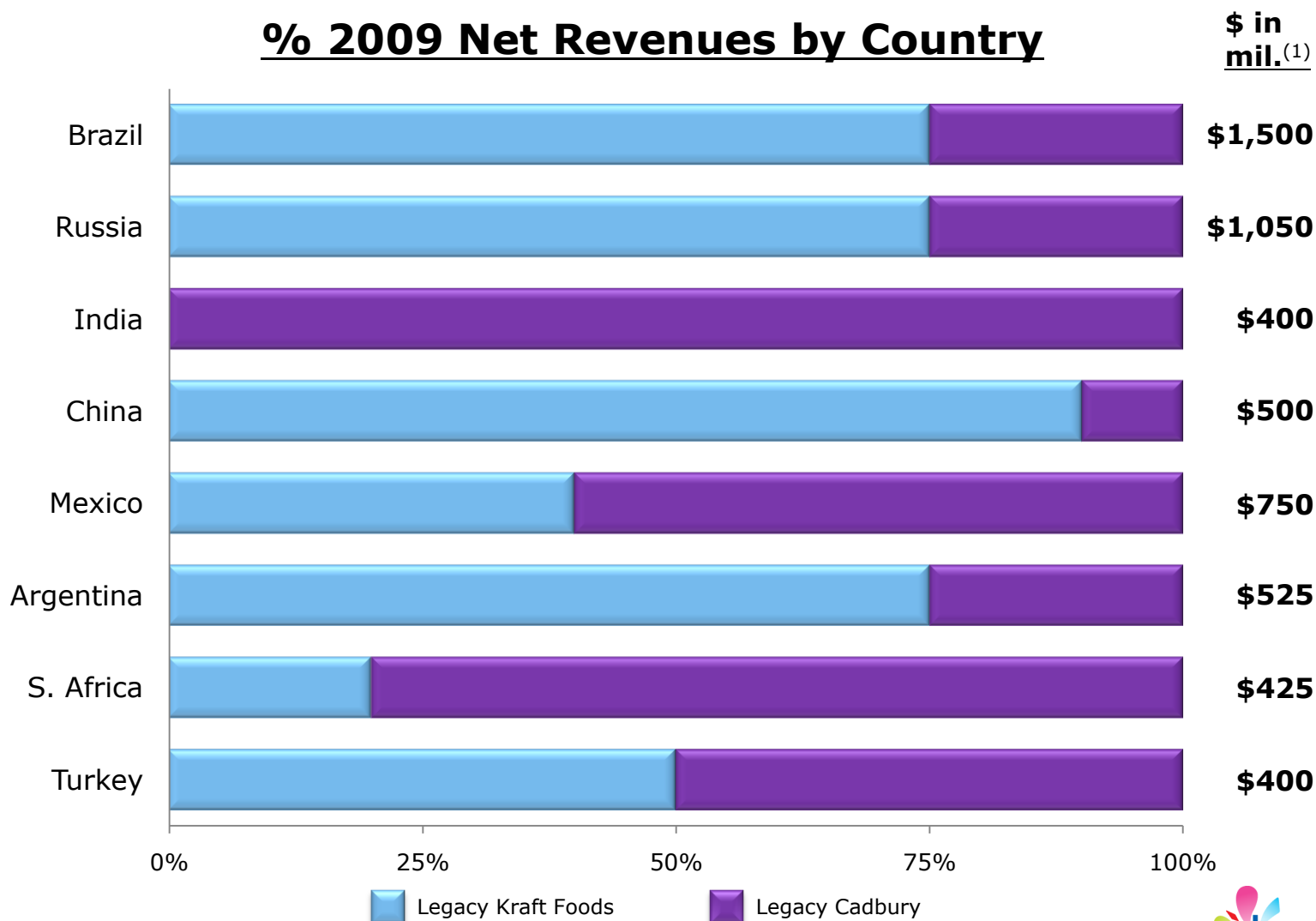
- Top 10 Priority Markets:

- Australia
- Brazil
- China
- India
- Indonesia
- Mexico
- Poland
- Russia
- South Africa
- Ukraine

- Priority Markets drive ~70% of total KFDM growth
- BRICM to grow strong double digit, delivering ~50% of KFDM growth



# Terrific geographic fit with Cadbury



- 2009 Net Revenue:
  - Pro Forma Combined<sup>(1)</sup>: \$1.5B
  - Base Kraft Foods '06-'09 CAGR up double-digits
- Strong leadership position in Gum and Powdered Beverages
- #1 brands in all priority categories
- H1 2010 revenue up high-teens<sup>(1)</sup>

## Key Brands

---



(1) 2009 Pro Forma based on the Cadbury acquisition.

- 2009 Net Revenue:
  - Pro Forma Combined<sup>(1)</sup>: \$0.5B
  - Base Kraft Foods '06-'09 CAGR up low-teens
- Strong leadership position in Biscuits
- H1 2010 revenue up 20%+<sup>(1)</sup>

## Key Brands

---



(1) 2009 Pro Forma based on the Cadbury acquisition.



- 2009 Net Revenue:
  - Pro Forma Combined<sup>(1)</sup>: \$0.4B
- Strong leadership position in Chocolate
- H1 2010 revenue up nearly 25%<sup>(1)</sup>
- Strong route-to-market capability

## Key Brands

---

The Cadbury logo, featuring the word "Cadbury" in a purple, cursive script.

(1) 2009 Pro Forma based on the Cadbury acquisition.

# Win in Developing Markets through Snacks Leadership

## 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**

# Spotlight: Oreo – World's #1 cookie delivers sustained high growth

## Context

- Oreo flat in early 2000's
- Redefined business model based on key consumer insights

## Results

- Net revenue CAGR 2006-2009 of 30%+
- H1 2010 revenue up 35%+
- Gross Profit Margin well above average



# Spotlight: *Tang* – “Back to Basics” focus drives total turnaround

## Context

- 2008: Brand not growing
- 2009: “Back to Basics” with broadened competitive frame
  - Product quality, flavor innovation, Kids “Movement”, new package formats, in-store activation
  - Broader frame of cold beverages, including water

## Results

- Revenue grew nearly 30% in 2009 to ~\$700MM
- H1 2010 revenue up nearly 30%



# Invest to drive best sales practices across markets

- Leverage combined company route-to-market strengths
- Expand distribution
- Sales Executive Teams

# Build depth of international talent

- Moved with tremendous speed & quality in integrating organization
- Align top talent to key categories, brands, markets
- Drive towards a world-class diverse and inclusive organization

# 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**

# Tim McLevish

Executive Vice President  
and CFO

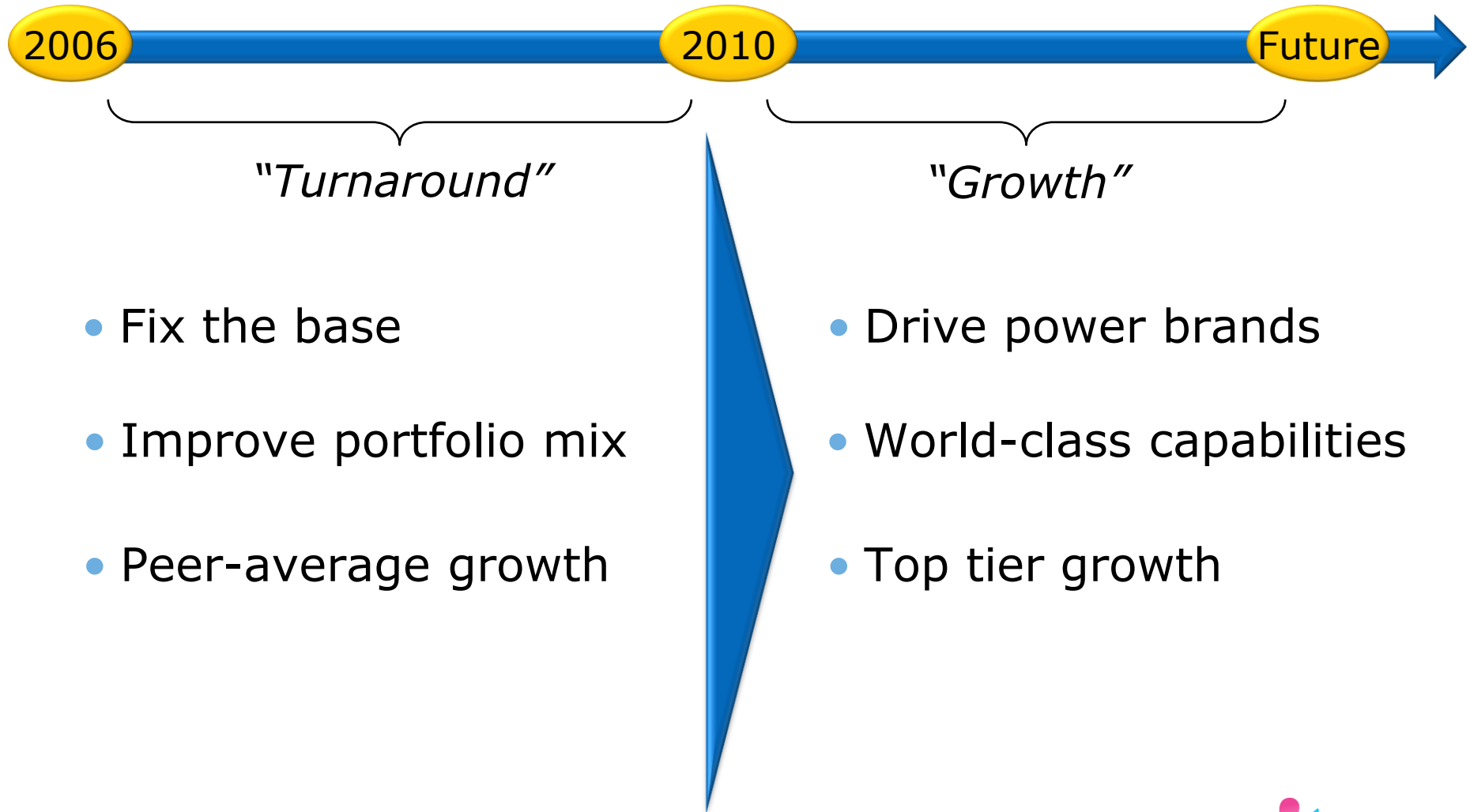




# Agenda

- Hitting our sweet spot
- Seizing our global snacks opportunity
  - Biscuits
  - Gum and Candy
  - Chocolate
- Winning in each region
  - North America
  - Europe
  - Developing Markets
- Transforming our financial performance

# Shifting from Turnaround to Growth



# Strategies will deliver a step-up in growth ...

**Delight Global  
Snacks Consumers**

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

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

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

# ... based on an enhanced growth algorithm

- Organic Revenue growth
  - ~2/3 from volume/mix
  - ~1/3 from price
- Pricing primary lever to offset input cost inflation
- Volume/mix and productivity to expand gross margins
- Overhead leverage and cost synergies
  - Fuel increased A&C
  - Fund Sales and R&D investments

AND

  - Drive higher Operating Income margins



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

# Enhanced growth algorithm builds on improved base business

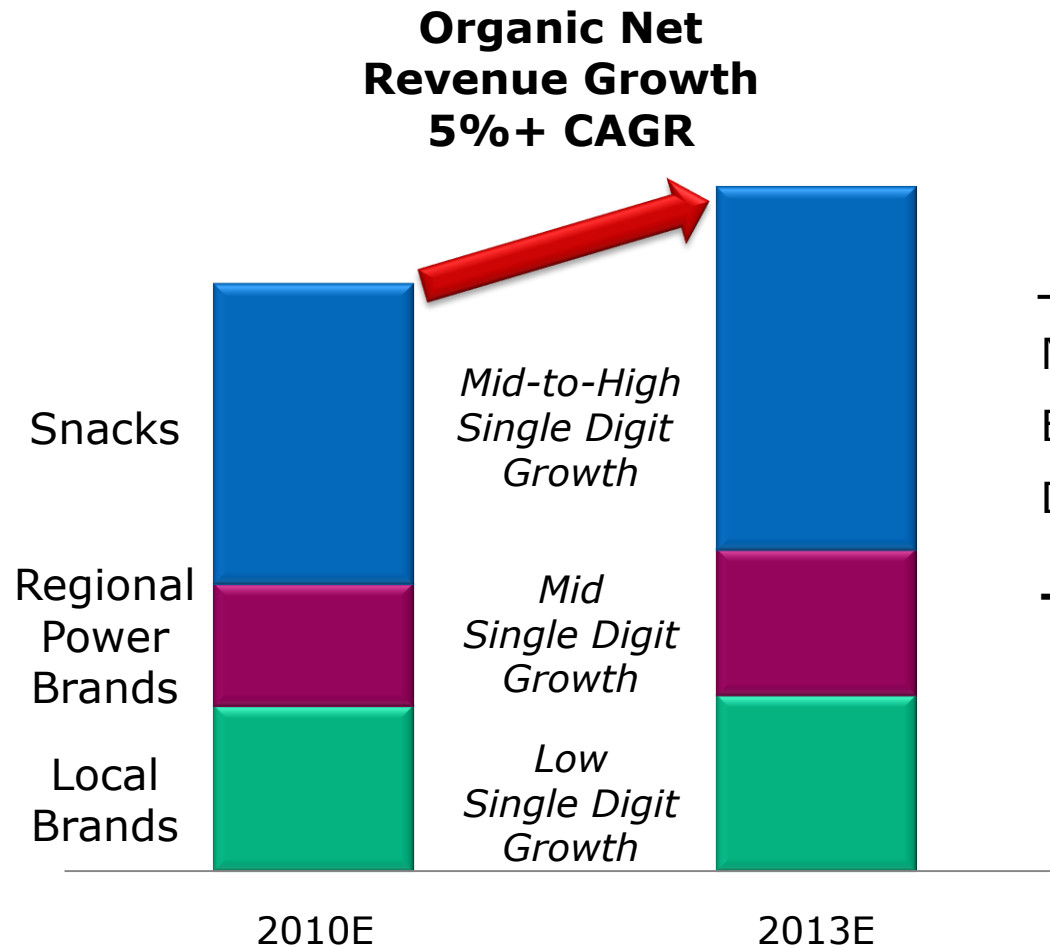
## Base Kraft Foods Improvements

- Improved product quality
- Stronger brand equities
- Increased innovation pipeline

## Enhancements

- Focus on higher growth snack categories
- Improved geographic mix
- Improved channel mix
- Leveraging new Global Category Team structure

# Brands and Business Units will deliver 5%+ organic revenue growth



Long-Term Organic Revenue Growth Targets	
North America	3-4%
Europe	2-3%
Developing Markets	10%+
<b>Total Kraft Foods</b>	<b>5%+</b>

Note: 2010 includes 12 months of Cadbury results. Snacks includes other Kraft Foods Snacks businesses beyond core categories (e.g., Handi-Snacks, Marshmallows, etc.).

# 5%+ revenue growth target benefits from synergies in the short-term

## Short-Term

- Targeting \$1 billion of revenue synergies over next three years
- 70 bps of organic growth per year

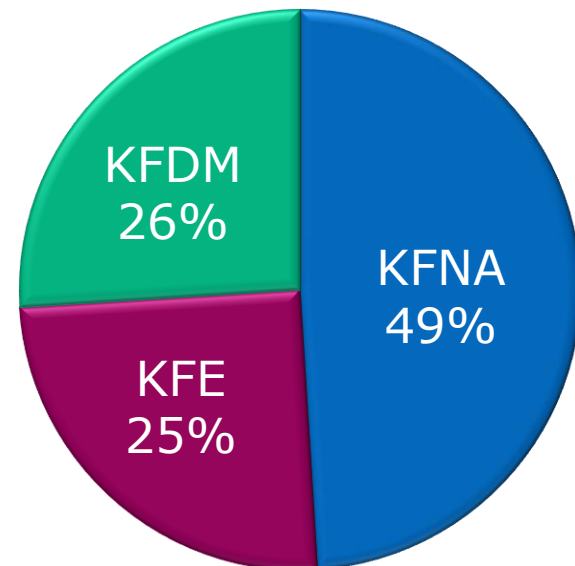
# Long-term momentum benefits from shift to high-growth Developing Markets

## Short-Term

- Targeting \$1 billion of revenue synergies over next three years
- 70 bps of organic growth per year

## Long-Term

**2009<sup>(1)</sup>**



(1) 2009 Pro Forma amounts based on the Cadbury acquisition and the divestiture of the Pizza business.



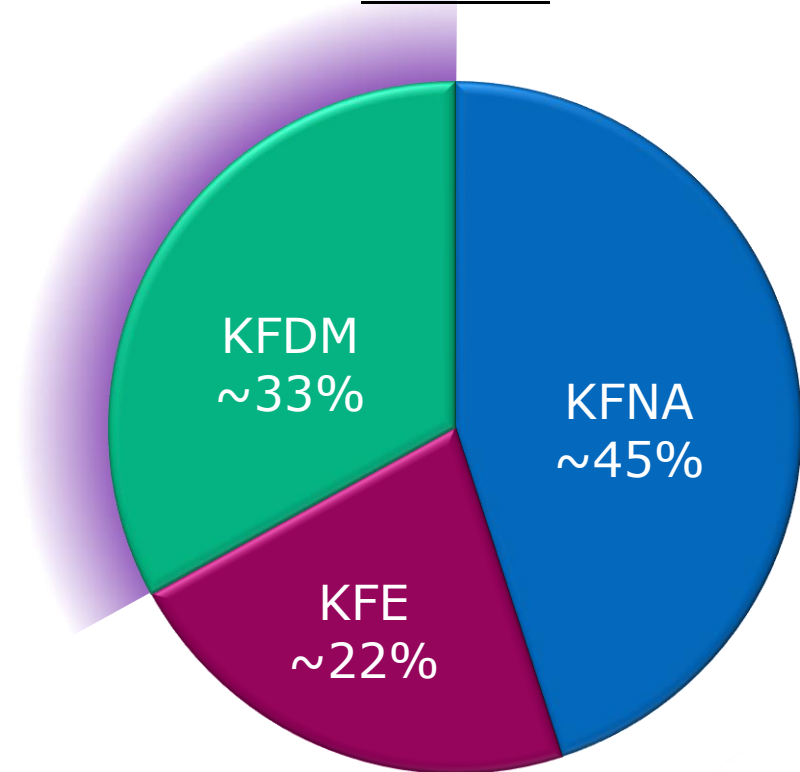
# Long-term momentum benefits from shift to high-growth Developing Markets

## Short-Term

- Targeting \$1 billion of revenue synergies over next three years
- 70 bps of organic growth per year

## Long-Term

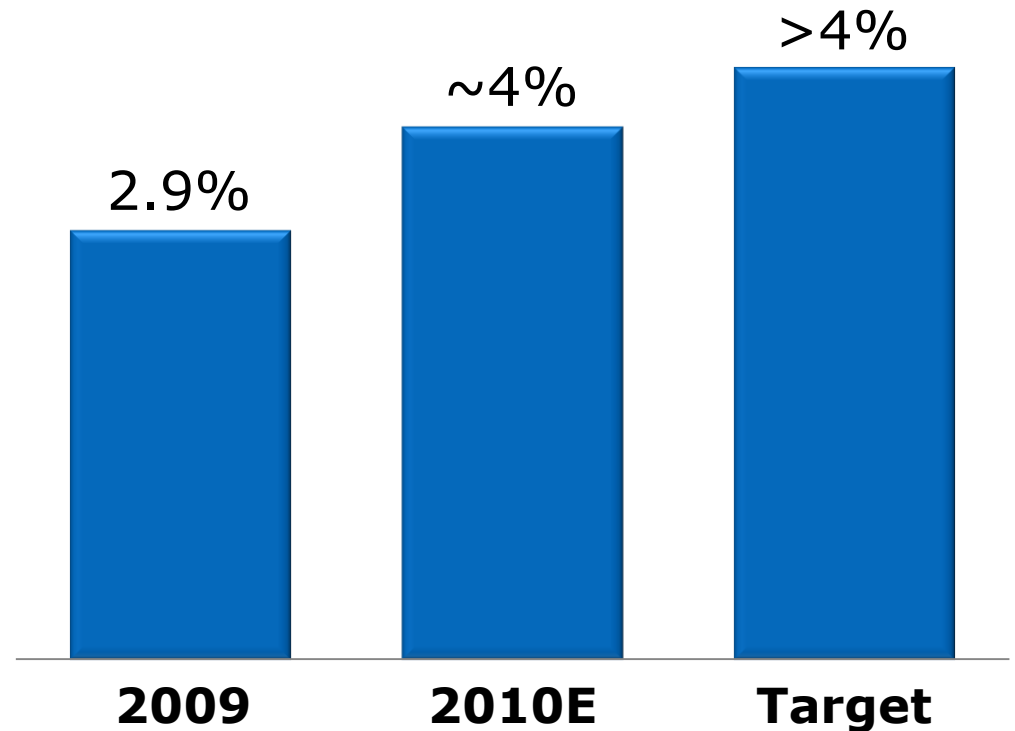
**2013E**



# End-to-end productivity will drive gross margin gains

## Productivity % of COGS<sup>(1)</sup>

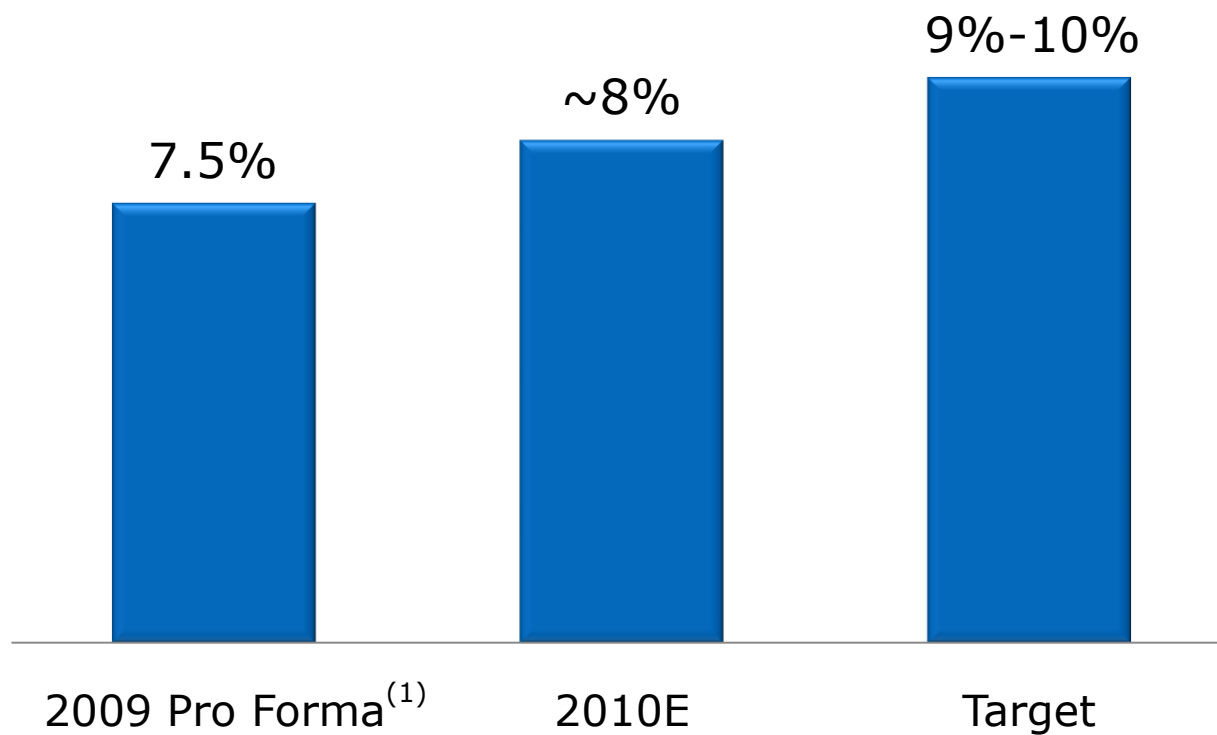
- Procurement (SAVOR)
- Manufacturing (Lean Six Sigma)
- Customer Service & Logistics



(1) Excludes Cadbury.

# Investments in brand building will increase

## A&C as a Percentage of Net Revenues

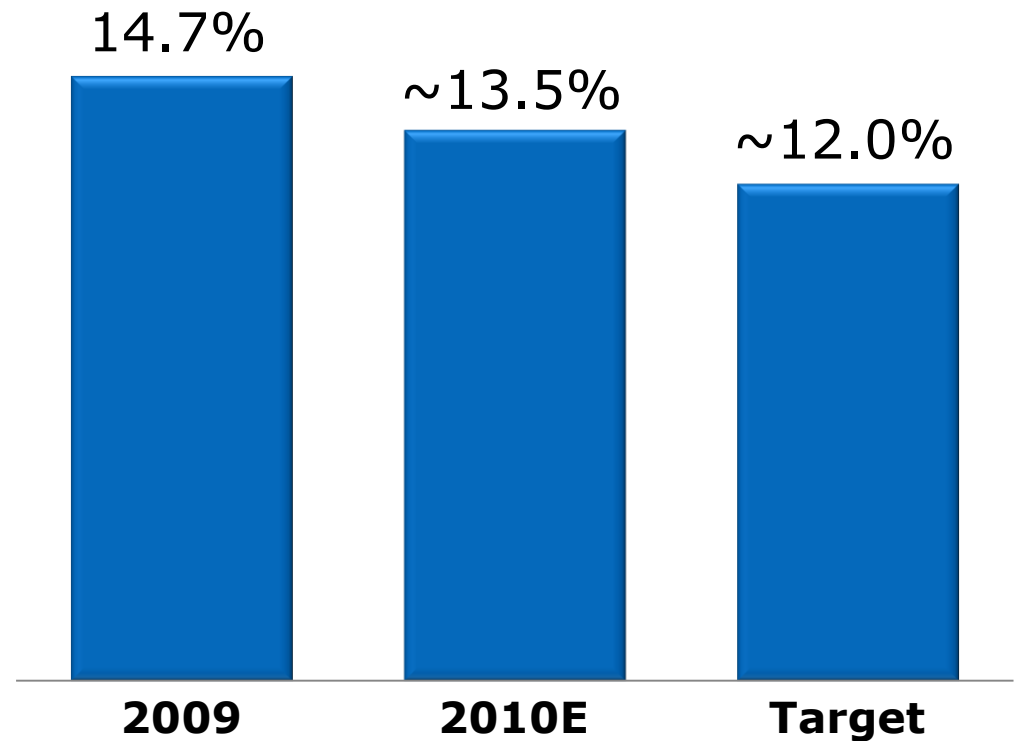


(1) Pro Forma for the Cadbury acquisition.

# Resetting overhead costs will accelerate margin expansion

- Europe
  - Negative Overhead Growth (NOG)
- North America
  - Zero Overhead Growth (ZOG)
- Developing Markets
  - Half Overhead Growth (HOG)

## Overheads % of Net Revenue<sup>(1)</sup>



(1) Excludes Cadbury.

# Substantial change to continue across the organization

## Key Change Management Initiatives

**Pan-European  
Category  
Model**

**Functional  
Transformation**

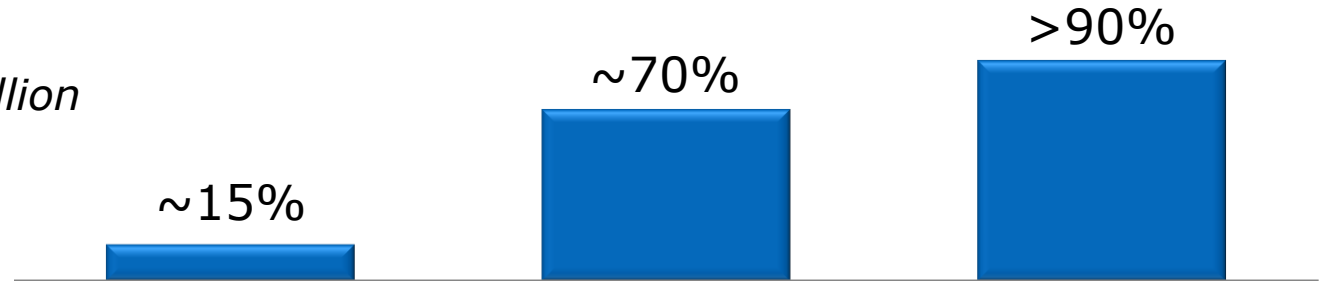
**Catalyst  
(SAP)**

# Cost synergies will further expand profit margins to mid-to-high teens

## Cost Synergies / Pre-Tax Integration Costs

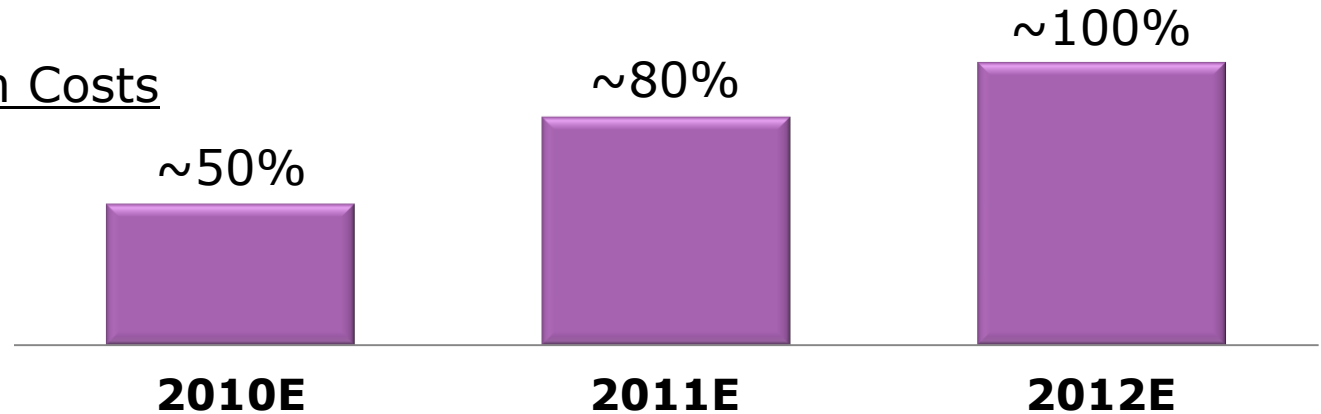
### Cost Synergies

*Total at least \$750 million  
(Cumulative P&L Impact)*



### Integration Program Costs

*Total ~\$1.5 billion  
(Cumulative)*



# Targeting top-tier margins

## 2009 Operating Income Margins (Fiscal Year)<sup>(1)</sup>

1	Coca-Cola	27.6%
2	PepsiCo	18.8%
3	Campbell	16.8%
4	Hershey	16.2%
5	General Mills	16.0%
6	Kellogg	15.9%
<hr/>		
7	Danone	15.3%
8	Heinz	14.7%
9	Nestle	14.7%
<b>10</b>	<b>Kraft Foods</b>	<b>13.7%</b>
11	ConAgra	8.9%
12	Sara Lee	7.9%



(1) Source: Company reports.

# Begun to deliver growth in line with peer averages

## Operating EPS Growth<sup>(1)</sup>

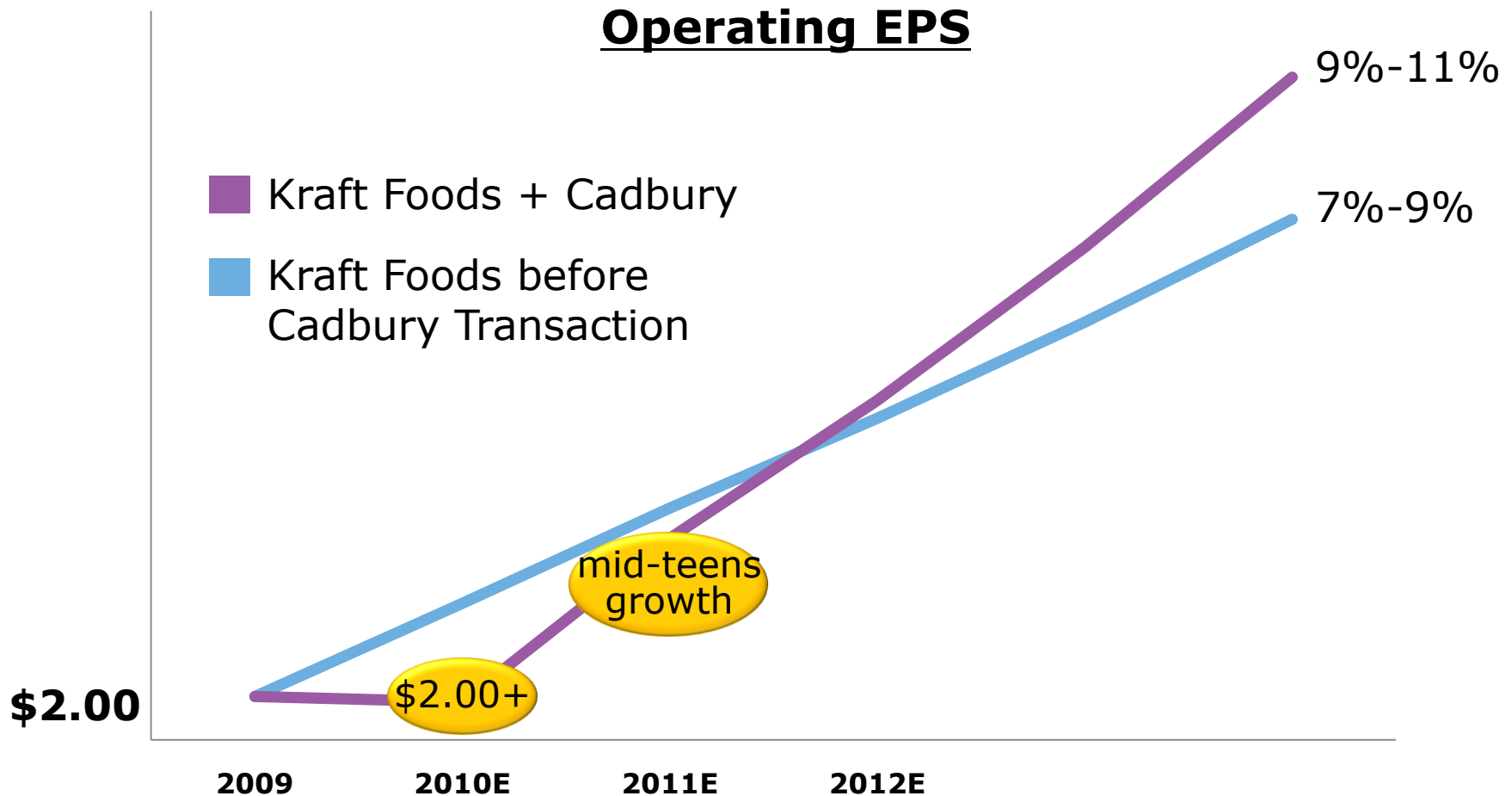
2006		2007		2008		2009	
1	Danone 31.0%	1	Nestle 17.3%	1	ConAgra 32.9%	1	Hershey 15.4%
2	Nestle 15.0%	2	Coca-Cola 13.9%	2	Sara Lee 19.3%	2	General Mills 13.1%
3	PepsiCo 12.8%	3	PepsiCo 12.7%	3	Coca-Cola 16.7%	3	Heinz 10.3%
4	Coca-Cola 8.7%	4	Kellogg 10.0%	4	General Mills 10.7%	4	<b>Kraft Foods 8.0%</b>
5	Campbell 6.4%	5	Heinz 9.7%	5	Heinz 10.5%	5	Campbell 6.2%
6	Kellogg 6.4%	6	Campbell 7.1%	6	PepsiCo 8.9%	6	Kellogg 5.7%
7	Hershey 3.9%	7	Danone 6.2%	7	Kellogg 8.3%	7	PepsiCo 0.8%
8	<b>Kraft Foods 3.2%</b>	8	General Mills 6.0%	8	Campbell 7.2%	8	Nestle 0.7%
9	General Mills 2.7%	9	ConAgra 3.6%	9	Nestle 4.0%	9	Danone (0.8)%
10	ConAgra 2.2%	10	<b>Kraft Foods (6.2)%</b>	10	<b>Kraft Foods 3.3%</b>	10	Coca-Cola (2.9)%
11	Heinz (7.3)%	11	Hershey (12.2)%	11	Danone 1.2%	11	Sara Lee (15.2)%
12	Sara Lee (20.1)%	12	Sara Lee (30.3)%	12	Hershey (9.6)%	12	ConAgra (20.0)%

(1) Source: Thomson First Call.



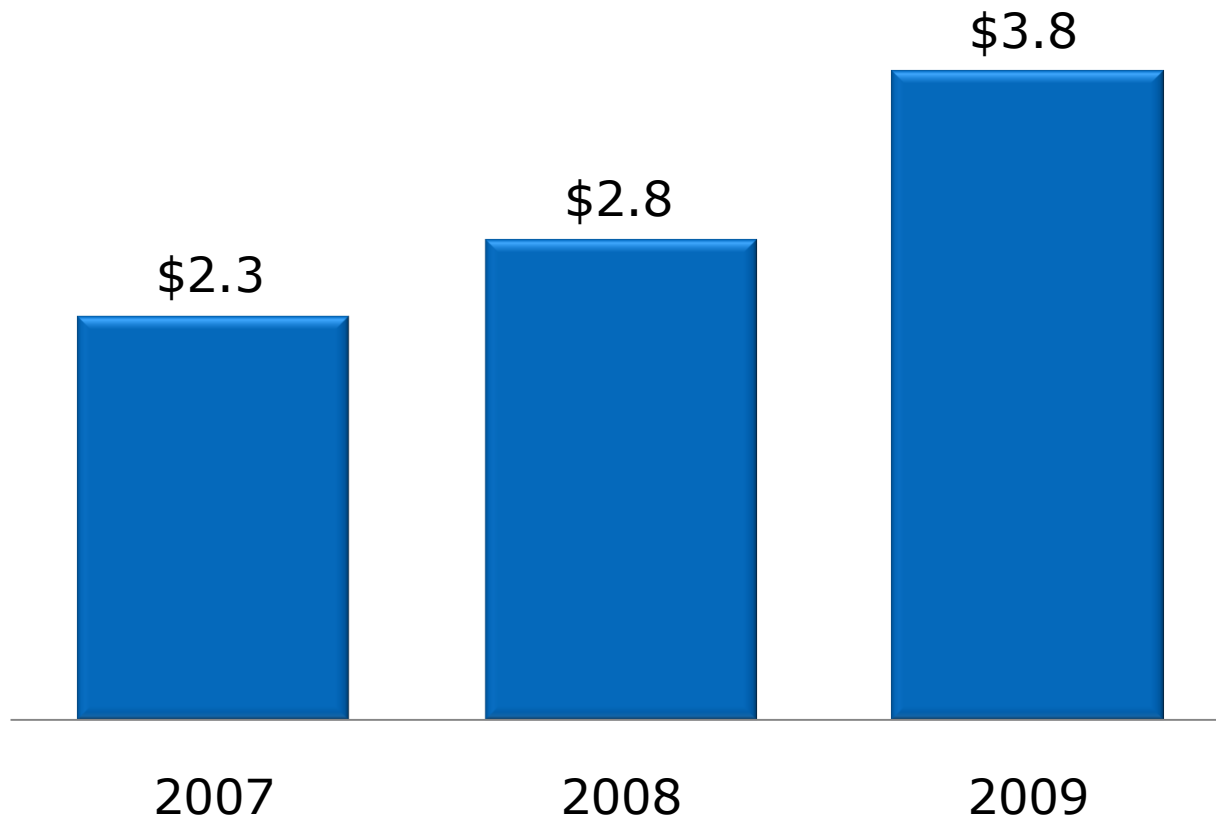


# Earnings trajectory will significantly improve



# Significantly stepped up free cash flow

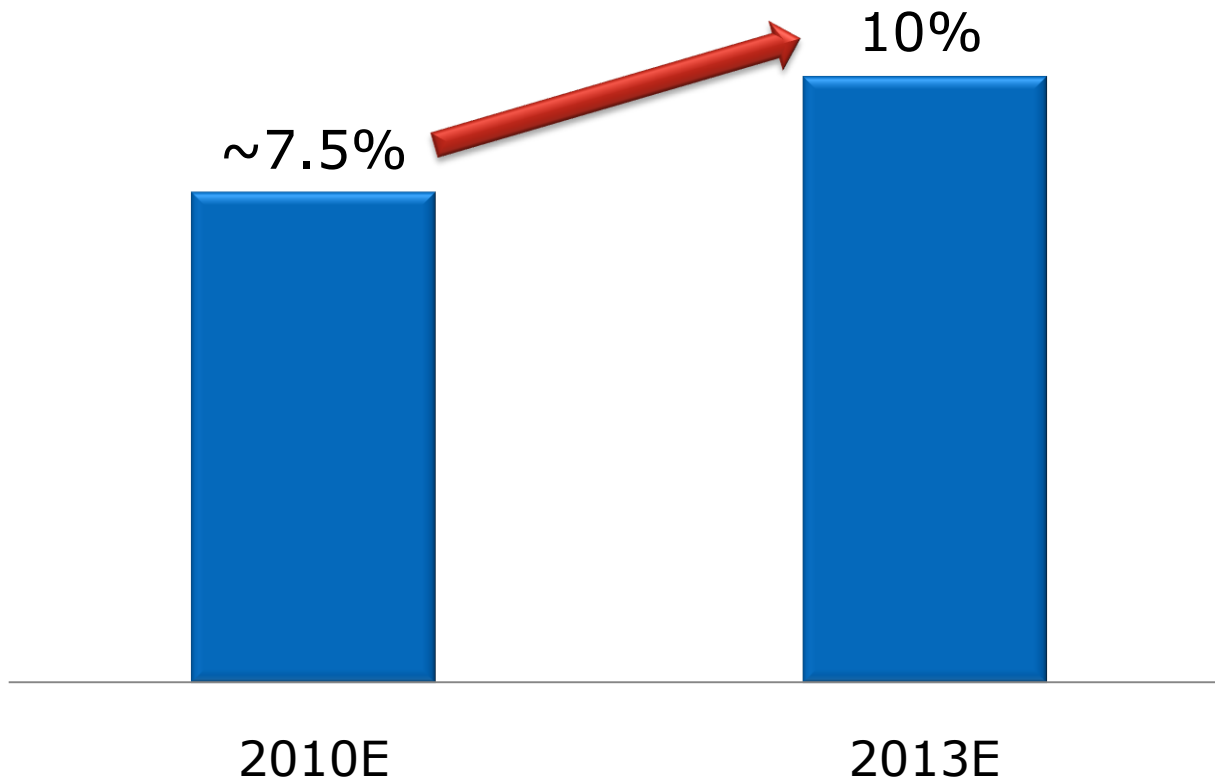
## **Free Cash Flow**<sup>(1)</sup> (\$ billions)



(1) Defined as cash flow from operations less capital expenditures. See GAAP to Non-GAAP reconciliation at the end of this presentation.

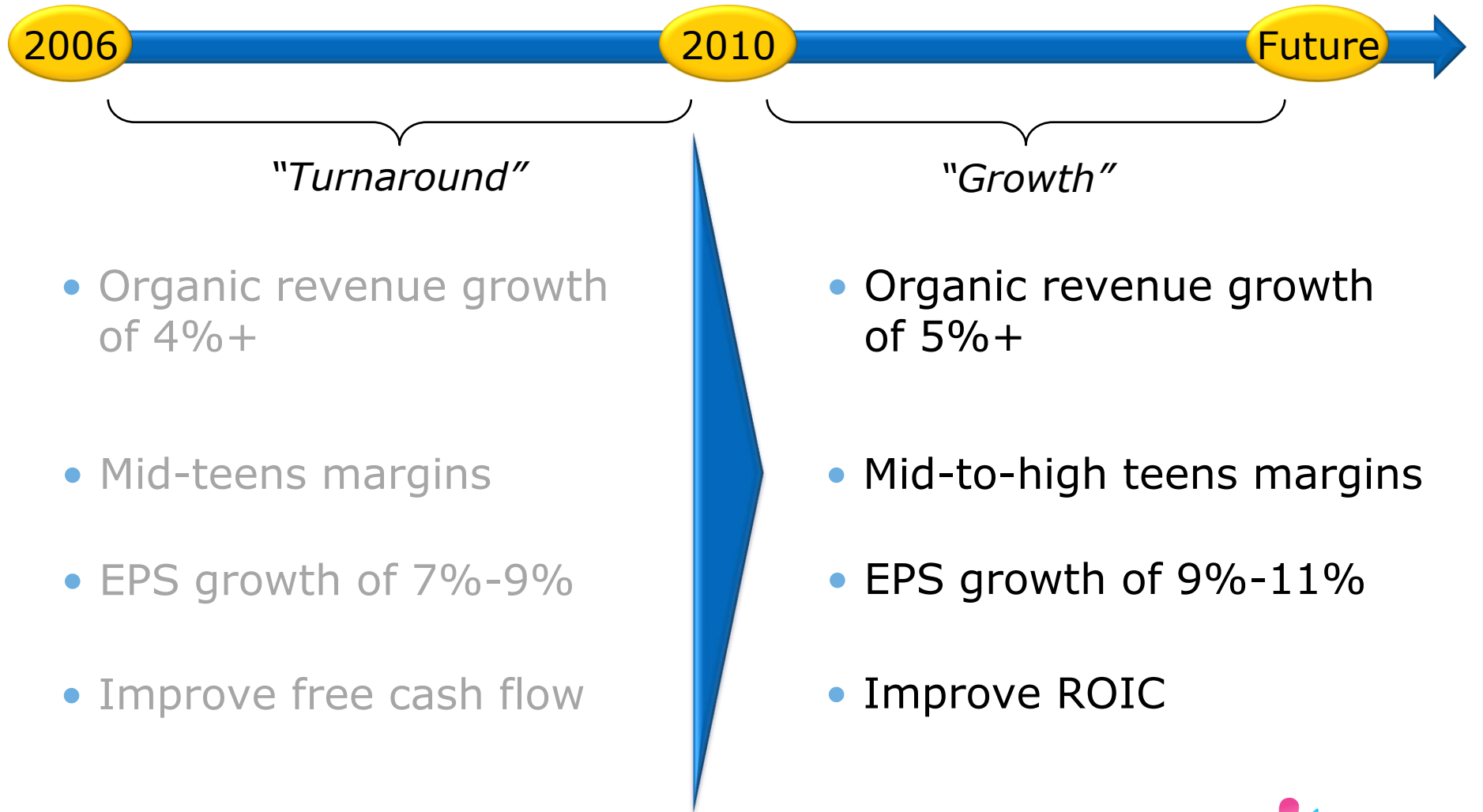
# Will maintain strong capital discipline while supporting strong growth

## Return on Invested Capital<sup>(1)</sup>



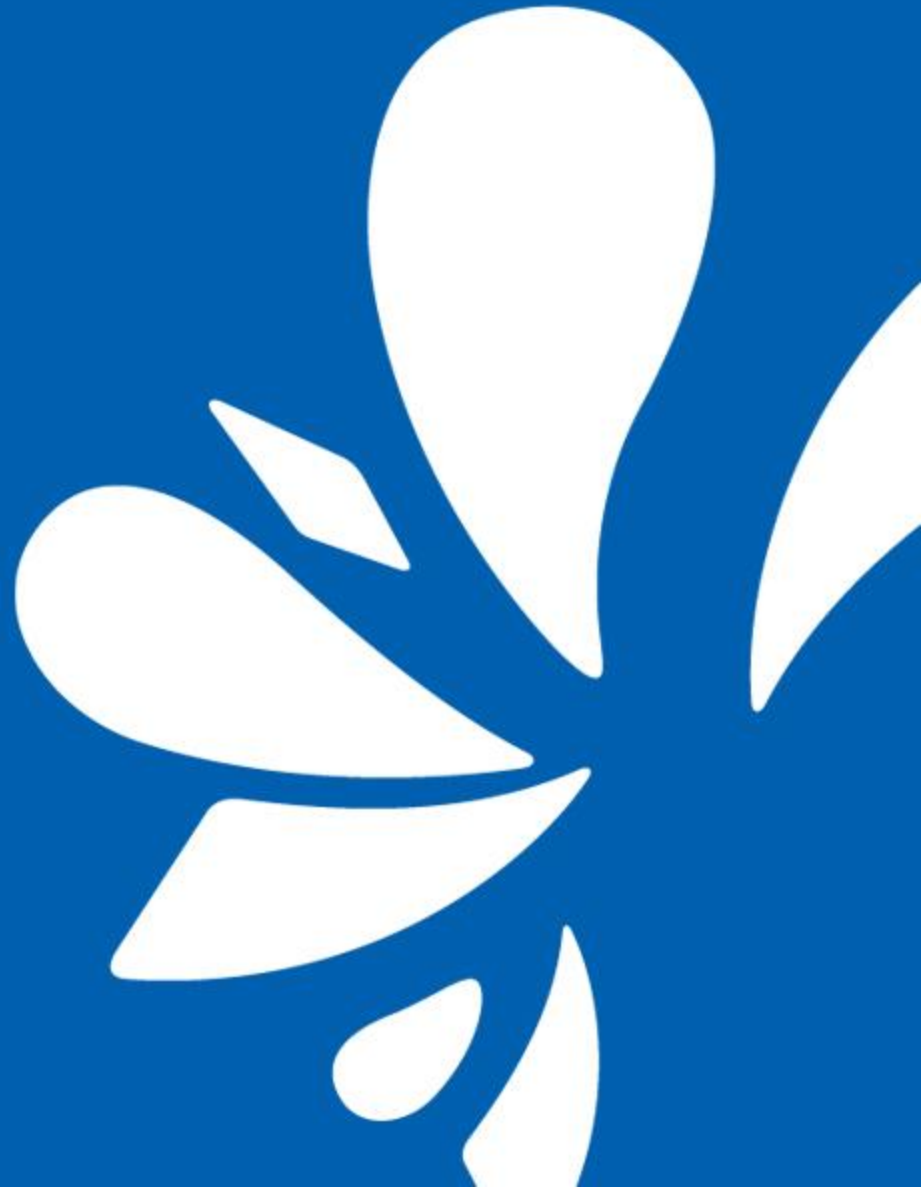
(1) Defined as Operating Net Profit After Taxes divided by Invested Capital (average total net debt plus equity). Operating Net Profit After Taxes includes operating net income and adds back after-tax interest and amortization expenses, and the change in deferred taxes. Operating Net Profit After Taxes for 2010E excludes costs related to the Cadbury acquisition such as transaction advisory fees, UK stamp taxes, Cadbury inventory revaluation and financing fees, costs to integrate the businesses, as well as the deferred tax charge resulting from recently enacted U.S. health care legislation.

# New metrics for success





# GAAP to Non-GAAP Reconciliations



# GAAP to Non-GAAP Reconciliation

## Net Revenues to Organic Net Revenues

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

	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions	Impact of Currency	Organic (Non-GAAP)	% Change	
						As Reported (GAAP)	Organic (Non-GAAP)
<b><u>June 30, 2010</u></b>							
Kraft Foods Europe	2,793	-	(662)	52	2,183	34.1%	5.2%
<b><u>June 30, 2009</u></b>							
Kraft Foods Europe	2,083	(7)	-	-	2,076		
<b><u>March 31, 2010</u></b>							
Kraft Foods Europe	2,709	-	(589)	(151)	1,969	40.5%	2.5%
<b><u>March 31, 2009</u></b>							
Kraft Foods Europe	1,928	(7)	-	-	1,921		
<b><u>December 31, 2009</u></b>							
Kraft Foods Europe	2,687	-	-	(225)	2,462	8.0%	(0.3)%
<b><u>December 31, 2008</u></b>							
Kraft Foods Europe	2,489	(20)	-	-	2,469		
<b><u>September 30, 2009</u></b>							
Kraft Foods Europe	2,070	(1)	-	199	2,268	(11.5)%	(0.8)%
<b><u>September 30, 2008</u></b>							
Kraft Foods Europe	2,338	(52)	-	-	2,286		
<b><u>June 30, 2009</u></b>							
Kraft Foods Europe	2,083	(7)	-	376	2,452	(17.4)%	0.4%
<b><u>June 30, 2008</u></b>							
Kraft Foods Europe	2,521	(79)	-	-	2,442		



# GAAP to Non-GAAP Reconciliation

## Operating Income Margins

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

	As Reported (GAAP)	Asset Impairment, Exit and Implementation Costs - Restructuring	Asset Impairments / Other Expenses - Non-Restructuring	(Gains) / Losses on Divestitures, net	Excluding Items (Non- GAAP)
<b>For the Three Months Ended</b>					
<b><u>September 30, 2008</u></b>					
<u>Kraft Foods Europe</u>					
Net Revenues	\$ 2,338	-	-	-	\$ 2,338
Operating Income	\$ 115	35	57	-	\$ 207
Operating Income Margin	4.9%				8.9%
<b>For the Three Months Ended</b>					
<b><u>December 31, 2008</u></b>					
<u>Kraft Foods Europe</u>					
Net Revenues	\$ 2,489	-	-	-	\$ 2,489
Operating Income	\$ (166)	358	39	(1)	\$ 230
Operating Income Margin	(6.7)%				9.2%

	As Reported (GAAP)	Integration Costs	Acquisition-Related Costs <sup>(1)</sup>	Cadbury	Base Kraft Foods (Non- GAAP)
<b>For the Three Months Ended</b>					
<b><u>March 31, 2010</u></b>					
<u>Kraft Foods Europe</u>					
Net revenues	\$ 2,709	\$ -	\$ -	\$ (589)	\$ 2,120
Operating Income	\$ 289	\$ 1	\$ 23	\$ (88)	\$ 225
Operating Income Margin	10.7%				10.6%
<b>For the Three Months Ended</b>					
<b><u>June 30, 2010</u></b>					
<u>Kraft Foods Europe</u>					
Net revenues	\$ 2,793	\$ -	\$ -	\$ (662)	\$ 2,131
Operating Income	\$ 335	\$ 33	\$ -	\$ (107)	\$ 261
Operating Income Margin	12.0%				12.2%

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





# GAAP to Non-GAAP Reconciliation

## Cash Flows For the Twelve Months Ending December 31,

(\$ in billions, Unaudited)

	Kraft Foods Inc.		
	2007	2008	2009
<b>Net Cash Provided by Operating Activities (GAAP)</b>	<b>\$ 3.6</b>	<b>\$ 4.1</b>	<b>\$ 5.1</b>
Capital Expenditures	(1.2)	(1.4)	(1.3)
<b>Free Cash Flow (Non-GAAP) <sup>(1)</sup></b>	<b>\$ 2.3</b>	<b>\$ 2.8</b>	<b>\$ 3.8</b>

<sup>(1)</sup> May not add due to rounding

# GAAP to Non-GAAP Reconciliation

## Net Revenues Growth

(Unaudited)

### Kraft Foods Inc.

	<u>As Reported (GAAP)<sup>(1)</sup></u>	<u>Impact of Divestitures / Other</u>	<u>Impact of Acquisitions</u>	<u>Impact of Currency</u>	<u>Organic (Non-GAAP)</u>
<b><u>For the Twelve Months Ended:</u></b>					
December 31, 2007	8.6%	(0.6)pp	0.8pp	3.1pp	5.3%
December 31, 2008	16.9%	(0.8)pp	8.9pp	2.0pp	6.8%
December 31, 2009	(3.7)%	(0.7)pp	0.0pp	(4.5)pp	1.5%
<b>Compound Annual Growth Rate, 2006 - 2009:</b>	6.9%				<b>4.5%</b>

<sup>(1)</sup> Includes the results of the frozen pizza business

# GAAP to Non-GAAP Reconciliation

## Net Revenues Growth

(Unaudited)

### Kraft Foods Developing Markets

	<u>As Reported (GAAP)</u>	<u>Impact of Divestitures / Other</u>	<u>Impact of Acquisitions</u>	<u>Impact of Currency</u>	<u>Organic (Non-GAAP)</u>
<b><u>For the Twelve Months Ended:</u></b>					
December 31, 2007	18.0%	0.0pp	0.2pp	6.5pp	11.3%
December 31, 2008	38.0%	(0.1)pp	4.7pp	15.9pp	17.5%
December 31, 2009	(3.5)%	(0.5)pp	0.0pp	(12.9)pp	9.9%
<hr/>					
<b>Compound Annual Growth Rate, 2006 - 2009:</b>	<b>16.3%</b>				<b>12.9%</b>