UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark one)

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-16483

Kraft Foods Inc.
(Exact name of registrant as specified in its charter)

Virginia	**52-2284372**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Three Lakes Drive, Northfield, Illinois	**60093-2753**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **847-646-2000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the shares of Class A Common Stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock on June 30, 2010, was $49 billion. At January 31, 2011, there were 1,748,927,248 shares of the registrant's Class A Common Stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with its annual meeting of shareholders to be held on May 24, 2011 are incorporated by reference into Part III hereof.

Kraft Foods Inc.
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In this report, “Kraft Foods,” “we,” “us” and “our” refers to Kraft Foods Inc. and subsidiaries, and “Common Stock” refers to Kraft Foods’ Class A common stock.

<u>Forward-looking Statements</u>

This report contains a number of forward-looking statements. Words, and variations of words, such as “expect,” “goals,” “plans,” “believe,” “continue,” “may,” “will,” and similar expressions are intended to identify our forward-looking statements, including but not limited to those related to our strategy, in particular, our unrivaled brand portfolio, top-tier shareholder returns and financial results, substained profitable growth, robust top-line growth, overhead and cost savings, *Post* Cereals split-off; new food law regulations; our workforce and authorities; our properties; our combination with Cadbury, including expected receivables, intangible assets, synergies, cost savings and integration charges; our long-term strategy; with regard to our Restructuring Program, our expected cash payments for charges and cumulative annualized savings; the Venezuelan currency devaluation; asset impairments; our legal proceedings, including environmental remedial actions; our pension plans and other employee benefit plans, including expected contributions, obligations and costs; commodity costs; our liquidity, effects of guarantees on our liquidity and funding sources; future acquisitions and divestitures; our capital expenditures and funding; our revolving credit facility and long-term debt covenants; our plan to file an automatic shelf registration statement; our aggregate contractual obligations; our 2012 Outlook, including the challenging operating environment and consumer weakness, our strong business momentum, organic net revenue growth and Operating EPS; and our risk management program, including the use of financial instruments for hedging activities.

These forward-looking statements are subject to a number of risks and uncertainties, and the cautionary statements contained in the “Risk Factors” found in this Annual Report on Form 10-K identify important factors that could cause actual results to differ materially from those in our forward-looking statements. Such factors include, but are not limited to, continued volatility of, and sharp increase in, commodity and other input costs, pricing actions, increased competition, our ability to differentiate our products from retailer brands, increased costs of sales, our indebtedness and our ability to pay our indebtedness, unexpected safety or manufacturing issues, regulatory or legal restrictions, actions or delays, unanticipated expenses such as litigation or legal settlement expenses, a shift in our product mix to lower margin offerings, risks from operating internationally, continued consumer weakness, weakness in economic conditions, our failure to successfully integrate the Cadbury business, performance in developing markets and tax law changes. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this report.

PART I

Item 1. Business.

General

Kraft Foods is the world’s second largest food company with revenues of $49.2 billion and earnings from continuing operations before income taxes of $3.6 billion in 2010. Kraft Foods was incorporated in 2000 in the Commonwealth of Virginia. We have approximately 127,000 employees worldwide, and we manufacture and market packaged food products, including biscuits, confectionery, beverages, cheese, convenient meals and various packaged grocery products. We sell our products to consumers in approximately 170 countries. At December 31, 2010, we had operations in more than 75 countries and made our products at 223 manufacturing and processing facilities worldwide. At December 31, 2010, we had net assets of $35.9 billion and gross assets of $95.3 billion. We are a member of the Dow Jones Industrial Average, Standard & Poor’s 500, the Dow Jones Sustainability Index and the Ethibel Sustainability Index.

At December 31, 2010, our portfolio included eleven brands with annual revenues exceeding $1 billion each: *Oreo*, *Nabisco* and *LU* biscuits; *Milka* and *Cadbury* chocolates; *Trident* gum; *Jacobs* and *Maxwell House* coffees; *Philadelphia* cream cheeses; *Kraft* cheeses, dinners and dressings; and *Oscar Mayer* meats. Our portfolio included approximately 70 brands which each generate annual revenues of more than $100 million.

Because Kraft Foods Inc. is a holding company, our principal source of funds is from our subsidiaries. Our wholly owned subsidiaries currently are not limited by long-term debt or other agreements in their ability to pay cash dividends or make other distributions with respect to their common stock.

Reportable Segments

We manage and report operating results through three geographic units: Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. We manage the operations of Kraft Foods North America and Kraft

Foods Europe by product category, and we manage the operations of Kraft Foods Developing Markets by location. Our reportable segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks, Canada & North America Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets. The results of operations from our Cadbury Limited (formerly, Cadbury plc) ("Cadbury") acquisition are reflected within our U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets segments.

Note 16, *Segment Reporting*, to our consolidated financial statements includes a breakout of net revenues, segment operating income, total assets, depreciation expense and capital expenditures by reportable segment, as well as a breakout of net revenues, long-lived assets and total assets by geographic region. Management uses segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of our U.S. pension plan cost (which is a component of cost of sales and selling, general and administrative expenses), general corporate expenses (which are a component of selling, general and administrative expenses) and amortization of intangibles.

The relative percentages of total segment operating income attributable to each reportable segment were:

	For the Years Ended December 31,		
	2010	2009	2008
	(2009 & 2008 revised)		
Kraft Foods North America:			
U.S. Beverages	8.4%	9.3%	9.3%
U.S. Cheese	8.9%	12.2%	13.7%
U.S. Convenient Meals	4.0%	4.3%	3.1%
U.S. Grocery	17.3%	21.0%	24.6%
U.S. Snacks	12.6%	13.2%	15.5%
Canada & N.A. Foodservice	8.7%	8.5%	9.6%
Kraft Foods Europe	16.6%	14.4%	4.4%
Kraft Foods Developing Markets	23.5%	17.1%	19.8%
Total Kraft Segment Operating Income	100.0%	100.0%	100.0%

Our brands span six consumer sectors:

- **Biscuits -** primarily cookies, crackers and salted snacks
- **Confectionery -** primarily chocolate, gum and candy
- **Beverages -** primarily coffee, packaged juice drinks and powdered beverages
- **Cheese -** primarily natural, processed and cream cheeses
- **Grocery -** primarily spoonable and pourable dressings, condiments and desserts
- **Convenient Meals -** primarily processed meats, packaged dinners and lunch combinations

The following table shows each reportable segment's participation in these six core consumer sectors.

	Percentage of 2010 Net Revenues by Consumer Sector (1)						
Segment	Biscuits(2)	Confect-ionery(2)	Beverages	Cheese	Grocery	Convenient Meals	Total
Kraft Foods North America:							
U.S. Beverages	-	-	36.5%	-	-	-	6.5%
U.S. Cheese	-	-	-	50.6%	-	-	7.2%
U.S. Convenient Meals	-	-	-	-	-	63.2%	6.4%
U.S. Grocery	-	1.0%	-	-	54.0%	22.1%	6.9%
U.S. Snacks	44.5%	7.8%	-	0.9%	1.8%	-	12.2%
Canada & N.A. Foodservice	7.9%	4.4%	6.0%	21.5%	21.4%	7.3%	9.5%
Total Kraft Foods North America	52.4%	13.2%	42.5%	73.0%	77.2%	92.6%	48.7%
Kraft Foods Europe	21.5%	38.2%	28.7%	14.0%	8.3%	4.9%	23.6%
Kraft Foods Developing Markets	26.1%	48.6%	28.8%	13.0%	14.5%	2.5%	27.7%
Total Kraft Foods	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Consumer Sector Percentage of Total Kraft Foods	21.9%	27.8%	17.9%	14.2%	8.1%	10.1%	100.0%

(1) Percentages were calculated based upon dollars rounded to millions.
(2) We previously reported Biscuits and Confectionery combined as Snacks. With the Cadbury acquisition, the Biscuits and Confectionery sectors have been broken out separately. The Biscuits sector primarily includes Cookies, Crackers and Salted Snacks. The Confectionery sector primarily includes Chocolate, Gum and Candy.

Our U.S. subsidiaries export coffee products, refreshment beverage products, grocery products, cheese, biscuits and processed meats. In 2010, these U.S. exports amounted to $563 million.

Products or similar products contributing 10% or more to Kraft Foods' consolidated net revenues for the years ended December 31, were:

	2010	2009	2008
	(2009 & 2008 revised)		
Biscuits (cookies and crackers)	19%	23%	23%
Cheese	14%	18%	18%
Coffee	11%	13%	14%
Chocolate	17%	11%	11%
Gum & Candy	10%	-	-

Our major brands within each reportable segment and consumer sector at December 31, 2010 were:

Kraft Foods North America:

U.S. Beverages

Beverages: *Maxwell House, Starbucks* (under license), *Gevalia, General Foods International, Yuban* and *Seattle's Best* (under license) coffees; *Tassimo* hot beverage system; *Capri Sun* (under license) and *Kool-Aid* packaged juice drinks; *Kool-Aid, Crystal Light* and *Country Time* powdered beverages; and *Tazo* (under license) teas.

U.S. Cheese

Cheese: *Kraft* and *Cracker Barrel* natural cheeses; *Philadelphia* cream cheese; *Kraft* grated cheeses; *Polly-O* and *Athenos* cheese; *Velveeta* and *Cheez Whiz* processed cheeses; *Kraft* and *Deli Deluxe* processed cheese slices; and *Breakstone's* and *Knudsen* cottage cheese and sour cream.

U.S. Convenient Meals

Convenient Meals: *Oscar Mayer* and *Louis Rich* cold cuts, hot dogs and bacon; *Lunchables* lunch combinations; *Boca* soy-based meat alternatives; *Deli Creations* complete sandwiches; and *Claussen* pickles.

U.S. Grocery

Grocery: *Jell-O* dry packaged desserts; *Cool Whip* whipped topping; *Jell-O* refrigerated gelatin and pudding snacks; *Jet-Puffed* marshmallows; *Kraft* and *Miracle Whip* spoonable dressings; *Kraft* and *Good Seasons* salad dressings; *A.1.* steak sauce; *Kraft* and *Bull's-Eye* barbecue sauces; *Grey Poupon* premium mustards; *Shake N' Bake* coatings; and *Baker's* chocolate and baking ingredients.

Convenient Meals: *Kraft* and *Kraft Deluxe* macaroni and cheese dinners; *Stove Top* stuffing mix; *Taco Bell Home Originals* (under license) meal kits; and *Velveeta* shells and cheese dinners.

U.S. Snacks

Biscuits: *Oreo, Chips Ahoy!, Newtons, Nilla, Nutter Butter* and *SnackWell's* cookies; *Ritz, Premium, Triscuit, Wheat Thins, Cheese Nips, Flavor Originals, Honey Maid* grahams, *Teddy Grahams* crackers, *Nabisco* 100 Calorie Packs; *Planters* nuts and trail mixes; *Handi-Snacks* two-compartment snacks; and *Back to Nature* granola, cookies, crackers, nuts and fruit & nut mixes.

Confectionery: *Toblerone, Trident, Halls, Stride, Dentyne, Sour Patch Kids, Swedish Fish, Maynards, Bubbas, Chiclets, Milka* bars, and *Clorets*.

Canada & N.A. Foodservice

Canada & N.A Foodservice products span all Kraft Foods North America segments and sectors. Canadian brand offerings include *Nabob* coffee, *Kraft* peanut butter and *Peek Freans* biscuits, as well as a range of products bearing brand names similar to those marketed in the U.S. The N.A. Foodservice business sells primarily branded products including *Maxwell House* coffee, *Oreo* cookies, *A.1.* steak sauce, and a broad array of *Kraft* sauces, dressings and cheeses.

Kraft Foods Europe:

Biscuits:	*Oreo, Digestive, Tuc, Mini-Star, Mikado* (under license), *Ourson, Petit Déjeuner, Cracotte, Belin, Heudebert, Grany, Petit Écolier, Saiwa, Oro, Fonzies, Start, Prince* and *Belvita* biscuits.
Confectionery:	*Milka, Marabou, Cote D'or, Toblerone, Freia, Suchard, Lacta, Pavlides,Mirabell chocolate confectionery products, Terry's, Daim / Dime, Twist, Cadbury Dairy Milk, Roses, Creme Egg, Twirl, Flake, Crunchie, Heroes / Favourites, Wispa, Mini Eggs, Green and Black's, Buttons, Milk Tray, Poulain, Giant Buttons, Double Decker, Moro / Boost, Timeout, Trident, Hollywood, Stimorol, Halls, Bassetts, Maynards, Trebor, Carambar, Poulain, La Pie Qui Chante, V6, TNCC, Eclairs, Malabar, Bubbas.*
Beverages:	*Jacobs, Gevalia, Carte Noire, Jacques Vabre, Kaffee HAG, Grand' Mère, Kenco, Saimaza, Maxwell House, Onko, Splendid, Starbucks (under license)* and *Karat coffees; Tassimo hot beverage system; Tang powdered beverages;* and *Suchard Express, O'Boy* and *Kaba chocolate drinks.*
Cheese:	*Dairylea, Sottilette, Osella* and *El Caserío* cheeses; and *Philadelphia* cream cheese.
Grocery:	*Kraft* pourable and spoonable salad dressings; *Miracel Whip* spoonable dressings; and *Mirácoli* sauces.
Convenient Meals:	*Lunchables* lunch combinations; *Mirácoli* pasta dinners and sauces; and *Simmenthal* canned meats.

Kraft Foods Developing Markets:

Biscuits:	*Oreo, Chips Ahoy!, Ritz, Club Social, Express, Kraker Bran, Honey Bran, Aveny Bran, Marbu, Variedad, Pacific, Belvita, Cerealitas, Lucky*, *Trakinas, Tuc, Mikado* (under license)*, Ourson, Petit Déjeuner, Cracotte, Bolshevik, Prichuda, Jubilee, Major, Merendina, Jacob's, Chipsmore, Twisties, Biskuat / Tiger, Milk Biscuit, Hi Calcium Soda, Pépito, Gyori* and *PIM's* biscuits; and *Estrella*, *Kar*, *Lux* and *Planters* nuts and salted snacks.
Confectionery:	*Milka*, *Toblerone*, *Lacta*, *Côte d'Or*, *Recaldent, Terrabusi*, *Kent, Kan, Alpen Gold*, *Korona*, *Poiana, Svoge, Vozdushny*, *Figaro, Prince Polo / Siesta, Sport/Smash/Jazz/Moreni, Cadbury Dairy Milk, Picnic, 5 Star, Heroes / Favourites, Flake, Fundraising, Crunchie, Perk, Old Gold, Freddo, Cherry Ripe, Moro / Boost, Roses, Trident, Halls, Clorets, Bubbas, Dirol, Chiclets, Eclairs, Beldent, Dentyne, Recaldent, Xylicrystal, Falim, TNCC, tom Tom, Pascall, Chappies, First, Stride, Mentos, Stimorol*
Cheese:	*Kraft, Velveeta* and *Eden* processed cheeses; *Philadelphia* cream cheese; *Kraft* natural cheese; and *Cheez Whiz* processed cheese spread.
Grocery:	*Royal* dry packaged desserts; *Kraft* spoonable and pourable salad dressings; *Miracle Whip* spoonable dressings; *Jell-O* dessert toppings; *Kraft* peanut butter; and *Vegemite* yeast spread.
Convenient Meals:	*Kraft* macaroni and cheese dinners.

Significant Acquisitions and Divestitures

Cadbury Acquisition:

On January 19, 2010, we announced the terms of our final offer for each outstanding ordinary share of Cadbury, including each ordinary share represented by an American Depositary Share ("Cadbury ADS"), and the Cadbury Board of Directors recommended that Cadbury shareholders accept the terms of the final offer. On February 2, 2010, all of the conditions to the offer were satisfied or validly waived, the initial offer period expired and a subsequent offer period immediately began. At that point, we had received acceptances of 71.73% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs ("Cadbury Shares"). As of June 1, 2010, we owned 100% of all outstanding Cadbury Shares. We believe the combination of Kraft Foods and Cadbury will create a global snacks powerhouse and an unrivaled portfolio of brands people love.

Under the terms of our final offer and the subsequent offer, we agreed to pay Cadbury shareholders 500 pence in cash and 0.1874 shares of Kraft Foods Common Stock per Cadbury ordinary share validly tendered and 2,000 pence in cash and 0.7496 shares of Kraft Foods Common Stock per Cadbury ADS validly tendered. This valued Cadbury at $18.5 billion, or approximately £11.6 billion (based on the average price of $28.36 for a share of Kraft Foods Common Stock on February 2, 2010 and an exchange rate of $1.595 per £1.00).

On February 2, 2010, we acquired 71.73% of Cadbury Shares for $13.1 billion and the value attributed to noncontrolling interests was $5.4 billion. From February 2, 2010 through June 1, 2010, we acquired the remaining 28.27% of Cadbury Shares for $5.4 billion. We had a $38 million gain on noncontrolling interest acquired and recorded it within additional paid in capital.

Pizza Divestiture:
On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business ("Frozen Pizza") to Nestlé USA, Inc. ("Nestlé") for $3.7 billion. Our Frozen Pizza business was a component of our U.S. Convenient Meals and Canada & N. A. Foodservice segments. The sale included the *DiGiorno*, *Tombstone* and *Jack's* brands in the U.S., the *Delissio* brand in Canada and the *California Pizza Kitchen* trademark license. It also included two Wisconsin manufacturing facilities (Medford and Little Chute) and the leases for the pizza depots and delivery trucks. Approximately 3,600 of our employees transferred with the business to Nestlé. As a result of the divestiture, we recorded a gain on discontinued operations of $1,596 million, or $0.92 per diluted share, in 2010.

Post Cereals Split-off:
On August 4, 2008, we completed the split-off of the *Post* cereals business into Ralcorp Holdings, Inc., after an exchange with our shareholders. Accordingly, the *Post* cereals business prior period results were reflected as discontinued operations on the consolidated statement of earnings. The exchange was expected to be tax-free to participating shareholders for U.S. federal income tax purposes.

In this split-off transaction, approximately 46 million shares of Kraft Foods Common Stock were tendered for $1,644 million. Our shareholders had the option to exchange some or all of their shares of Kraft Foods Common Stock and receive shares of common stock of Cable Holdco, Inc. ("Cable Holdco"). Cable Holdco was our wholly owned subsidiary that owned certain assets and liabilities of the *Post* cereals business. In exchange for the contribution of the *Post* cereals business, Cable Holdco issued approximately $665 million in debt securities, issued shares of its common stock and assumed a $300 million credit facility. Upon closing, we used the cash equivalent net proceeds, approximately $960 million, to repay debt. As a result of the split-off, we recorded a gain on discontinued operations of $926 million, or $0.61 per diluted share, in 2008.

See Note 2, *Acquisitions and Divestitures*, to our consolidated financial statements for additional information on these transactions.

Customers

Our five largest customers accounted for approximately 26% of our net revenues in 2010 compared with 27% in 2009 and 2008. Our ten largest customers accounted for approximately 35% of our net revenues in 2010 compared with 36% in 2009 and 2008. One of our customers, Wal-Mart Stores, Inc., accounted for approximately 14% of our net revenues in 2010 compared with 16% in 2009 and 2008.

Seasonality

Demand for some of our products may be influenced by holidays, changes in seasons or other annual events. However, overall sales of our products are generally evenly balanced throughout the year due to the offsetting nature of demands for our diversified product portfolio.

Competition

We face competition in all aspects of our business. Competitors include large national and international companies and numerous local and regional companies. Some competitors have different profit objectives and some international competitors are less susceptible to currency exchange rates. We also compete with generic products and retailer brands, wholesalers and cooperatives. We compete primarily on the basis of product quality, brand recognition, brand loyalty, service, marketing, advertising and price. Moreover, improving our market position or introducing a new product requires substantial advertising and promotional expenditures.

Distribution and Marketing

Our products are generally sold to supermarket chains, wholesalers, supercenters, club stores, mass merchandisers, distributors, convenience stores, gasoline stations, drug stores, value stores and other retail food outlets. In general, the retail trade for food products is consolidating. We distribute our products through distribution centers, satellite warehouses, company-operated and public cold-storage facilities, depots and other facilities. We currently distribute most products in North America through a combination of direct store delivery and warehouse delivery. Outside of North America, our products are distributed through warehouse delivery and through the services of independent sales offices and agents.

Our marketing efforts are conducted through three principal sets of activities: (i) consumer marketing in on-air, print, outdoor and digital media; (ii) consumer incentives such as coupons and contests; and (iii) trade promotions to support price features, displays and other merchandising of our products by our customers.

Raw Materials and Packaging

We purchase large quantities of commodities, including dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. In addition, we use significant quantities of plastic, glass and cardboard to package our products, and natural gas for our factories and warehouses. We continuously monitor worldwide supply and cost trends of these commodities so we can act quickly to obtain ingredients and packaging needed for production.

Significant cost items in chocolate confectionery products are cocoa and sugar. We purchase cocoa and sugar on world markets, and their prices are affected by the quality and availability of supply and changes in the value of the pound sterling and the U.S. dollar relative to certain other currencies. Cocoa bean, cocoa butter and sugar costs on average were higher in 2010 than in 2009. We purchase our dairy raw material requirements, including milk and cheese, from independent third parties such as agricultural cooperatives and independent processors. The prices for milk and other dairy products are substantially influenced by market supply and demand, as well as by government programs. Dairy commodity costs on average were higher in 2010 than in 2009. The most significant cost item in coffee products is green coffee beans, which we purchase on world markets. Green coffee bean prices are affected by the quality and availability of supply, changes in the value of the U.S. dollar in relation to certain other currencies and consumer demand for coffee products. Green coffee bean costs on average were higher in 2010 than in 2009. Significant cost items in our biscuit and grocery products are grains (wheat, corn and soybean oil). Grain costs have experienced significant volatility as a result of burgeoning global demand for food, livestock feed and biofuels such as ethanol and biodiesel. Grain costs on average decreased from 2009 to 2010.

During 2010, our aggregate commodity costs increased primarily as a result of higher cocoa, sugar, dairy, coffee and meat costs, partially offset by lower grain costs. For 2010, our commodity costs were approximately $1.0 billion higher than 2009, following a decrease of approximately $150 million in 2009 compared to 2008. Overall, we expect commodity costs to continue to be volatile and to further increase in 2011.

The prices paid for raw materials and agricultural materials used in our products generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of governmental agricultural programs. Although the prices of the principal raw materials can be expected to fluctuate as a result of these factors, we believe there will be an adequate supply of the raw materials we use and that they are generally available from numerous sources. We use hedging techniques to limit the impact of price fluctuations in our principal raw materials. However, we do not fully hedge against changes in commodity prices, and these strategies may not protect us from increases in specific raw material costs.

Intellectual Property

We consider our trademarks, in the aggregate, to be material to our business. We protect our trademarks by registration or otherwise in the U.S. and in other markets where we sell our products. Trademark protection continues in some countries for as long as the mark is used and in other countries for as long as it is registered. Registrations generally are for renewable, fixed terms. From time to time, we grant third parties licenses to use one or more of our trademarks in particular locations. Similarly, we sell some products under brands we license from third parties, including at December 31, 2010:

- *Starbucks* coffee and *Seattle's Best* coffee for sale in U.S. and European grocery stores and other distribution channels;
- *Starbucks* and *Seattle's Best* coffee T-Discs for use in our *Tassimo* hot beverage system;
- *Capri Sun* packaged juice drinks for sale in the U.S. and Canada; and
- *Taco Bell Home Originals* Mexican style food products for sale in U.S. grocery stores.

Additionally, we own numerous patents worldwide. While our patent portfolio is material to our business, the loss of one patent or a group of related patents would not have a material adverse effect on our business. We have either been issued patents or have patent applications pending that relate to a number of current and potential products, including products licensed to others. Patents, issued or applied for, cover inventions ranging from basic packaging techniques to processes relating to specific products and to the products themselves. Our issued patents extend for varying periods according to the date of patent application filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage as determined by the patent office or courts in the country, and the availability of legal remedies in the country. We consider that in the aggregate our patent applications, patents and licenses under patents owned by third parties are of material importance to our operations.

We also have proprietary trade secrets, technology, know-how processes and related intellectual property rights that are not registered.

Research and Development

We pursue four objectives in research and development: product safety and quality; growth through new products; superior consumer satisfaction; and reduced costs. We have approximately 3,300 food scientists, chemists and engineers working primarily in 15 key technology centers: East Hanover, New Jersey; Glenview, Illinois; Madison, Wisconsin; Tarrytown, New York; Whippany, New Jersey; Banbury, United Kingdom; Bournville, United Kingdom; Curitiba, Brazil; Eysins, Switzerland; Paris, France; Melbourne, Australia; Mexico City, Mexico; Munich, Germany; Reading, United Kingdom; and Suzhou, China. These technology centers are equipped with pilot plants and state-of-the-art instruments. Research and development expense was $583 million in 2010, $466 million in 2009, and $487 million in 2008.

Regulation

Our U.S. food products and packaging materials are primarily regulated by the U.S. Food and Drug Administration (“FDA”) or, for products containing meat and poultry, the U.S. Food Safety and Inspection Service of the U.S. Department of Agriculture. These agencies enact and enforce regulations relating to the manufacturing, distribution and labeling of food products. We supported the recently enacted law that provides additional food safety authority to the FDA. We do not expect the cost of complying with that law, and implementing regulations expected over the next two to three years, to be material.

In addition, various states regulate our U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of dairy products and imposing their own labeling requirements on food products.

Many of the food commodities we use in our U.S. operations are subject to governmental agricultural programs. These programs have substantial effects on prices and supplies and are subject to periodic U.S. Congressional and administrative review.

All of our non-U.S. based operations are subject to local and national regulations, some of which are similar to those applicable to our U.S. operations. For example, in the European Union, we must comply with requirements that apply to labeling, packaging, food content, pricing, marketing and advertising and related areas.

Environmental Regulation

We are subject to various laws and regulations in and outside of the U.S. relating to the protection of the environment. We accrue for environmental remediation obligations on an undiscounted basis when amounts are probable and can be reasonably estimated. The accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from third parties are recorded as assets when recovery of those costs is deemed probable.

In the U.S., the laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and Superfund (the environmental program established in the Comprehensive Environmental Response Compensation, and Recovery Act to address abandoned hazardous waste sites), which imposes joint and severable liability on each potentially responsible party. At December 31, 2010, our subsidiaries were involved in 74 active actions in the U.S. under Superfund legislation (and other similar actions and legislation) related to current operations and certain former or divested operations for which we retain liability.

Outside the U.S., we are subject to applicable multi-national, national and local environmental laws and regulations in the countries in which we do business. Outside the U.S., we have specific programs across our business units designed to meet applicable environmental compliance requirements.

As of December 31, 2010, we had accrued an insignificant amount for environmental remediation. Based on information currently available, we believe that the ultimate resolution of existing environmental remediation actions and our compliance in general with environmental laws and regulations will not have a material effect on our financial results. However, we cannot quantify with certainty the potential impact of future compliance efforts and environmental remedial actions.

Employees

At December 31, 2010, we employed approximately 127,000 people worldwide. Labor unions represent approximately 27% of our 37,000 U.S. employees. Most of the unionized workers at our U.S. locations are represented under contracts with the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union; the United Food and Commercial Workers International Union; and the International Brotherhood of Teamsters. These contracts expire at various times throughout the next several years. Outside the U.S., labor unions or workers' councils represent approximately 55% of our 90,000 employees. Our business units are subject to various laws and regulations relating to their relationships with their employees. These laws and regulations are specific to the location of each business unit. In addition, in accordance with European Union requirements, we have established a European Works Council composed of management and elected members of our workforce. We believe that our relationships with employees and their representative organizations are good.

Foreign Operations

We sell our products to consumers in approximately 170 countries. At December 31, 2010, we had operations in more than 75 countries and made our products at 223 manufacturing and processing facilities worldwide. We generated approximately 57% of our 2010 net revenues, 49% of our 2009 net revenues and 50% of our 2008 net revenues outside the U.S.

Refer to Note 16. *Segment Reporting* for additional information on our foreign operations.

For a discussion of risks attendant to our foreign operations, see "Risk Factors" in Item 1A.

Executive Officers of the Registrant

The following are our executive officers as of February 28, 2011:

Name	Age	Title
Irene B. Rosenfeld	57	Chairman and Chief Executive Officer
David A. Brearton	50	Executive Vice President, Operations and Business Services
Michael A. Clarke	46	Executive Vice President and President, Kraft Foods Europe
Marc S. Firestone	51	Executive Vice President, Corporate and Legal Affairs and General Counsel
Sanjay Khosla	59	Executive Vice President and President, Developing Markets
Karen J. May	52	Executive Vice President, Global Human Resources
Timothy R. McLevish	55	Executive Vice President and Chief Financial Officer
Sam B. Rovit	53	Executive Vice President, Strategy
Jean E. Spence	53	Executive Vice President, Research, Development and Quality
W. Anthony Vernon	55	Executive Vice President and President, Kraft Foods North America
Mary Beth West	48	Executive Vice President and Chief Category and Marketing Officer

Ms. Rosenfeld was appointed Chief Executive Officer and a member of the Board of Directors of Kraft Foods in June 2006 and Chairman of the Board in March 2007. Prior to that, she had been Chairman and Chief Executive Officer of Frito-Lay, a division of PepsiCo, Inc., a food and beverage company, from September 2004 to June 2006. Previously, Ms. Rosenfeld was employed continuously by Kraft Foods, and its predecessor, General Foods Corporation, in various capacities from 1981 until 2003, including President of Kraft Foods North America and, before that, President of Operations, Technology, Information Systems of Kraft Foods Canada, Mexico, and Puerto Rico. She is also a Trustee of Cornell University.

Mr. Brearton was appointed as Executive Vice President, Operations and Business Services effective January 1, 2008. Prior to that, he served as Executive Vice President, Global Business Services and Strategy from April 2006 to December 2007 and as Senior Vice President of Business Process Simplification and as Corporate Controller from February 2005 to April 2006. He previously served as a Senior Vice President, Finance for Kraft Foods International. Mr. Brearton joined Kraft Foods in 1984. Mr. Brearton also serves on the Board of Directors of Feeding America.

Mr. Clarke joined Kraft Foods as President, Kraft Foods Europe on January 2, 2009 and was appointed Executive Vice President and President, Kraft Foods Europe on January 27, 2009. Prior to joining Kraft Foods, Mr. Clarke spent 12 years with The Coca-Cola Company, a beverage company, most recently serving as President of the Northwest Europe and Nordics businesses from August 2005 to December 2008 and as President of the South Pacific and Korea businesses from March 2000 to July 2005. Mr. Clarke also serves on the Advisory Board of the Inspire Foundation.

Mr. Firestone was appointed as Executive Vice President, Corporate and Legal Affairs and General Counsel in October 2006. He previously served as Kraft Foods' Executive Vice President, General Counsel and Corporate Secretary from November 2003 to October 2006. Prior to joining Kraft Foods in 2003, Mr. Firestone served as Senior Vice President and General Counsel of Philip Morris International, a tobacco company. Mr. Firestone also serves on the Board of Directors of Unilife Corporation.

Mr. Khosla was appointed as Executive Vice President and President, Developing Markets effective August 1, 2010. Prior to that, he served as Executive Vice President and President, Kraft Foods International from January 2007 to July 2010. Before joining Kraft Foods, he served as the Managing Director of Fonterra Brands, a dairy company, from 2004 to 2006. Previously, Mr. Khosla spent 27 years with Unilever, a consumer products company, in India, London and Europe. Mr. Khosla also serves on the Boards of Directors of Best Buy Co., Inc. and NIIT Ltd. and is a trustee of the Goodman Theater Company in Chicago.

Ms. May was appointed as Executive Vice President, Global Human Resources in October 2005. Prior to that, she had been Corporate Vice President, Human Resources for Baxter International Inc., a healthcare company, since February 2001. Ms. May also serves on the Board of Directors of MB Financial Inc.

Mr. McLevish was appointed as Executive Vice President and Chief Financial Officer in October 2007. Prior to that, he had been Senior Vice President and Chief Financial Officer at Ingersoll-Rand Company Limited, an industrial company, since June 2002. Mr. McLevish also serves on the Board of Directors of Kennametal Inc.

Mr. Rovit was appointed Executive Vice President, Strategy effective February 1, 2011. Prior to joining Kraft Foods, he served as a Director of Bain & Co., a management consulting firm, from January 2008 to January 2011 and from 1988 to June 2005. Mr. Rovit served as President, Chief Executive Officer and Director of Swift & Company, a meat processing company, from June 2005 to July 2007. Mr. Rovit also serves on the Boards of Directors of MRC, Inc. and J. W. Saxe Memorial Fund.

Ms. Spence was appointed as Executive Vice President, Research, Development and Quality in January 2004. Prior to that, Ms. Spence served as Senior Vice President, Research and Development, Kraft Foods North America from August 2003 to January 2004 and Senior Vice President of Worldwide Quality, Scientific Affairs and Compliance for Kraft Foods North America from November 2001 to August 2003. She joined Kraft Foods in 1981. Ms. Spence also serves on the Board of Directors of International Life Sciences Institute.

Mr. Vernon joined Kraft Foods as Executive Vice President and President, Kraft Foods North America in August 2009. Prior to that, he was the Healthcare Industry Partner of Ripplewood Holdings Inc., a private equity firm, since

2006. Mr. Vernon spent 23 years with Johnson & Johnson, a pharmaceutical company, in a variety of leadership positions, most recently serving as Company Group Chairman of DePuy Inc., an orthopedics company and subsidiary of Johnson & Johnson, from 2004 to 2005. Mr. Vernon also serves on the Board of Directors of Medivation, Inc.

Ms. West was appointed as Executive Vice President and Chief Category and Marketing Officer effective August 1, 2010. Previously, she served as Executive Vice President and Chief Marketing Officer from October 2007 to July 2010, and as Group Vice President for Kraft Foods and President of the North America Beverages Sector from 2005 to October 2007. Ms. West joined Kraft Foods in 1986. Ms. West also serves on the Board of Directors of J.C. Penney Co., Inc. and is a member of the Executive Leadership Council.

We adopted the Kraft Foods Code of Conduct, which qualifies as a code of ethics under Item 406 of Regulation S-K. The code applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our code of ethics is available free of charge on our Web site at www.kraftfoodscompany.com and will be provided free of charge to any shareholder submitting a written request to: Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, IL 60093. We will disclose any waiver we grant to our principal executive officer, principal financial officer, principal accounting officer or controller under our code of ethics, or certain amendments to the code of ethics, on our Web site at www.kraftfoodscompany.com.

In addition, we adopted Corporate Governance Guidelines, charters for each of the Board's five standing committees and the Code of Business Conduct and Ethics for Directors. All of these materials are available on our Web site at www.kraftfoodscompany.com and will be provided free of charge to any shareholder requesting a copy by writing to: Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, IL 60093.

Available Information

Our Internet address is www.kraftfoodscompany.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge as soon as possible after we electronically file them with, or furnish them to, the SEC. You can access our filings with the SEC by visiting www.kraftfoodscompany.com. The information on our Web site is not, and shall not be deemed to be, a part of this Annual Report on Form 10-K or incorporated into any other filings we make with the SEC.

You can also read and copy any document that we file, including this Annual Report on Form 10-K, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Call the SEC at 1-800-SEC-0330 for information on the operation of the Public Reference Room. In addition, the SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including Kraft Foods, that are electronically filed with the SEC.

Item 1A. Risk Factors.

You should read the following risk factors carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially and adversely affect our business, operating results, financial condition and the actual outcome of matters as to which forward-looking statements are made in this Annual Report on Form 10-K. While we believe we have identified and discussed below the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, performance or financial condition in the future.

We operate in a highly competitive industry.
The food industry is highly competitive. We compete based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences.

We may need to reduce our prices in response to competitive and customer pressures in order to maintain our market share. Competition and customer pressures may also restrict our ability to increase prices in response to commodity and other cost increases. We may also need to increase or reallocate spending on marketing, advertising and new product innovation to protect or increase market share. These expenditures are subject to risks, including uncertainties about trade and consumer acceptance of our efforts. Despite these expenditures, we may not successfully maintain or enhance market share. If we reduce prices or increase costs, but we cannot increase sales volumes to offset those changes, then our financial condition and results of operations will suffer.

Maintaining our reputation and brand image is essential to our business success.
Many of our brands are iconic, with worldwide recognition. Our success depends on our ability to maintain brand image for our existing products, extend our brands to new platforms and expand our brand image with new product offerings.

We seek to maintain, extend and expand our brand image through marketing investments, including advertising and consumer promotions, and product innovation. Continuing global focus on health and wellness, including weight management, and increasing media attention to the role of food marketing could adversely affect our brand image or lead to stricter regulations and greater scrutiny of food marketing practices. Increased legal or regulatory restrictions on our advertising, consumer promotions and marketing, or our response to such restrictions, could limit our efforts to maintain, extend and expand our brands. Moreover, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations.

In addition, our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. We are subject to a variety of legal and regulatory restrictions on how and to whom we market our products, for instance marketing to children. These restrictions may limit our ability to maintain, extend and expand our brand image as the media and communications environment continues to evolve. If we do not maintain, extend and expand our brand image, then our product sales, financial condition and results of operations could be materially and adversely affected.

We must leverage our value proposition to compete against retailer brands and other economy brands.
Retailers are increasingly offering retailer and other economy brands that compete with some of our products. Our products must provide higher value and / or quality to our consumers than less expensive alternatives, particularly during periods of economic uncertainty such as those we continue to experience. Consumers may not buy our products if the difference in value or quality between our products and retailer or other economy brands narrows or if consumers perceive a narrowing. If consumers prefer retailer or other economy brands then we could lose market share or sales volumes or shift our product mix could shift to lower margin offerings. These effects could materially and adversely affect our financial condition and results of operations.

The consolidation of retail customers could adversely affect us.
Retail customers, such as supermarkets, warehouse clubs and food distributors in the U.S., the European Union and our other major markets, continue to consolidate, resulting in fewer customers on which we can rely for business. Consolidation also produces large, more sophisticated retail customers that can resist price increases and demand lower pricing, increased promotional programs or specifically tailored products. In addition, larger retailers have the scale to develop supply chains that permit them to operate with reduced inventories or to develop and market their own retailer brands. Further retail consolidation may materially and adversely affect our product sales, financial condition and results of operations.

Retail consolidation also increases the risk that adverse changes in our customers' business operations or financial performance will have a corresponding material adverse effect on us. For example, if our customers do not have access to sufficient funds or financing, then they may delay, decrease or cancel purchases of our products, or delay or refuse to pay us for previous purchases.

Changes in our relationships with significant customers or suppliers could adversely affect us.
During 2010, our five largest customers accounted for approximately 26% of our net revenues with our largest customer Wal-Mart Stores, Inc., accounting for approximately 14% of our net revenues. There can be no assurance that all significant customers will continue to purchase our products in the same quantities or on the same terms as in the past. The loss of a significant customer or a material reduction in sales to a significant customer could materially and adversely affect our product sales, financial condition and results of operations.

Disputes with significant suppliers, including regarding pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our product sales, financial condition and results of operations.

Commodity and other input prices are volatile and may rise significantly.
We purchase large quantities of commodities, including dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. In addition, we purchase and use significant quantities of plastic, glass and cardboard to package our products, and natural gas to operate our factories and warehouses. Prices for commodities, other supplies and energy are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, severe weather, consumer demand and changes in governmental trade and agricultural programs. For example, unusually adverse weather conditions, such as the heat wave in the grain growing regions of Russia and Ukraine and recent severe drought in the grain growing regions of China, have contributed to rising wheat and corn costs in 2010 and we expect such conditions to continue in 2011. For 2010, our commodity costs were approximately $1.0 billion higher than 2009. Although we monitor our exposure to commodity prices as an integral part of our overall risk management program, and seek to hedge against price increases, continued volatility in the prices of commodities and other supplies we purchase could increase the costs of our products, and our profitability could suffer. Moreover, price increases to cover these increased costs may result in lower sales volumes. If we are not successful in our hedging activities, or if we are unable to price to cover increased costs, then commodity and other input price volatility or increases could materially and adversely affect our financial condition and results of operations.

Changes in regulations could increase our costs and affect our profitability.
Our activities in the United States and around the world are highly regulated and subject to government oversight. Various federal, state, provincial and local laws and regulations govern food production and marketing, as well as licensing, trade, tax and environmental matters. Governing bodies regularly issue new regulations and changes to existing regulations. Our need to comply with new or revised regulations or their interpretation and application, including proposed requirements designed to enhance food safety or to regulate imported ingredients, could materially and adversely affect our product sales, financial condition and results of operations.

Legal claims or other regulatory enforcement actions could subject us to civil and criminal penalties that affect our product sales, reputation and profitability.
We are a large food company that operates in a highly regulated, highly competitive environment with growing retailer power and a constantly evolving legal and regulatory framework around the world. Consequently, we are subject to heightened risk of legal claims or other regulatory enforcement actions. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that our employees, contractors or agents will not violate our policies and procedures. Moreover, the failure to maintain effective control environment processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could subject us to civil and criminal penalties that could materially and adversely affect our product sales, reputation and profitability.

Product recalls or other product liability claims could materially and adversely affect us.
Selling products for human consumption involves inherent risks. We could decide to, or be required to recall products due to suspected or confirmed product contamination, spoilage or other adulteration, product misbranding or product tampering. Any of these events could adversely affect our reputation and product sales, financial condition or results of operations.

We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness or death. In addition, our marketing could be the target of claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against us, or a widespread product recall, may materially and adversely affect our profitability. Moreover, even if a product liability or consumer fraud claim is unsuccessful, has no merit or is not pursued, the negative publicity surrounding assertions against our products or processes could materially and adversely affect our product sales, financial condition and results of operations.

We are subject to risks generally associated with companies that operate in a global environment, which could affect our growth and financial performance.
We generated approximately 57% of our 2010 net revenues, 49% of our 2009 net revenues and 50% of our 2008 net revenues outside the U.S. With operations in more than 75 countries, our operations are subject to risks inherent in multinational operations. Those risks include:

- compliance with U.S. laws affecting operations outside of the U.S., such as the Foreign Corrupt Practices Act,
- compliance with a variety of local regulations and laws,
- changes in tax laws and the interpretation of those laws,
- fluctuations in currency values,
- sudden changes in foreign currency exchange controls,
- discriminatory or conflicting fiscal policies,
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions,
- greater risk of uncollectible accounts and longer collection cycles,
- effective and immediate implementation of control environment processes across our diverse operations, and
- imposition of more or new tariff, quotas, trade barriers, and similar restrictions on our sales outside the U.S.

Moreover, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues, and could materially and adversely affect our product sales, financial condition and results of operations.

Our operations in certain developing markets expose us to political, economic and regulatory risks.
Our growth strategy depends in part on our ability to expand our operations in developing markets, including Brazil, China, India, Mexico, Russia and Southeast Asia. However, some developing markets have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than established markets. In many countries outside of the U.S., particularly in those with developing economies, it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act or similar local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our financial condition and results of operations.

In addition, competition in developing markets is increasing as our competitors grow their global operations and low cost local manufacturers expand their production capacities. Our success in integrating Cadbury's operations and products, many of which have a strong presence in a number of developing markets, is critical to our growth strategy. If we cannot successfully increase our business in developing markets, our product sales, financial condition and results of operations could be materially and adversely affected.

Unanticipated business disruptions could affect our ability to provide our products to our customers.
We have a complex network of suppliers, owned manufacturing locations, co-manufacturing locations, distribution networks and information systems that support our ability consistently to provide our products to our customers. Factors that are hard to predict or beyond our control, like weather, natural disasters, fire, terrorism, generalized labor unrest or health pandemics, could damage or disrupt our operations, or our suppliers' or co-manufacturers' operations. If we are unable to respond to disruptions in our operations, whether by finding alternative suppliers or replacing capacity at key manufacturing or distribution locations, or are unable to quickly repair damage to our information, production or supply systems, we may be late or unable to deliver products to our customers. If that were to occur, our customers' confidence in us and long-term demand for our products could decline. Any of these events could materially and adversely affect our product sales, financial condition and results of operations.

We must correctly predict, identify and interpret changes in consumer preferences and demand, and offer new products to meet those changes.
Consumer preferences for food products change continually. Our success depends on our ability to predict, identify and interpret the tastes and dietary habits of consumers and to offer products that appeal to consumer preferences. If we do not offer products that appeal to consumers, our sales and market share will decrease and our profitability could suffer.

We must distinguish among short-term fads, mid-term trends and long-term changes in consumer preferences. If we do not accurately predict which shifts in consumer preferences will be long-term, or if we fail to introduce new and improved products to satisfy those preferences, our sales could decline. In addition, because of our varied consumer base, we must offer an array of products sufficient to satisfy the broad spectrum of consumer preferences. If we fail to expand our product offerings successfully across product categories, or if we do not rapidly develop products in faster growing and more profitable categories, demand for our products will decrease and our profitability could suffer.

Prolonged negative perceptions concerning the health implications of certain food products could influence consumer preferences and acceptance of some of our products and marketing programs. For example, recently, consumers have been increasingly focused on health and wellness, including weight management and reducing sodium consumption. We strive to respond to consumer preferences and social expectations, but we may be unsuccessful in these efforts. Continued negative perceptions and failure to satisfy consumer preferences could materially and adversely affect our product sales, financial condition and results of operations.

Increased or unanticipated costs or difficulties encountered in our continuing integration of Cadbury could affect our results of operations.
We continue to integrate the operations of our Cadbury business into our existing business. We expect the anticipated synergies of integration to increase revenues and operating results through enhanced growth opportunities and increased cost savings. If we encounter difficulties in fully integrating the businesses, it could delay or we could fail to achieve anticipated synergies and cost savings, including the expected increases in revenues and operating results. If the difficulties are significant, our financial condition and results of operations could be materially and adversely affected.

Additionally, we expect to incur a number of non-recurring costs associated with combining our operations, including implementation cash costs that we estimate will be approximately $1.5 billion in the first three years following completion of the acquisition. Delays in integrating the businesses could cause such costs to be significantly higher than anticipated.

We may not successfully complete proposed acquisitions or divestitures or integrate acquired businesses.
From time to time, we evaluate acquisition candidates that may strategically fit our business objectives. If we are unable to complete acquisitions or to successfully integrate and develop acquired businesses, including Cadbury, our financial results could be materially and adversely affected. In addition, we may divest businesses that do not meet our strategic objectives, or do not meet our growth or profitability targets. We may not be able to complete desired or proposed divestitures on terms favorable to us. Gains or losses on the sales of, or lost operating income from, those businesses may affect our profitability. Moreover, we may incur asset impairment charges related to acquisitions or divestitures that reduce our profitability.

Our acquisition or divestiture activities may present financial, managerial and operational risks. Those risks include diversion of management attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, effective and immediate implementation of control environment processes across our diverse employee population, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Any of these factors could affect our product sales, financial condition and results of operations.

We are subject to foreign currency exchange rate fluctuations.
Our acquisition of Cadbury and disposition of our Frozen Pizza business increased the portion of our assets, liabilities and earnings denominated in non-U.S. dollar currencies, which increased our exposure to currency exchange rate fluctuations. Our financial results and capital ratios are now more sensitive to movements in foreign exchange rates than in prior periods because a larger portion of our assets, liabilities, revenue and expenses must be translated into U.S. dollars for external reporting purposes. In addition, movements in foreign exchange rates can affect transaction costs because we source product ingredients from various countries. We may seek to mitigate our exposure to currency exchange rate fluctuations, but our efforts may not be successful. Accordingly, a depreciation of non-U.S. dollar currencies relative to the U.S. dollar, or changes in the relative value of any two currencies that we use for transactions, could materially and adversely affect our financial condition and results of operations.

Business process improvement initiatives to harmonize our systems and processes may fail to operate as designed and intended.
We regularly implement business process improvement initiatives designed to harmonize our systems and processes and improve our performance. Significant current business process improvement initiatives include reorganization of our European operations, delivery of a SAP enterprise resource planning application, and outsourcing certain administrative functions. Our business process improvement initiatives may not be successful, or may interfere with our core business operations or divert management attention from those operations. If we are unable to improve existing operations, achieve anticipated cost savings and support future growth, our product sales, financial condition and results of operations may be materially and adversely affected.

Downgrades in our credit ratings and other effects of volatile economic conditions on the credit market could reduce our liquidity or increase our borrowing costs and liquidity.
Our short- and long-term credit ratings affect our borrowing costs and access to financing. A downgrade in our credit ratings would increase our borrowing costs and could affect our ability to issue commercial paper. We access the commercial paper market for regular funding requirements. Disruptions in the commercial paper market or other effects of volatile economic conditions on the credit market also could reduce the amount of commercial paper that we could issue and could raise our borrowing costs for both short- and long-term debt offerings.

Volatility in the equity markets or interest rates could substantially increase our pension costs and have a negative impact on our operating results and profitability.
At the end of 2010, the projected benefit obligation of our defined benefit pension plans was $15.6 billion and assets were $13.3 billion. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can affect the level of plan funding, cause volatility in the net periodic pension cost, and increase our future funding requirements. In addition, if we divest certain businesses, we may be required to increase future contributions to the benefit plans and the related net periodic pension cost could increase.

We expect to make approximately $940 million in contributions to our pension plans in 2011, which is approximately $550 million more than we made in 2010. We also expect that our net pension cost will remain flat at approximately $530 million in 2011. Volatile economic conditions increase the risk that we may be required to make additional cash contributions to the pension plans and recognize further increases in our net pension cost beyond 2011.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We have 223 manufacturing and processing facilities worldwide. This includes the 62 manufacturing and process facilities we obtained as part of our Cadbury acquisition. These facilities are located in 57 countries. We have 57 facilities in Kraft Foods North America, 59 in Kraft Foods Europe and 107 In Kraft Foods Developing Markets.

We own 214 and lease 9 of these manufacturing and processing facilities. It is our practice to maintain all of our plants and properties in good condition, and we believe they are suitable and adequate for our present needs.

We also have 236 distribution centers and depots worldwide. We own 51 of these distribution centers and depots, and we lease 185 of these distribution centers and depots. In North America, we have 139 distribution centers and depots, more than 60% of which support our direct store delivery systems. Outside North America, we have 97 distribution centers and depots in 29 countries.

These facilities are located throughout the following regions:

Region	Number of Manufacturing Facilities	Number of Distribution Facilities
U.S.	46	128
Canada	11	11
Western Europe	59	23
Central & Eastern Europe, Middle East and Africa	50	8
Latin America	20	6
Asia Pacific	37	60
Total	223	236

These facilities are in good condition, and we believe they have sufficient capacity to meet our distribution needs in the near term.

Item 3. Legal Proceedings.

We routinely are involved in legal proceedings, claims, and governmental inspections or investigations ("Legal Matters") arising in the ordinary course of our business.

On November 29, 2010, we initiated an arbitration proceeding against Starbucks Coffee Company ("Starbucks") to challenge Starbucks attempt to end our retail coffee agreement without compensating us pursuant to the agreement's termination provisions. On December 6, 2010, in a separate proceeding, we filed a motion for preliminary injunction in the U.S. District Court for the Southern District of New York against Starbucks to enjoin Starbucks from unilaterally terminating our agreement. The District Court denied our motion for preliminary injunction on January 28, 2011. On February 25, 2011, the U.S. Court of Appeals for the Second Circuit upheld the U.S. District Court's ruling. Despite this ruling, our arbitration proceeding, which we are vigorously pursuing, will continue.

A compliant and ethical corporate culture, which includes adhering to laws and industry regulations in the United States and abroad, is integral to our success. To this end, after we acquired Cadbury in February 2010 we began reviewing and adjusting, as needed, Cadbury's operations in light of U.S. and international standards as well as Kraft Foods' policies and practices. We initially focused on such high priority areas as food safety, the Foreign Corrupt Practices Act ("FCPA") and antitrust. Based upon Cadbury's pre-acquisition policies and compliance programs and our post-acquisition reviews, our preliminary findings indicated that Cadbury's overall state of compliance was sound. Nonetheless, through our reviews, we determined that in certain jurisdictions, including India, there appeared to be facts and circumstances warranting further investigation. We have undertaken these investigations, which are ongoing.

On February 1, 2011, we received a subpoena from the SEC. The subpoena, issued in connection with an investigation under the FCPA, primarily relates to a Cadbury facility in India that we acquired in the Cadbury acquisition and primarily requests information regarding dealings with Indian governmental agencies and officials to obtain approvals related to the operation of that facility. We are cooperating with the U.S. government in its investigation of these matters.

While we cannot predict with certainty the results of these or any other Legal Matters in which we are currently involved, we do not expect that the ultimate costs to resolve any of these matters will have effect on our financial results.

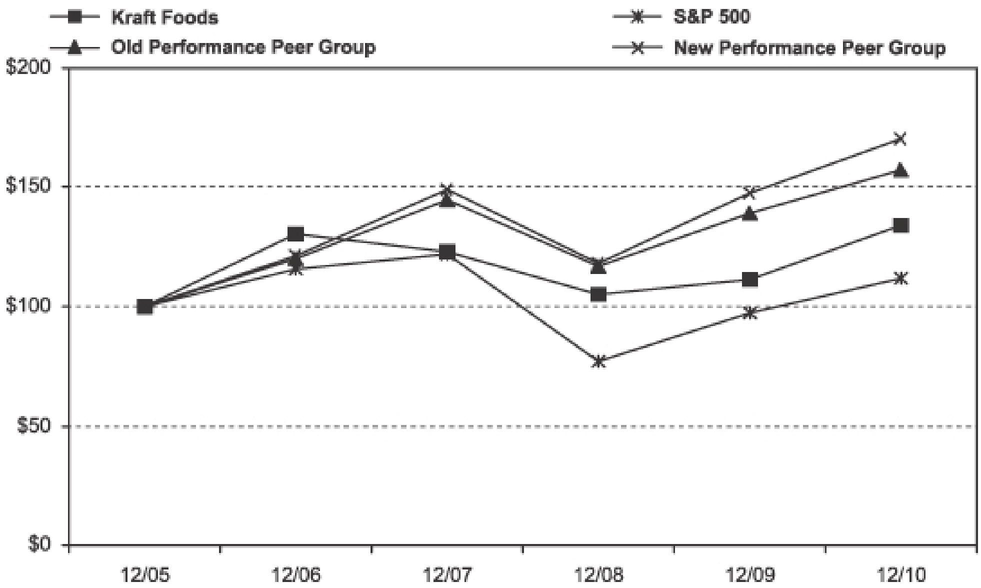
PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Common Stock is listed on the NYSE. At January 31, 2011, there were approximately 80,245 holders of record of our Common Stock.

Comparison of Five-Year Cumulative Total Return

The following graph compares the cumulative total return on our Common Stock with the cumulative total return of the S&P 500 Index and the performance peer group index. The graph shows total shareholder return assuming $100 was invested on December 31, 2004 and dividends were reinvested on a quarterly basis.



Date	Kraft Foods	S&P 500	Old Performance Peer Group	New Performance Peer Group
December 2005	100.00	100.00	100.00	100.00
December 2006	130.45	115.76	120.15	121.31
December 2007	122.98	122.11	144.70	149.06
December 2008	105.08	77.00	116.84	118.08
December 2009	111.37	97.31	139.19	147.66
December 2010	134.16	111.95	157.37	170.25

In 2010, we revised our peer performance group to only include food and beverage companies. As a result, we removed Clorox, Colgate-Palmolive, Diageo, and Procter & Gamble. Additionally, due to our Cadbury acquisition in 2010, we removed them from our performance peer group.

The Kraft Foods new performance peer group consists of the following companies considered our market competitors, or that have been selected on the basis of industry, level of management complexity, global focus or industry leadership: Campbell Soup Company, The Coca-Cola Company, ConAgra Foods, Inc., DANONE, General Mills, Inc., H.J. Heinz Company, Hershey Foods Corporation, Kellogg Company, Nestlé S.A., PepsiCo, Inc., Sara Lee Corporation, and Unilever N.V. The old performance peer group consisted of the following companies: Cadbury plc, Campbell Soup Company, The Clorox Company, The Coca-Cola Company, Colgate-Palmolive Company, ConAgra Foods, Inc., Diageo plc, General Mills, Inc., DANONE, H.J. Heinz Company, Hershey Foods Corporation, Kellogg Company, Nestlé S.A., PepsiCo, Inc., The Procter & Gamble Company, Sara Lee Corporation, and Unilever N.V.

Portions of the information called for under Part II Item 5(a) are incorporated by reference to Note 17, *Quarterly Financial Data (Unaudited)*, which is included within Item 8.

This performance graph and other information furnished under this Part II Item 5(a) of this Form 10-K shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act of 1934, as amended.

Issuer Purchases of Equity Securities during the Quarter ended December 31, 2010

There are currently no share repurchase programs authorized by our Board of Directors. The following activity represents shares tendered by our employees who used shares to exercise options, and who used shares to pay the related taxes for grants of restricted and deferred stock that vested. Accordingly, these are non-cash transactions.

	Total Number of Shares	Average Price Paid per Share
October 1-31, 2010	29,479	$ 31.06
November 1-30, 2010	5,471	$ 31.36
December 1-31, 2010	43,353	$ 31.06
For the Quarter Ended December 31, 2010	78,303	$ 31.08

Item 6. Selected Financial Data.

Kraft Foods Inc.

Selected Financial Data—Five Year Review
(in millions of dollars, except per share and employee data)

	2010	2009	2008	2007	2006
Summary of Operations:					
Net revenues	$ 49,207	$ 38,754	$ 40,492	$ 34,580	$ 31,849
Cost of sales	31,305	24,819	27,164	22,848	20,573
Operating income	5,666	5,183	3,576	3,939	3,935
Operating margin	11.5%	13.4%	8.8%	11.4%	12.4%
Interest and other expense, net	2,024	1,237	1,240	604	510
Earnings from continuing operations before income taxes	3,642	3,946	2,336	3,335	3,425
Provision for income taxes	1,147	1,136	658	992	732
Earnings and gain from discontinued operations, net of income taxes	1,644	218	1,215	381	372
Net earnings	4,139	3,028	2,893	2,724	3,065
Noncontrolling interest	25	7	9	3	5
Net earnings attributable to Kraft Foods	4,114	3,021	2,884	2,721	3,060
Basic EPS attributable to Kraft Foods:					
Continuing operations	1.44	1.90	1.11	1.47	1.62
Discontinued operations	0.96	0.14	0.81	0.24	0.22
Net earnings attributable to Kraft Foods	2.40	2.04	1.92	1.71	1.84
Diluted EPS attributable to Kraft Foods:					
Continuing operations	1.44	1.89	1.10	1.46	1.62
Discontinued operations	0.95	0.14	0.80	0.24	0.22
Net earnings attributable to Kraft Foods	2.39	2.03	1.90	1.70	1.84
Dividends declared per share	1.16	1.16	1.12	1.04	0.96
Dividends declared as a % of basic EPS	48.3%	56.9%	58.3%	60.8%	52.2%
Dividends declared as a % of diluted EPS	48.5%	57.1%	58.9%	61.2%	52.2%
Weighted-average shares - basic	1,715	1,478	1,505	1,591	1,659
Weighted-average shares - diluted	1,720	1,486	1,515	1,600	1,661
Net cash provided by operating activities	3,748	5,084	4,141	3,571	3,720
Capital expenditures	1,661	1,330	1,367	1,241	1,169
Free cash flow*	2,087	3,754	2,774	2,330	2,551
Depreciation	1,229	905	963	873	884
Property, plant and equipment, net	13,792	10,693	9,917	10,778	9,693
Inventories, net	5,310	3,775	3,881	4,238	3,436
Total assets	95,289	66,714	63,173	68,132	55,548
Long-term debt	26,859	18,024	18,589	12,902	7,081
Total debt	28,724	18,990	20,251	21,009	10,821
Total long-term liabilities	43,687	29,251	29,773	23,574	16,520
Total Kraft Foods shareholders' equity	35,834	25,876	22,295	27,407	28,536
Total equity	35,942	25,972	22,356	27,445	28,562
Book value per common share outstanding	20.50	17.51	15.18	17.87	17.44
Market price per Common Stock share - high / low	32.67-27.09	29.84-20.81	34.97-24.75	37.20-29.95	36.67-27.44
Closing price of Common Stock at year end	31.51	27.18	26.85	32.63	35.70
Price / earnings ratio at year end - basic	13	13	14	19	19
Price / earnings ratio at year end - diluted	13	13	14	19	19
Shares outstanding at year end	1,748	1,478	1,469	1,534	1,636
Number of employees	127,000	97,000	98,000	103,000	90,000

* Please see Non-GAAP Financial Measures section at the end of Item 7.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussions should be read in conjunction with the other sections of this Annual Report on Form 10-K, including the consolidated financial statements and related notes contained in Item 8.

Description of the Company

We market biscuits, confectionery, beverages, cheese, grocery products and convenient meals in approximately 170 countries.

Executive Summary

The following executive summary is intended to provide significant highlights of the discussion and analysis that follows.

- Net revenues in 2010 increased 27.0% to $49.2 billion. Net revenues in 2009 decreased 4.3% to $38.8 billion.
- Diluted EPS attributable to Kraft Foods increased 17.7% to $2.39 in 2010 and increased 6.8% to $2.03 in 2009. Diluted EPS attributable to Kraft Foods from continuing operations decreased 23.8% to $1.44 in 2010 and increased 71.8% to $1.89 in 2009.
- On February 2, 2010, we had received acceptances to our offer of 71.73% of the outstanding ordinary shares of Cadbury. From February 2, 2010 through June 1, 2010, we acquired the remaining 28.27% of Cadbury Shares. In acquiring Cadbury, we issued 262 million shares of our Common Stock and paid $10.9 billion in cash.
- On February 8, 2010, we issued $9.5 billion of senior unsecured notes at a weighted-average effective rate of 5.364% and primarily used the net proceeds ($9,379 million) to finance the Cadbury acquisition.
- On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business to Nestlé USA, Inc. for $3.7 billion. Accordingly, the results of our Frozen Pizza business have been reflected as discontinued operations on the consolidated statement of earnings, and prior period results have been revised in a consistent manner.
- On December 29, 2010, we repurchased $1.5 billion of our notes due in 2011 and 2012. We paid $1,596 million aggregate consideration, including accrued and unpaid interest, for the accepted notes.
- On November 30, 2009, we entered into a revolving credit agreement for a $4.5 billion three-year senior unsecured revolving credit facility. The agreement replaced our former revolving credit agreement, which was terminated upon the signing of the new agreement.
- Our $5.0 billion share repurchase authority expired on March 30, 2009. Prior to the expiration, we repurchased 130.9 million shares for $4.3 billion under the program. We did not repurchase any shares in 2010 or 2009.
- In 2008, we completed our $2.9 billion, five-year Restructuring Program. We reversed previously accrued Restructuring Program charges of $37 million in 2010 and $85 million in 2009, and we recorded charges of $989 million during 2008.
- On August 4, 2008, we completed the split-off of the *Post* cereals business. Accordingly, the *Post* cereals business prior period results were reflected as discontinued operations on the consolidated statement of earnings.

Discussion and Analysis

Strategy

We are seeking to build a global Snacks powerhouse with an unrivaled portfolio of brands people love. Our future growth is centered on three strategies: To delight global Snacks consumers; To unleash the Power of our Iconic Heritage Brands; and To Create a Performance-Driven, Values-Led Organization, which we believe will allow us to deliver top-tier shareholder returns. We plan to drive sustained, profitable growth that will put us among the top performers of our industry. Our strategic focus on global snacks, iconic heritage brands and our culture is intended to deliver robust top-line growth. Our ongoing overhead and cost saving efforts are fueling significant additional investments in marketing and innovation. We believe that these savings and investments, along with our emphasis on the importance of superior execution, will generate sustained growth. We believe we are well-positioned to deliver consistent financial results in the top-tier of our peer group.

Items Affecting Comparability of Financial Results

Acquisitions and Divestitures

Cadbury Acquisition:

On January 19, 2010, we announced the terms of our final offer for each outstanding ordinary share of Cadbury Limited (formerly, Cadbury plc) ("Cadbury"), including each ordinary share represented by an American Depositary Share ("Cadbury ADS"), and the Cadbury Board of Directors recommended that Cadbury shareholders accept the terms of the final offer. On February 2, 2010, all of the conditions to the offer were satisfied or validly waived, the initial offer period expired and a subsequent offer period immediately began. At that point, we had received acceptances of 71.73% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs ("Cadbury Shares"). As of June 1, 2010, we owned 100% of all outstanding Cadbury Shares. We believe the combination of Kraft Foods and Cadbury will create a global snacks powerhouse and an unrivaled portfolio of brands people love.

Under the terms of our final offer and the subsequent offer, we agreed to pay Cadbury shareholders 500 pence in cash and 0.1874 shares of Kraft Foods Common Stock per Cadbury ordinary share validly tendered and 2,000 pence in cash and 0.7496 shares of Kraft Foods Common Stock per Cadbury ADS validly tendered. This valued Cadbury at $18.5 billion, or approximately £11.6 billion (based on the average price of $28.36 for a share of Kraft Foods Common Stock on February 2, 2010 and an exchange rate of $1.595 per £1.00).

On February 2, 2010, we acquired 71.73% of Cadbury Shares for $13.1 billion and the value attributed to noncontrolling interests was $5.4 billion. From February 2, 2010 through June 1, 2010, we acquired the remaining 28.27% of Cadbury Shares for $5.4 billion. We had a $38 million gain on noncontrolling interest acquired and recorded it within additional paid in capital.

As part of our Cadbury acquisition, we incurred and expensed transaction related fees of $218 million in 2010 and $40 million in 2009. We recorded these expenses within selling, general and administrative expenses. We also incurred acquisition financing fees of $96 million in 2010. We recorded these expenses within interest and other expense, net.

Cadbury contributed net revenues of $9,143 million and net earnings of $530 million from February 2, 2010 through December 31, 2010. The following unaudited pro forma summary presents Kraft Foods' consolidated information as if Cadbury had been acquired on January 1, 2009. These amounts were calculated after conversion to U.S. GAAP, applying our accounting policies, and adjusting Cadbury's results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied from January 1, 2009, together with the consequential tax effects. These adjustments also reflect the additional interest expense incurred on the debt to finance the purchase, and the divestitures of certain Cadbury confectionery operations in Poland and Romania, as required by the EU Commission as a condition of our Cadbury acquisition.

	Pro forma for the Years Ended December 31, 2010	2009
	(in millions)	
Net revenues	$ 49,770	$ 47,852
Net earnings attributable to Kraft Foods	3,938	2,586

Our February 2, 2010, Cadbury acquisition was valued at $18,547 million, or $17,503 million net of cash and cash equivalents. As part of that acquisition, we acquired the following assets and assumed the following liabilities (in millions):

Receivables [(1)]	$ 1,333
Inventories	1,298
Other current assets	660
Property, plant and equipment	3,293
Goodwill [(2)]	9,530
Intangible assets [(3)]	12,905
Other assets	593
Short-term borrowings	(1,206)
Accounts payable	(1,605)
Other current liabilities [(4)]	(1,866)
Long-term debt	(2,437)
Deferred income taxes	(3,218)
Accrued pension costs	(817)
Other liabilities	(927)
Noncontrolling interest	(33)

(1) The gross amount due under the receivables we acquired is $1,474 million, of which $141 million is expected to be uncollectable.
(2) Goodwill will not be deductible for statutory tax purposes and is attributable to Cadbury's workforce and the significant synergies we expect from the acquisition.
(3) We acquired $10.3 billion of indefinitely lived intangible assets, primarily trademarks, and $2.6 billion of amortizable intangible assets, primarily customer relationships and technology. Customer relationships will be amortized over approximately 13 years and technology will be amortized over approximately 12 years.
(4) Within other current liabilities, a reserve for exposures related to taxes of approximately $70 million was established within our Developing Markets segment. The cumulative exposure was approximately $150 million at December 31, 2010.

The above amounts represent the allocation of purchase price which was completed during the fourth quarter of 2010.

Pizza Divestiture:
On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business ("Frozen Pizza") to Nestlé USA, Inc. ("Nestlé") for $3.7 billion. Our Frozen Pizza business was a component of our U.S. Convenient Meals and Canada & North America Foodservice segments. The sale included the *DiGiorno*, *Tombstone* and *Jack's* brands in the U.S., the *Delissio* brand in Canada and the *California Pizza Kitchen* trademark license. It also included two Wisconsin manufacturing facilities (Medford and Little Chute) and the leases for the pizza depots and delivery trucks. Approximately 3,600 of our employees transferred with the business to Nestlé. Accordingly, the results of our Frozen Pizza business have been reflected as discontinued operations on the consolidated statement of earnings, and prior period results have been revised in a consistent manner. As a result of the divestiture, we recorded a gain on discontinued operations of $1,596 million, or $0.92 per diluted share, in 2010.

Pursuant to the Frozen Pizza business Transition Services Agreement, we agreed to provide certain sales, co-manufacturing, distribution, information technology, accounting and finance services to Nestlé for up to two years.

Summary results of operations for the Frozen Pizza business through March 1, 2010 were as follows:

	For the Years Ended December 31, 2010	2009 (in millions)	2008
Net revenues	$ 335	$ 1,632	$ 1,440
Earnings before income taxes	73	341	267
Provision for income taxes	(25)	(123)	(97)
Gain on discontinued operations, net of income taxes	1,596	-	-
Earnings and gain from discontinued operations, net of income taxes	$ 1,644	$ 218	$ 170

Earnings before income taxes as presented exclude associated allocated overheads of $25 million in 2010, $108 million in 2009 and $112 million in 2008.

The 2010 gain on discontinued operations from the sale of the Frozen Pizza business included tax expense of $1.2 billion.

The following assets of the Frozen Pizza business were included in the Frozen Pizza divestiture (in millions):

Inventories, net	$	102
Property, plant and equipment, net		317
Goodwill		475
Distributed assets of the Frozen Pizza business	$	894

Post Cereals Split-off:
On August 4, 2008, we completed the split-off of the *Post* cereals business into Ralcorp Holdings, Inc. ("Ralcorp"), after an exchange with our shareholders. Accordingly, the *Post* cereals business prior period results were reflected as discontinued operations on the consolidated statement of earnings. The exchange was expected to be tax-free to participating shareholders for U.S. federal income tax purposes.

In this split-off transaction, approximately 46 million shares of Kraft Foods Common Stock were tendered for $1,644 million. Our shareholders had the option to exchange some or all of their shares of Kraft Foods Common Stock and receive shares of common stock of Cable Holdco, Inc. ("Cable Holdco"). Cable Holdco was our wholly owned subsidiary that owned certain assets and liabilities of the *Post* cereals business. In exchange for the contribution of the *Post* cereals business, Cable Holdco issued approximately $665 million in debt securities, issued shares of its common stock and assumed a $300 million credit facility. Upon closing, we used the cash equivalent net proceeds, approximately $960 million, to repay debt. As a result of the split-off, we recorded a gain on discontinued operations of $926 million, or $0.61 per diluted share, in 2008.

The *Post* cereals business included such brands as *Honey Bunches of Oats*, *Pebbles*, *Shredded Wheat*, *Selects*, *Grape-Nuts* and *Honeycomb*. Under Kraft Foods, the brands in this transaction were distributed primarily in North America. In addition to the *Post* brands, the transaction included four manufacturing facilities, certain manufacturing equipment and approximately 1,230 employees who joined Ralcorp as part of the transaction.

Pursuant to the *Post* cereals business Transition Services Agreement, we provided certain sales, co-manufacturing, distribution, information technology, and accounting and finance services to Ralcorp through 2009.

Summary results of operations for the *Post* cereals business through August 4, 2008, were as follows:

	For the Year Ended December 31, 2008 (in millions)	
Net revenues	$	666
Earnings before income taxes		189
Provision for income taxes		(70)
Gain on discontinued operations, net of income taxes		926
Earnings and gain from discontinued operations, net of income taxes	$	1,045

Other Divestitures:
The EU Commission required, as a condition of our Cadbury acquisition, that we divest certain Cadbury confectionery operations in Poland and Romania. In 2010, we completed the sale of the assets of the confectionery operations in Poland and Romania. The total proceeds from the divestitures were $342 million and the impacts of these divestitures were primarily reflected as adjustments to the purchase price allocations.

In 2009, we received $41 million in net proceeds and recorded pre-tax losses of $6 million on the divestitures of our *Balance* bar operations in the U.S., a juice operation in Brazil and a plant in Spain. We recorded after-tax gains of $58 million, or $0.04 per diluted share, on these divestitures, primarily due to the differing book and tax bases of our *Balance* bar operations.

In 2008, we received $153 million in net proceeds, and recorded pre-tax losses of $92 million on divestitures, primarily related to a Nordic and Baltic snacks operation and four operations in Spain. We recorded after-tax losses of $64 million, or $0.04 per diluted share, on these divestitures.

Included in the 2008 divestitures were the following, which were a condition of the EU Commission's approval of our Groupe Danone S.A. global *LU* biscuit business ("LU Biscuit") acquisition:

- We divested a biscuit operation in Spain. From this divestiture, we received $86 million in net proceeds and recorded pre-tax losses of $74 million.
- We divested another biscuit operation in Spain and a trademark in Hungary that we had previously acquired as part of the *LU* Biscuit acquisition. As such, the impacts of these divestitures were reflected as adjustments to the purchase price allocations.

The aggregate operating results of the divestitures discussed above, other than the divestiture of the Frozen Pizza and *Post* cereals businesses, were not material to our financial statements in any of the periods presented. Refer to Note 16, *Segment Reporting*, for details of the gains and losses on divestitures by segment. The net impacts to segment operating income from gains and losses on divestitures, along with resulting asset impairment charges, are summarized in the table with the Asset Impairment Charges section below.

Asset Impairment Charges

In 2010, we recorded aggregate asset impairment charges of $55 million, or $0.02 per diluted share. During our 2010 review of goodwill and non-amortizable intangible assets, we recorded a $13 million charge for the impairment of intangible assets in the Netherlands and a $30 million charge for the impairment of intangible assets in China. During the fourth quarter of 2010, we also recorded an asset impairment of $12 million on a biscuit plant and related property, plant and equipment in France. We recorded the aggregate asset impairment charges within asset impairment and exit costs.

In 2009, we recorded aggregate asset impairment charges of $21 million, or $0.01 per diluted share. During our 2009 review of goodwill and non-amortizable intangible assets, we recorded a $12 million charge for the impairment of intangible assets in the Netherlands. In addition, during 2009, we recorded a $9 million asset impairment charge to write off an investment in Norway. We recorded the aggregate asset impairment charges within asset impairment and exit costs.

In 2008, we recorded aggregate asset impairment charges of $140 million, or $0.07 per diluted share. During our 2008 review of goodwill and non-amortizable intangible assets, we recorded a $44 million charge for the impairment of intangible assets in the Netherlands, France and Puerto Rico. In addition, in December 2008, we reached a preliminary agreement to divest a juice operation in Brazil and reached an agreement to sell a cheese plant in Australia. In anticipation of divesting the juice operation in Brazil, we recorded an asset impairment charge of $13 million in the fourth quarter of 2008. The charge primarily included the write-off of associated intangible assets of $8 million and property, plant and equipment of $4 million. In anticipation of selling the cheese plant in Australia, we recorded an asset impairment charge of $28 million to property, plant and equipment in the fourth quarter of 2008. Additionally, in 2008, we divested a Nordic and Baltic snacks operation, and incurred an asset impairment charge of $55 million in connection with the divestiture. This charge primarily included the write-off of associated goodwill of $34 million and property, plant and equipment of $16 million. We recorded the aggregate asset impairment charges within asset impairment and exit costs.

The net impacts to segment operating income from gains and losses on divestitures and the related asset impairment charges recorded when these divestitures were considered held-for-sale are summarized in the table below.

	For the Years Ended December 31,		
	2010	2009	2008
		(in millions)	
Gains / (losses) & asset impairment charges on divestitures, net:			
Kraft Foods North America:			
U.S. Beverages	$ -	$ -	$ (1)
U.S. Cheese	(6)	-	-
U.S. Convenient Meals	-	-	-
U.S. Grocery	-	-	-
U.S. Snacks	-	11	-
Canada & N.A. Foodservice	-	-	-
Kraft Foods Europe	-	(17)	(146)
Kraft Foods Developing Markets	-	-	(13)
Total net impact from divestitures	$ (6)	$ (6)	$ (160)

Restructuring Costs
Within our restructuring programs and initiatives, we include certain costs along with exit and disposal costs that are directly attributable to those activities yet they do not qualify for treatment as exit or disposal costs under U.S. GAAP. These costs, which we commonly refer to as other project costs or implementation costs, generally include the integration and reorganization of operations and facilities, the discontinuance of certain product lines and the incremental expenses related to the closure of facilities. Management believes the disclosure and inclusion of these charges provides readers of our financial statements greater transparency to the total costs of our programs and initiatives.

Integration Program:
Our combination with Cadbury has the potential for meaningful synergies and costs savings. We expect to recognize at least $750 million of cost savings by the end of the third year following completion of the acquisition. Additionally, we expect to create revenue synergies from investments in distribution, marketing and product development. In order to achieve these cost savings and synergies, we expect to incur total integration charges of approximately $1.5 billion in the first three years following the acquisition to combine and integrate the two businesses (the “Integration Program”).

Integration Program costs include the costs associated with combining our operations with Cadbury’s and are separate from the costs related to the acquisition. We incurred charges under the Integration Program of $657 million in 2010. We recorded these charges primarily in operations as a part of selling, general and administrative expenses within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses. At December 31, 2010, we had an accrual of $406 million related to the Integration Program.

During the second quarter of 2010, we evaluated Cadbury’s Vision into Action (“VIA”) restructuring program and began managing it within our overall Integration Program. Cadbury initiated the VIA restructuring program in 2007 and planned to run it through 2011. Accordingly, we acquired an accrual of $228 million relating to charges taken in previous periods. In evaluating the program as part of our corporate strategies and our integration plans, we included the remaining charges within our overall Integration Program. As we move forward on a combined company basis, we do not intend to manage these programs separately.

Cost Savings Initiatives:
Cost savings initiatives generally include exit, disposal and other project costs. We incurred costs associated with our Cost Savings Initiatives of $170 million in 2010, $318 million in 2009, and none in 2008.

- In 2010, we primarily recorded these changes within the segment operating income of Kraft Foods Europe and Canada & N.A. Foodservice. The majority of these charges incurred were for other project costs associated with the Kraft Foods Europe Reorganization.
- The 2009 charges primarily included severance charges for benefits received by terminated employees, associated benefit plan costs and other related activities. These were recorded in operations, primarily within the segment operating income of Kraft Foods Europe, with the remainder spread across all other segments.

2004-2008 Restructuring Program:
In 2008, we completed our five-year restructuring program (the “Restructuring Program”). The objectives of this program were to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program, we:

- incurred $2.9 billion in pre-tax charges reflecting asset disposals, severance and implementation costs;
- announced the closure of 35 facilities and announced the elimination of approximately 18,200 positions;
- will use cash to pay for $1.9 billion of the $2.9 billion in charges; and
- anticipate reaching cumulative annualized savings of $1.4 billion for the total program.

In 2010, we reversed $37 million of previously accrued Restructuring Program charges, primarily related to severance (resulting in a favorable impact to diluted EPS of $0.01). In 2009, we reversed $85 million of previously accrued Restructuring Program charges (resulting in a favorable impact to diluted EPS of $0.04). The reversals in 2009 related to the following:

- We sold a plant in Spain that we previously announced we would close under our Restructuring Program. Accordingly, we reversed $35 million in Restructuring Program charges, primarily related to severance, and recorded a $17 million loss on the divestiture of the plant in 2009. The reversal occurred in our Kraft Foods Europe segment.
- We also reversed $50 million of previously accrued Restructuring Program charges in 2009, primarily due to planned position eliminations that did not occur. These were primarily the result of redeployment and natural attrition. The majority of these reversals occurred in our Kraft Foods Europe segment, with the remainder spread across all other segments.

We incurred charges under the Restructuring Program of $989 million in 2008, or $0.45 per diluted share. Since the inception of the Restructuring Program, we have paid cash of $1.8 billion of the $1.9 billion in expected cash payments, including $94 million paid in 2010. At December 31, 2010, we had an accrual of $125 million related to the Restructuring Program, and we anticipate utilizing the majority of it during 2011.

Under the Restructuring Program, we recorded asset impairment and exit costs of $884 million in 2008. We recorded implementation costs of $105 million in 2008.

Provision for Income Taxes
Our effective tax rate was 31.5% in 2010, 28.8% in 2009, and 28.2% in 2008. Our 2010 effective tax rate included net tax benefits of $123 million, primarily due to the favorable resolution of a federal tax audit and the resolution of several items in our international operations, partially offset by a $137 million write-off of deferred tax assets as a result of the U.S. health care legislation enacted in March 2010.

Our 2009 effective tax rate included net tax benefits of $225 million, primarily due to an agreement we reached with the IRS on specific matters related to years 2000 through 2003, settlements with various foreign and state tax authorities, the expiration of the statutes of limitations in various jurisdictions and the divestiture of our *Balance* bar operations in the U.S.

Our 2008 effective tax rate included net tax benefits of $222 million from discrete tax events. Of the total net tax benefits, approximately $50 million related to fourth quarter corrections of state, federal and foreign tax liabilities and a third quarter reconciliation of our inventory of deferred tax items that resulted in a write-down of our net deferred tax liabilities. The remaining net tax benefits primarily related to the resolution of various tax audits and the expiration of statutes of limitations in various jurisdictions. Other discrete tax benefits included the impact from divestitures of a Nordic and Baltic snacks operation and several operations in Spain and the tax benefit from impairment charges taken in 2008. In addition, the 2008 tax rate benefited from foreign earnings taxed below the U.S. federal statutory tax rate and from the expected tax benefit of 2008 restructuring expenses. These benefits were only partially offset by state tax expense and certain foreign tax costs.

Consolidated Results of Operations

The following discussion compares our consolidated results of operations for 2010 with 2009, and for 2009 with 2008.

Many factors have an impact on the sales to our customers, including, among others, the timing of holidays and other annual or special events, significant weather conditions, timing of our own or customer incentive programs and pricing actions, customer inventory programs and general economic conditions.

Our domestic operating subsidiaries report results as of the last Saturday of the year, and our international operating subsidiaries generally report results two weeks prior to the last Saturday of the year. The results of operations of the newly acquired Cadbury Limited (formerly, Cadbury plc) (“Cadbury”) are reported on the last day of the calendar month. In 2010, we changed the consolidation date for certain European biscuits operations, which are included within our Kraft Foods Europe segment, and certain operations in Asia Pacific and Latin America, which are included within our Kraft Foods Developing Markets segment. Previously, these operations primarily reported period-end results one month or two weeks prior to the end of the period. Now our Kraft Foods Europe segment primarily reports period-end results two weeks prior to the last Saturday of the period, and certain of our operations in Asia Pacific and Latin America report results through the last day of the period.

2010 compared with 2009

	For the Years Ended December 31,			
	2010	2009	$ change	% change
	(in millions, except per share data; 2009 revised)			
Net revenues	$ 49,207	$ 38,754	$ 10,453	27.0%
Operating income	5,666	5,183	483	9.3%
Earnings from continuing operations	2,495	2,810	(315)	(11.2%)
Net earnings attributable to Kraft Foods	4,114	3,021	1,093	36.2%
Diluted earnings per share from continuing operations attributable to Kraft Foods	1.44	1.89	(0.45)	(23.8%)
Diluted earnings per share attributable to Kraft Foods	2.39	2.03	0.36	17.7%

Net Revenues - Net revenues increased $10,453 million (27.0%) to $49,207 million in 2010, and organic net revenues [(1)] increased $1,430 million (3.7%) to $40,075 million as follows.

Change in net revenues (by percentage point)	
Higher net pricing	1.1pp
Favorable volume/mix	2.6pp
Total change in organic net revenues [(1)]	**3.7%**
Cadbury Acquisition	23.7pp
Unfavorable foreign currency	(0.1)pp
Impact of divestitures	(0.3)pp
Total change in net revenues	**27.0%**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this Item.

The increase in net revenues was primarily driven by the Cadbury acquisition, which added $9,143 million in net revenues during the year. The increase was partially offset by the impact of divestitures and unfavorable foreign currency, due primarily to the impacts of the highly inflationary Venezuelan economy and the strength of the U.S. dollar against the euro, partially offset by the strength of the Canadian dollar, Brazilian real, Australian dollar and Russian ruble against the U.S. dollar. Additionally, increased organic net revenues were driven by favorable volume/mix and higher net pricing. Favorable volume/mix was driven by higher base business shipments across all reportable business segments, except U.S. Cheese and U.S. Grocery. Higher net pricing was reflected across all reportable business segments, except Kraft Foods Europe and U.S. Snacks, as we increased pricing to offset higher input costs.

Operating Income - Operating income increased $483 million (9.3%) to $5,666 million in 2010, due to the following:

	Operating Income (in millions)	Change (percentage point)
Operating Income for the Year Ended December 31, 2009 (as revised)	**$ 5,183**	
Change in operating income		
Higher input costs	(487)	(8.6)pp
Higher pricing	412	7.4pp
Favorable volume/mix	495	8.9pp
Increased operating income from the Cadbury acquisition	1,139	21.8pp
Higher acquisition-related costs associated with Cadbury	(233)	(4.3)pp
Integration Program costs	(646)	(12.5)pp
Higher net asset impairment and exit costs	(82)	(1.7)pp
Lower other selling, general and administrative expense	25	1.0pp
Change in unrealized losses on hedging activities	(136)	(2.4)pp
Unfavorable foreign currency	(8)	(0.1)pp
Other, net	4	(0.2)pp
Total change in operating income	**483**	9.3%
Operating Income for the Year Ended December 31, 2010	**$ 5,666**	

Input cost increases outpaced pricing during the year. Higher raw material costs more than offset lower manufacturing costs and higher pricing was driven by the increased input costs we experienced during the year. The favorable volume/mix was driven primarily by strong contributions from Kraft Foods Developing Markets, Kraft Foods Europe, U.S. Beverages and U.S. Convenient Meals, partially offset by declines in U.S. Grocery, U.S. Cheese and U.S. Snacks. The Cadbury acquisition, net of Integration Program and higher acquisition-related costs, increased operating income by $260 million. Total selling, general and administrative expenses, as recorded in the condensed consolidated statement of earnings, increased $3,217 million from 2009, but excluding the impacts of divestitures, foreign currency and our Cadbury acquisition (including Integration Program and acquisition-related costs), decreased $25 million versus the prior year. We recognized gains of $67 million in unrealized hedging positions in 2010, versus gains of $203 million in 2009. During 2010, we reversed $37 million in Restructuring Program charges recorded in prior years, versus a reversal of $85 million in Restructuring Program charges recorded in prior years during 2009. We recorded asset impairment charges of $55 million in 2010 related to intangible assets in China and the Netherlands and on a biscuit plant and related property, plant and equipment in France, versus asset impairment charges of $21 million related to intangible assets in the Netherlands and to write off an investment in Norway that were recorded in 2009. In addition, unfavorable foreign currency decreased operating income by $8 million, due primarily to the impacts of the highly inflationary Venezuelan economy and the strength of the U.S. dollar against the euro, partially offset by the strength of the Canadian dollar, Brazilian real, Korean won and Australian dollar against the U.S. dollar.

As a result of these changes, operating income margin decreased from 13.4% in 2009 to 11.5% in 2010.

Net Earnings and Earnings per Share Attributable to Kraft Foods - Net earnings attributable to Kraft Foods of $4,114 million increased by $1,093 million (36.2%) in 2010. Diluted EPS from continuing operations attributable to Kraft Foods were $1.44 in 2010, down 23.8% from $1.89 in 2009. Diluted EPS attributable to Kraft Foods were $2.39 in 2010, up 17.7% from $2.03 in 2009, due to the following:

	Diluted EPS
Diluted EPS Attributable to Kraft Foods for the Year Ended December 31, 2009 (as revised)	**$ 2.03**
Discontinued operations	0.14
Diluted EPS Attributable to Kraft Foods from Continuing Operations for the Year Ended December 31, 2009 (as revised)	**1.89**
Acquisition-related costs	0.04
Operating EPS (1) for the Year Ended December 31, 2009	**1.93**
Increases in operations	0.22
Increases in operations from the Cadbury acquisition	0.45
Change in unrealized gains on hedging activities	(0.06)
Higher net asset impairments and exit costs	(0.04)
Lower gains on divestitures	(0.04)
Change in foreign currency	-
Higher interest and other expense, net (2)	(0.25)
Changes in taxes (3)	0.05
Higher shares outstanding	(0.24)
Operating EPS (1) for the Year Ended December 31, 2010	**2.02**
Acquisition-related costs	(0.12)
Acquisition-related interest and other expense, net	(0.09)
Integration Program costs	(0.29)
U.S. health care legislation impact on deferred taxes	(0.08)
Diluted EPS Attributable to Kraft Foods from Continuing Operations for the Year Ended December 31, 2010	**1.44**
2010 gain on the divestiture of our Frozen Pizza business	0.92
Discontinued operations	0.03
Diluted EPS Attributable to Kraft Foods for the Year Ended December 31, 2010	**$ 2.39**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this Item.
(2) Excludes impacts of acquisition-related interest and other expense, net.
(3) Excludes the impacts of the 2010 U.S. health care legislation on deferred taxes and includes the impacts of the U.S. federal tax audit agreements in both 2010 and 2009.

2009 compared with 2008

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions, except per share data; as revised)			
Net revenues	$ 38,754	$ 40,492	$ (1,738)	(4.3%)
Operating income	5,183	3,576	1,607	44.9%
Earnings from continuing operations	2,810	1,678	1,132	67.5%
Net earnings attributable to Kraft Foods	3,021	2,884	137	4.8%
Diluted earnings per share from continuing operations attributable to Kraft Foods	1.89	1.10	0.79	71.8%
Diluted earnings per share attributable to Kraft Foods	2.03	1.90	0.13	6.8%

Net Revenues - Net revenues decreased $1,738 million (4.3%) to $38,754 million in 2009, and organic net revenues [1] increased $428 million (1.1%) to $40,565 million as follows.

Change in net revenues (by percentage point)	
Higher net pricing	2.0pp
Unfavorable volume/mix	(0.8)pp
2008 favorable resolution of a Brazilian value added tax claim	(0.1)pp
Total change in organic net revenues [1]	**1.1%**
Unfavorable foreign currency	(4.7)pp
Impact of divestitures	(0.7)pp
Total change in net revenues	**(4.3)%**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this item.

The decrease in net revenues was primarily driven by unfavorable foreign currency of $1,884 million, due primarily to the strength of the U.S. dollar against the euro, Russian ruble, Ukrainian hryvnia, Canadian dollar, pound sterling, Brazilian real and Polish zloty. The impact of divestitures also had an unfavorable impact on net revenues. The decrease in net revenues was partially offset by higher organic net revenues. The increase in organic net revenues was primarily driven by higher net pricing, partially offset by a decrease in volume/mix and the absence of the 2008 favorable resolution of a Brazilian value added tax claim.

Operating Income - Operating income increased $1,607 million (44.9%) to $5,183 million in 2009, due to the following:

	Operating Income (in millions)	Change (percentage point)
Operating Income for the Year Ended December 31, 2008 (as revised)	**$ 3,576**	
Change in operating income		
Higher pricing	811	16.5pp
Favorable volume/mix	83	1.7pp
Lower input costs	23	0.1pp
Lower Restructuring Program costs	1,074	34.2pp
Change in unrealized gains on hedging activities	408	8.3pp
Lower losses on divestitures, net	86	3.7pp
Lower asset impairment charges	119	3.3pp
Lower charges from certain legal matters	22	1.6pp
2008 favorable resolution of Brazilian value added tax claim	(67)	(1.4)pp
Acquisition-related costs associated with Cadbury	(40)	(1.2)pp
Higher other selling, general and administrative expense	(569)	(11.9)pp
Unfavorable foreign currency	(325)	(9.2)pp
Other, net	(18)	(0.8)pp
Total change in operating income	**1,607**	**44.9%**
Operating Income for the Year Ended December 31, 2009 (as revised)	**$ 5,183**	

Higher pricing reflected the carryover impact of 2008 pricing actions, as we recovered some of our cumulative cost increases from prior years. The favorable volume/mix was driven by strong contributions from Kraft Foods Developing Markets and U.S. Beverages. The decrease in input costs was driven by lower raw material costs, partially offset by higher manufacturing costs. During 2009, we reversed $85 million in Restructuring Program charges recorded in the prior year, versus the $989 million in Restructuring Program charges recognized in 2008. We recognized gains of $203 million on the change in unrealized hedging positions in 2009, versus losses of $205 million in 2008. We recorded $6 million of net losses on divestitures in 2009, versus $92 million of net losses on divestitures in 2008. We recorded asset impairment charges of $21 million related to intangible assets in the Netherlands and to write off an investment in Norway in 2009, versus asset impairment charges of $140 million related to certain international intangible assets, the divestiture of our Nordic and Baltic snacks operation, a juice operation in Brazil and a cheese plant in Australia that were recorded in 2008. We had $22 million of lower charges from certain legal matters. During 2009, we recorded an additional $50 million of charges for legal matters related to certain of our European operations. In 2008, we recorded $72 million in charges for legal matters related to certain of our U.S. and European operations, including U.S. coffee operations. Total selling, general and administrative expenses, as recorded in the consolidated statement of earnings, increased $171 million from 2008. Excluding the impacts of divestitures, foreign currency, charges for certain legal matters, acquisition-related costs associated with Cadbury and prior year Restructuring Program costs it increased $569 million over 2008, primarily due to further investments in our brands, including spending on Cost Savings Initiatives, and higher marketing support costs. In addition, unfavorable foreign currency decreased operating income by $325 million, due primarily to the strength of the U.S. dollar against the pound sterling, euro, Canadian dollar, Russian ruble, Ukrainian hryvnia, Korean won, Brazilian real, and Polish zloty.

As a result of these changes, operating income margin also increased from 8.8% in 2008 to 13.4% in 2009.

Net Earnings and Earnings per Share Attributable to Kraft Foods - Net earnings attributable to Kraft Foods of $3,021 million increased by $137 million (4.8%) in 2009. Diluted EPS from continuing operations attributable to Kraft Foods were $1.89 in 2009, up 71.8% from $1.10 in 2008. Diluted EPS attributable to Kraft Foods were $2.03 in 2009, up 6.8% from $1.90 in 2008, due to the following:

	Diluted EPS
Diluted EPS Attributable to Kraft Foods for the Year Ended December 31, 2008 (as revised)	**$ 1.90**
Discontinued operations	0.80
Diluted EPS Attributable to Kraft Foods from Continuing Operations for the Year Ended December 31, 2008 (as revised)	**1.10**
Acquisition-related costs	-
Operating EPS (1) for the Year Ended December 31, 2008	**1.10**
Increases in operations	0.13
Lower charges from certain legal matters	0.01
Lower Restructuring Program costs	0.49
Change in unrealized gains on hedging activities	0.18
Lower asset impairment charges	0.06
Lower losses on divestitures, net	0.08
2008 favorable resolution of Brazilian value added tax claim	(0.03)
Unfavorable foreign currency	(0.14)
Lower interest and other expense, net (2)	0.02
Changes in taxes (3)	(0.01)
Higher shares outstanding	0.04
Operating EPS (1) for the Year Ended December 31, 2009	1.93
Acquisition-related costs	(0.02)
Acquisition-related interest and other expense, net	(0.02)
Diluted EPS Attributable to Kraft Foods from Continuing Operations for the Year Ended December 31, 2009	1.89
Discontinued operations	0.14
Diluted EPS Attributable to Kraft Foods for the Year Ended December 31, 2009 (as revised)	**$ 2.03**

(1) Please see the *Non-GAAP Financial Measures* section at the end of this Item.
(2) Excludes impacts of acquisition-related interest and other expense, net.
(3) Includes the impact of the 2009 U.S. federal tax audit agreement.

Results of Operations by Business Segment

We manage and report operating results through three geographic units, Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. We manage the operations of Kraft Foods North America and Kraft Foods Europe by product category, and we manage the operations of Kraft Foods Developing Markets by location. Our reportable segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets. The results of operations from our Cadbury acquisition (including Integration Program and acquisition-related costs), are reflected within our U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets segments.

The following discussion compares our results of operations for each of our reportable segments for 2010 with 2009, and for 2009 with 2008.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Net revenues:			
Kraft Foods North America:			
U.S. Beverages	$ 3,212	$ 3,057	$ 3,001
U.S. Cheese	3,528	3,605	4,007
U.S. Convenient Meals	3,131	3,029	2,947
U.S. Grocery	3,398	3,453	3,389
U.S. Snacks	6,001	4,964	5,025
Canada & N.A. Foodservice	4,696	3,922	4,147
Kraft Foods Europe	11,628	8,768	9,728
Kraft Foods Developing Markets	13,613	7,956	8,248
Net revenues	$ 49,207	$ 38,754	$ 40,492

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Operating income:			
Kraft Foods North America:			
U.S. Beverages	$ 564	$ 511	$ 381
U.S. Cheese	598	667	563
U.S. Convenient Meals	268	234	125
U.S. Grocery	1,164	1,146	1,009
U.S. Snacks	845	723	638
Canada & N.A. Foodservice	582	462	395
Kraft Foods Europe	1,115	785	182
Kraft Foods Developing Markets	1,577	936	815
Unrealized gains / (losses) on hedging activities	67	203	(205)
Certain U.S. pension plan costs	(179)	(165)	-
General corporate expenses	(724)	(293)	(304)
Amortization of intangibles	(211)	(26)	(23)
Operating income	$ 5,666	$ 5,183	$ 3,576

As discussed in Note 16, *Segment Reporting*, management uses segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of our U.S. pension plan cost (which are a component of cost of sales and selling, general and administrative expenses), general corporate expenses (which are a component of selling, general and administrative expenses) and amortization of intangibles for all periods presented. We exclude the unrealized gains and losses on hedging activities from segment operating income in order to provide better transparency of our segment operating results. Once realized, the gains and losses on hedging activities are recorded within segment operating results. We exclude certain components of our U.S. pension plan cost from segment operating income because we centrally manage pension plan funding decisions and the determination of discount rate, expected rate of return on plan assets and other actuarial assumptions. Therefore, we allocate only the service cost component of our U.S. pension plan expense to segment operating income.

In 2010, the change in unrealized gains on hedging activities of $67 million primarily resulted from gains associated with commodity hedging activities. In 2009, the change in unrealized gains on hedging activities of $203 million primarily resulted from the 2008 unrealized losses on energy derivatives becoming realized in 2009 and therefore, included in segment operating income. In 2008, the change in unrealized losses on hedging activities of $205 million primarily related to energy derivatives, including heating oil (used primarily to hedge transportation costs) and natural gas contracts.

The 2010 increase in general corporate expenses was primarily due to acquisition-related transaction fees, Integration Program costs and the impact of Cadbury's corporate charges. We incurred acquisition-related transaction fees of $218 million in 2010 and $40 million in 2009. We recorded these charges in operations as part of general corporate expenses. In 2009, general corporate expenses included $50 million of charges for legal matters related to certain of our European operations. In 2008 we recorded $72 million in charges for legal matters related to certain of our U.S. and European operations, including U.S. coffee operations and represented the primary reason general corporate expenses increased $101 million in 2008.

U.S. Beverages

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 3,212	$ 3,057	$ 155	5.1%
Segment operating income	564	511	53	10.4%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 3,057	$ 3,001	$ 56	1.9%
Segment operating income	511	381	130	34.1%

2010 compared with 2009:
Net revenues increased $155 million (5.1%), due to favorable volume/mix (4.5 pp) and higher net pricing (0.6 pp). The favorable volume/mix impact on net revenue was primarily driven by higher shipments in ready-to-drink beverages, reflecting volume gains in *Kool-Aid* and *Capri Sun*; coffee, reflecting volume gains in *Maxwell House, Starbucks and Tassimo*; and powdered beverages, reflecting volume gains in *Tang*.

Segment operating income increased $53 million (10.4%), due to favorable volume/mix, lower manufacturing costs, higher net pricing and lower other selling, general and administrative expenses, partially offset by higher raw material costs and higher marketing support costs.

2009 compared with 2008:
Net revenues increased $56 million (1.9%), due to favorable volume/mix (1.3 pp) and higher net pricing (0.6 pp). Favorable volume/mix was driven by higher shipments in ready-to-drink and powdered beverages. Ready-to-drink beverages grew from successful quality and marketing investments in *Capri Sun,* partially offset by the discontinuation of less profitable ready-to-drink product lines. Powdered beverages volume increased primarily due to strong gains in *Kool-Aid* and *Tang.* These favorable factors were partially offset by unfavorable mix driven by the higher ready-to-drink volume. In addition, coffee volume declined primarily driven by lower shipments of *Gevalia*, partially offset by higher shipments in *Maxwell House, Starbucks* and *Tassimo*. Higher net pricing was primarily related to ready-to-drink beverages, partially offset by lower input cost-driven pricing in coffee.

Segment operating income increased $130 million (34.1%), due primarily to lower costs due to the completion of the Restructuring Program, lower raw material costs, higher net pricing, favorable volume/mix (higher shipments, net of unfavorable product mix), lower manufacturing costs and lower other selling, general and administrative expenses, partially offset by higher marketing support costs.

U.S. Cheese

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 3,528	$ 3,605	$ (77)	(2.1%)
Segment operating income	598	667	(69)	(10.3%)

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 3,605	$ 4,007	$ (402)	(10.0%)
Segment operating income	667	563	104	18.5%

2010 compared with 2009:
Net revenues decreased $77 million (2.1%), due to unfavorable volume/mix (4.7 pp) and the impact of divestitures (0.4 pp), partially offset by higher net pricing (3.0 pp). Unfavorable volume/mix was driven by lower shipments across most cheese categories. Higher net pricing, across all cheese categories, was due to input cost-driven pricing, partially offset by increased promotional spending.

Segment operating income decreased $69 million (10.3%), due to higher raw material costs (primarily higher dairy costs), unfavorable volume/mix, higher marketing support costs and a loss on the divestiture of our *Bagelfuls* operations, partially offset by higher net pricing, lower manufacturing costs, lower other selling, general and administrative expenses and the impact of divestitures.

2009 compared with 2008:
Net revenues decreased $402 million (10.0%), due to lower net pricing (8.8 pp) and unfavorable volume/mix (1.2 pp). Lower net pricing was due to lower input cost-driven pricing combined with increases in promotional spending. Net revenues also declined due to lower shipments, primarily in cultured and natural cheese products.

Segment operating income increased $104 million (18.5%), due primarily to lower raw material costs (primarily lower dairy costs), lower manufacturing costs, lower costs due to the completion of the Restructuring Program and lower other selling, general and administrative expenses, partially offset by lower net pricing and higher marketing support costs.

U.S. Convenient Meals

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions; 2009 revised)			
Net revenues	$ 3,131	$ 3,029	$ 102	3.4%
Segment operating income	268	234	34	14.5%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions; as revised)			
Net revenues	$ 3,029	$ 2,947	$ 82	2.8%
Segment operating income	234	125	109	87.2%

2010 compared with 2009:
Net revenues increased $102 million (3.4%), due to favorable volume/mix (3.1 pp) and higher net pricing (0.3 pp). Favorable volume/mix was driven by higher shipments in hot dogs, *Lunchables* combination meals and cold cuts. Higher net pricing was driven by input-cost driven pricing, mostly offset by increased promotional spending.

Segment operating income increased $34 million (14.5%), due to lower other selling, general and administrative expenses, lower manufacturing costs, favorable volume/mix and higher net pricing, partially offset by higher raw material costs and higher marketing support costs.

2009 compared with 2008:
Net revenues increased $82 million (2.8%), due to higher net pricing (2.8 pp). Higher net pricing was driven by input cost-driven pricing, net of increased promotional spending. Volume/mix was flat as higher shipments in bacon, cold cuts and hot dogs were offset by the discontinuation of less profitable product lines.

Segment operating income increased $109 million (87.2%), due primarily to higher net pricing, lower costs due to the completion of the Restructuring Program and favorable volume/mix, partially offset by higher other selling, general and administrative expenses and higher marketing support costs.

U.S. Grocery

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 3,398	$ 3,453	$ (55)	(1.6%)
Segment operating income	1,164	1,146	18	1.6%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 3,453	$ 3,389	$ 64	1.9%
Segment operating income	1,146	1,009	137	13.6%

2010 compared with 2009:
Net revenues decreased $55 million (1.6%), due to unfavorable volume/mix (3.3 pp), partially offset by higher net pricing (1.7 pp). Unfavorable volume/mix was due primarily to lower shipments across most key categories, including pourable dressings, ready-to-eat desserts, spoonable dressings and dry packaged desserts. Higher net pricing, across key categories, was primarily related to *Kraft* macaroni and cheese dinners, pourable dressings, ready-to-eat desserts and dry packaged desserts.

Segment operating income increased $18 million (1.6%), due primarily to higher net pricing, lower manufacturing costs and lower other selling, general and administrative expenses, partially offset by unfavorable volume/mix and higher marketing support costs.

2009 compared with 2008:
Net revenues increased $64 million (1.9%), due to higher net pricing (3.5 pp), partially offset by unfavorable volume/mix (1.6 pp). Net revenues increased due to higher input cost-driven pricing across several of our key categories, primarily spoonable salad dressings, dry packaged desserts and ready-to-eat desserts. Net revenues growth was partially offset by lower volume, net of favorable product mix. This reflected the 2008 exit of *Handi-Snacks* ready-to-eat desserts, as well as lower shipments in pourable and spoonable salad dressings, *Jell-O* ready-to-eat-desserts, barbecue sauce and *Cool Whip* whipped topping, which were partially offset by growth in *Kraft* macaroni and cheese dinners.

Segment operating income increased $137 million (13.6%), due primarily to higher net pricing, lower costs due to the completion of the Restructuring Program and lower manufacturing costs, partially offset by higher marketing support costs, unfavorable volume/mix (lower shipments, net of improved product mix) and higher other selling, general and administrative expenses.

U.S. Snacks

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 6,001	$ 4,964	$ 1,037	20.9%
Segment operating income	845	723	122	16.9%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 4,964	$ 5,025	$ (61)	(1.2%)
Segment operating income	723	638	85	13.3%

2010 compared with 2009:
Net revenues increased $1,037 million (20.9%), due to our Cadbury acquisition (21.7 pp) and favorable volume/mix (0.5 pp), partially offset by the impact of divestitures (1.1 pp) and lower net pricing (0.2 pp). Biscuits net revenues decreased, driven by unfavorable volume/mix, partially offset by higher net pricing. Biscuits unfavorable volume/mix was due primarily to lower shipments in crackers (primarily *Wheat Thins*, *Cheese Nips, Premium and Honey Maid*) and cookies (primarily *Newtons and Nutter Butter*). Snack nuts net revenues increased, due to favorable volume/mix, driven by higher shipments.

Segment operating income increased $122 million (16.9%), due primarily to our Cadbury acquisition (including Integration Program and acquisition-related costs), the favorable resolution of a settlement relating to the 2009 pistachio product recall, lower manufacturing costs and lower other selling, general and administrative expenses. These favorable variances were partially offset by higher raw material costs, higher marketing support costs, unfavorable volume/mix, the 2009 gain on the divestiture of our *Balance* bar operations in the U.S., the impact of divestitures and lower net pricing.

2009 compared with 2008:
Net revenues decreased $61 million (1.2%), due to unfavorable volume/mix (1.7 pp) and the impact of divestitures (0.2 pp), partially offset by higher net pricing (0.7 pp). Biscuits net revenues increased, driven by higher input cost-driven pricing, partially offset by unfavorable volume/mix (unfavorable product mix, net of higher shipments). Biscuits volume gain was due to higher shipments primarily in *Ritz* crackers, *Oreo* cookies, *Triscuit* crackers and *Chips Ahoy!* cookies. Snack bars net revenues decreased, primarily due to volume declines in breakfast bars. Snack nuts net revenues decreased, primarily driven by lower net pricing, due to higher promotional spending, and unfavorable volume/mix reflecting lower volume due primarily to the recall of certain products containing pistachios in March 2009.

Segment operating income increased $85 million (13.3%), due primarily to lower costs due to the completion of the Restructuring Program, lower marketing support costs, lower manufacturing costs, higher net pricing, the gain on the divestiture of our *Balance* bar operations in the U.S. and lower other selling, general and administrative expenses. These favorable factors were partially offset by higher raw material costs and unfavorable volume/mix (unfavorable product mix and lower shipments, including the recall of certain products containing pistachios).

Canada & N.A. Foodservice

	For the Years Ended December 31, 2010	For the Years Ended December 31, 2009	$ change	% change
	(in millions; 2009 revised)			
Net revenues	$ 4,696	$ 3,922	$ 774	19.7%
Segment operating income	582	462	120	26.0%

	For the Years Ended December 31, 2009	For the Years Ended December 31, 2008	$ change	% change
	(in millions; as revised)			
Net revenues	$ 3,922	$ 4,147	$ (225)	(5.4%)
Segment operating income	462	395	67	17.0%

2010 compared with 2009:
Net revenues increased $774 million (19.7%), due to our Cadbury acquisition (11.1 pp), the significant impact of favorable foreign currency (6.4 pp) and higher net pricing (1.5 pp) and favorable volume/mix (0.8 pp). In Canada, net revenues increased, driven by our Cadbury acquisition, favorable foreign currency, higher net pricing and favorable volume/mix, driven by higher shipments in its grocery, cheese and convenient meals retail businesses. In N.A. Foodservice, net revenues increased, driven by higher net pricing and favorable foreign currency, partially offset by unfavorable volume/mix (unfavorable product mix, net of higher shipments).

Segment operating income increased $120 million (26.0%), due primarily to our Cadbury acquisition(including Integration Program and acquisition-related costs), higher net pricing, favorable foreign currency, lower manufacturing costs, favorable volume/mix and lower marketing support costs, partially offset by higher raw material costs and higher other selling, general and administrative expenses.

2009 compared with 2008:
Net revenues decreased $225 million (5.4%), due to the significant impact of unfavorable foreign currency (4.5 pp) and unfavorable volume/mix (1.0 pp), partially offset by higher net pricing (0.1 pp). In Canada, net revenues increased, driven by volume gains across most retail businesses and higher net pricing, partially offset by unfavorable foreign currency. In N.A. Foodservice, net revenues decreased, driven by lower volume, due to industry-wide declines in restaurant traffic and the discontinuation of less profitable product lines, lower input cost-driven pricing and unfavorable foreign currency.

Segment operating income increased $67 million (17.0%), due primarily to lower costs due to the completion of the Restructuring Program, lower raw material costs and higher net pricing, partially offset by unfavorable foreign currency, higher manufacturing costs, unfavorable volume/mix and higher marketing support costs.

Kraft Foods Europe

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 11,628	$ 8,768	$ 2,860	32.6%
Segment operating income	1,115	785	330	42.0%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 8,768	$ 9,728	$ (960)	(9.9%)
Segment operating income	785	182	603	100+%

2010 compared with 2009:
Net revenues increased $2,860 million (32.6%), due to our Cadbury acquisition (33.0 pp) and favorable volume/mix (3.9 pp; including approximately 0.6 pp from the favorable impact of an accounting calendar change for certain European biscuits operations), partially offset by the impact of unfavorable foreign currency (3.1 pp), lower net pricing (1.0 pp), and the impact of divestitures (0.2 pp). Volume/mix gains in biscuits, chocolate, cheese and coffee, due primarily to higher shipments, drove net revenues higher. Lower net pricing was reflected across all categories, except coffee. Unfavorable foreign currency primarily reflected the strength of the U.S. dollar against the euro, partially offset by the strength of the Swedish krona, Swiss franc, and Norwegian krone versus the U.S. dollar.

Segment operating income increased $330 million (42.0%), due primarily to favorable volume/mix, lower manufacturing costs, lower other selling, general and administrative expenses, our Cadbury acquisition (including Integration Program and acquisition-related costs), the 2009 asset impairment charges related to certain intangible assets in the Netherlands and to write-off an investment in Norway, the 2009 loss on the divestiture of a plant in Spain and lower marketing support costs. These favorable variances were partially offset by higher raw material costs, lower net pricing, lower reversal of prior years' Restructuring Program costs, asset impairment charges related to intangible assets in the Netherlands and on a biscuit plant and related property, plant and equipment in France, and unfavorable foreign currency. The accounting calendar change for certain European biscuits operations had an insignificant impact on operating income.

2009 compared with 2008:
Net revenues decreased $960 million (9.9%), due to the significant impact of unfavorable foreign currency (6.7 pp), unfavorable volume/mix (2.8 pp) and the impact of divestitures (2.2 pp), partially offset by higher net pricing (1.8 pp). Unfavorable foreign currency primarily reflected the strength of the U.S. dollar versus the euro and pound sterling. In addition, volume declines in coffee, biscuits, chocolate and cheese and the discontinuation of less profitable product lines drove net revenues lower. These unfavorable revenue drivers were partially offset by higher net pricing, primarily in chocolate, coffee and biscuits.

Segment operating income increased $603 million (100+%), due primarily to lower costs due to the completion of the Restructuring Program (including the reversal of prior year costs), higher net pricing, the 2008 net loss on the divestitures of several operations in Spain, 2008 asset impairment charges related to certain international intangible assets and the divestiture of our Nordic and Baltic snacks operation, lower manufacturing costs and lower raw material costs. These favorable variances were partially offset by unfavorable foreign currency, higher marketing support costs, higher non-recurring costs associated with the Kraft Foods Europe Reorganization, higher other selling, general and administrative expenses (primarily spending on Cost Savings Initiatives), asset impairment charges related to certain intangible assets in the Netherlands and to write off an investment in Norway, the net loss on the divestiture of a plant in Spain, unfavorable volume/mix (lower shipments, net of improved product mix) and the impact of divestitures.

Kraft Foods Europe Reorganization - The reorganization of our European operations to function on a pan-European centralized category management and value chain model was completed in 2009 for our chocolate, coffee and cheese categories. The integration of our European biscuits business was principally completed in the second quarter of 2010. Our subsidiary, Kraft Foods Europe GmbH, acts as the European Principal Company ("EPC"). The EPC manages our European categories centrally and makes decisions for all aspects of the value chain, except for sales and distribution. Our European subsidiaries will execute sales and distribution locally, and the local production companies act as toll manufacturers on behalf of the EPC. As part of the reorganization, we incurred $21 million of severance costs and $69 million of other project costs during 2010; $32 million of severance costs and $81 million of other project costs during 2009; and we incurred $16 million of restructuring costs, $39 million of implementation costs and $11 million of other non-recurring costs during 2008. In 2010 and 2009, these charges were recorded within cost of sales and selling, general and administrative expenses The 2008 restructuring and implementation costs were included in the total Restructuring Program charges, and the other non-recurring costs were recorded as selling, general and administrative expenses. Management believes the disclosure of other project costs and other non-recurring costs provides readers of our financial statements greater transparency to the total costs of our Kraft Foods Europe Reorganization.

Kraft Foods Developing Markets

	For the Years Ended December 31, 2010	2009	$ change	% change
	(in millions)			
Net revenues	$ 13,613	$ 7,956	$ 5,657	71.1%
Segment operating income	1,577	936	641	68.5%

	For the Years Ended December 31, 2009	2008	$ change	% change
	(in millions)			
Net revenues	$ 7,956	$ 8,248	$ (292)	(3.5%)
Segment operating income	936	815	121	14.8%

2010 compared with 2009:
Net revenues increased $5,657 million (71.1%), due to our Cadbury acquisition (59.8 pp), favorable volume/mix (8.5 pp; including approximately 1.9 pp from the favorable impact of an accounting calendar change for Asia Pacific and certain operations in Latin America), and higher net pricing (3.3 pp), partially offset by the impact of divestitures (0.3 pp) and the impact of unfavorable foreign currency (0.2 pp). In Central and Eastern Europe, Middle East and Africa, net revenues increased, driven by our Cadbury acquisition, favorable volume/mix across most of the region and favorable foreign currency. In Latin America, net revenues increased, driven by our Cadbury acquisition, higher net pricing across most of the region and favorable volume/mix, primarily in Brazil, Argentina, Central America and Mexico, partially offset by unfavorable foreign currency and the impact of divestitures. In Asia Pacific, net revenues increased, due primarily to our Cadbury acquisition, favorable volume/mix driven by higher shipments across the region, primarily in China, Indonesia and Australia/New Zealand, and favorable foreign currency.

Segment operating income increased $641 million (68.5%), due to our Cadbury acquisition (including Integration Program and acquisition-related costs), favorable volume/mix, higher net pricing and lower other selling, general and administrative expenses. These favorable variances were partially offset by higher marketing support costs, higher manufacturing costs, higher raw material costs, asset impairment charges related to intangible assets in China and unfavorable foreign currency. The accounting calendar change for Asia Pacific and certain operations in Latin America had an insignificant impact on operating income.

2009 compared with 2008:
Net revenues decreased $292 million (3.5%), due to the significant impact of unfavorable foreign currency (12.9 pp), the absence of the 2008 favorable resolution of a Brazilian value added tax claim (0.8 pp) and the impact of divestitures (0.5 pp), partially offset by higher net pricing (8.9 pp) and favorable volume/mix (1.8 pp). In Central and

Eastern Europe, Middle East and Africa, net revenues decreased, driven primarily by unfavorable foreign currency, partially offset by higher net pricing across most of the region and favorable volume/mix (improved product mix, net of lower shipments). In Latin America, net revenues increased, primarily driven by higher net pricing across the region and favorable volume/mix (improved product mix, net of lower shipments), partially offset by unfavorable foreign currency and the absence of the 2008 favorable resolution of a Brazilian value added tax claim. In Asia Pacific, net revenues increased, due to higher net pricing across most of the region and favorable volume/mix (improved product mix, net of lower shipments), primarily in China, partially offset by unfavorable foreign currency.

Segment operating income increased $121 million (14.8%), due primarily to higher net pricing, favorable volume/mix (improved product mix, net of lower shipments), lower costs due to the completion of the Restructuring Program (including the reversal of prior year costs) and 2008 asset impairment charges related to certain international intangible assets, a juice operation in Brazil and a cheese plant in Australia. These favorable variances were partially offset by higher raw material costs, higher manufacturing costs, unfavorable foreign currency, higher other selling, general and administrative expenses, higher marketing support costs and the absence of the 2008 favorable resolution of a Brazilian value added tax claim.

Venezuela - In the fourth quarter of 2009, the Venezuelan economy was classified as highly inflationary under accounting principles generally accepted in the United States of America ("U.S. GAAP"). Effective January 1, 2010, we began accounting for our Venezuelan subsidiaries under highly inflationary accounting rules, which principally means all transactions are recorded in U.S. dollars. On January 8, 2010, the Venezuelan government devalued its currency and established a preferential exchange rate for imports of food, medicine and other essential items. Accordingly, we were required to revalue our net assets in Venezuela. In July 2010, the Venezuelan government eliminated the secondary (or parallel) market exchange rate and replaced it with the government-regulated Transaction System for Foreign Currency Denominate Securities ("SITME") rate. Accordingly, we were required to revalue those of our net assets in Venezuela that we maintained at the parallel rate. Then on December 30, 2010, the Venezuelan government eliminated the preferential exchange rate. Although the elimination of the preferential exchange rate did not immediately cause us to revalue our net assets in Venezuela, it will have further impacts to our operating results in future periods. Venezuela now has two exchange rates: the official rate and the SITME rate. We used both the official rate and the SITME rate to translate our Venezuelan operations into U.S. dollars, based on the nature of the operations of each individual subsidiary.

During 2010, we recorded approximately $115 million of unfavorable foreign currency impacts relating to highly inflationary accounting in Venezuela. This included a one-time impact to translate cash of $34 million that we previously carried at the secondary rate. Upon the change to highly inflationary accounting in January 2010, we were required to translate those U.S. dollars on hand using the official rate. Based on the current economic structure in Venezuela, we expect our 2011 operating results will be negatively impacted by approximately another $25 to $50 million as a result of the change to highly inflationary accounting and the devaluation of the Venezuelan bolivar.

Critical Accounting Policies

Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements includes a summary of the significant accounting policies we used to prepare our consolidated financial statements. We have discussed the selection and disclosure of our critical accounting policies and estimates with our Audit Committee. The following is a review of the more significant assumptions and estimates, as well as the accounting policies we used to prepare our consolidated financial statements.

Principles of Consolidation:
The consolidated financial statements include Kraft Foods, as well as our wholly owned and majority owned subsidiaries. Our domestic operating subsidiaries report results as of the last Saturday of the year, and our international operating subsidiaries generally report results two weeks prior to the last Saturday of the year. The results of operations of the newly acquired Cadbury are reported on the last day of the calendar month.

In 2010, we changed the consolidation date for certain European biscuits operations, which are included within our Kraft Foods Europe segment, and certain operations in Asia Pacific and Latin America, which are included within our Kraft Foods Developing Markets segment. Previously, these operations primarily reported period-end results one month or two weeks prior to the end of the period. Now our Kraft Foods Europe segment primarily reports period-end results two weeks prior to the last Saturday of the period, and certain of our operations in Asia Pacific and Latin America report results through the last day of the period. We believe the change is preferable and will improve financial reporting by better matching the close dates of the operating subsidiaries within our Kraft Foods Europe segment and those operations with Asia Pacific and Latin America with our consolidated reporting. This change resulted in a favorable impact to net revenues of approximately $200 million and an insignificant impact on operating income and net income in 2010. As the impacts to prior period results were not material to our financial results, we have not revised the prior period results for this change. Our domestic operating subsidiaries will continue to report period-end results as of the Saturday closest to the end of each period, and our international operating subsidiaries will continue to report period-end results two weeks prior to the Saturday closest to the end of each period.

We account for investments in which we exercise significant influence (20% - 50% ownership interest) under the equity method of accounting. We use the cost method of accounting for investments in which we have an ownership interest of less than 20% and in which we do not exercise significant influence. Noncontrolling interest in subsidiaries consists of the equity interest of noncontrolling investors in consolidated subsidiaries of Kraft Foods. All intercompany transactions are eliminated.

Use of Estimates:
We prepare our financial statements in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect a number of amounts in our financial statements. Significant accounting policy elections, estimates and assumptions include, among others, pension and benefit plan assumptions, lives and valuation assumptions of goodwill and intangible assets, marketing programs and income taxes. We base our estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts differ from estimates, we include the revisions in our consolidated results of operations in the period in which we know the actual amounts. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a significant impact on our consolidated financial statements.

Inventories:
Inventories are stated at the lower of cost or market. We value all our inventories using the average cost method. We also record inventory allowances for overstocked and obsolete inventories due to ingredient and packaging changes.

Long-Lived Assets:
We review long-lived assets, including amortizable intangible assets, for impairment when conditions exist that indicate the carrying amount of the assets may not be fully recoverable. We perform undiscounted operating cash flow analyses to determine if an impairment exists. When testing for impairment of assets held for use, we group assets and liabilities at the lowest level for which cash flows are separately identifiable. If an impairment is determined to exist, the loss is calculated based on estimated fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

Goodwill and Intangible Assets:
We test goodwill and non-amortizable intangible assets at least annually for impairment. We have recognized goodwill in our reporting units, which are generally one level below our operating segments. We use a two step process to test goodwill at the reporting unit level. The first step involves a comparison of the estimated fair value of each reporting unit with its carrying value. Fair value is estimated using discounted cash flows of the reporting unit based on planned growth rates, and estimates of discount rates and residual values. If the carrying value exceeds the fair value, we must proceed with the second step of the process. The second step measures the difference between the carrying value and implied fair value of goodwill. To test non-amortizable intangible assets for impairment, we compare the fair value of the intangible asset with its carrying value. Fair value of non-amortizable intangible assets is determined using our planned growth rates, and estimates of discount rates and royalty rates. If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value. Definite-lived intangible assets are amortized over their estimated useful lives.

We perform our annual impairment review of goodwill and non-amortizable intangible assets as of October 1 each year. The basis of our valuation methodology for estimating the fair value of our 21 reporting units is a 20-year projection of discounted cash flows that is based on our annual strategic planning process. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, industry and economic conditions. For reporting units within our Kraft Foods North America and Kraft Foods Europe geographic units, we used a market-participant, weighted-average cost of capital of 7.5% to discount the projected cash flows of those operations. For reporting units within our Kraft Foods Developing Markets geographic unit, we used a risk-rated discount rate of 10.5%.

In 2010, we recorded aggregate asset impairment charges of $55 million, or $0.02 per diluted share. During our 2010 review of goodwill and non-amortizable intangible assets, we recorded a $13 million charge for the impairment of intangible assets in the Netherlands and a $30 million charge for the impairment of intangible assets in China. During the fourth quarter of 2010, we also recorded an asset impairment of $12 million on a biscuit plant and related property, plant and equipment in France. We recorded the aggregate asset impairment charges within asset impairment and exit costs. During our 2010 impairment review, we also noted that the following five reporting units were the most sensitive to near-term changes in our discounted cash flow assumptions:

	Percentage of Excess Fair Value over Carrying Value	October 1, 2010 Carrying Value of Goodwill (in millions)
U.S. Confections	17%	$ 2,177
U.S. Grain Snacks	10%	5,778
U.S. Salty Snacks	12%	1,170
Central and Eastern Europe, Middle East and Africa	8%	3,390
Asia Pacific	18%	2,517

Each of our reporting units passed the first step of our 2010 annual impairment review with an estimated fair value greater than 105% of its carrying value. Looking past 2010, there are uncertainties within the five identified reporting units that could potentially require further analysis in the future in order for us to determine if a goodwill impairment exists within any of the individual reporting units. Significant uncertainties are:

- Across Kraft Foods North America, and specifically within our U.S. Grain Snacks reporting unit, we experienced significant input cost inflation over the past year. In 2010 the contribution from pricing trailed input cost inflation. Consequently, in 2011 we have announced price increases on selective portions of the portfolio, while also implementing sizing changes on other portions of the portfolio. If input costs continue to rise, as we expect, additional price increases will be required. We expect to take needed pricing actions in the midst of persistent consumer weakness; however, if we are unable to, it would decrease profitability and adversely affect the estimated fair value of our U.S. Grain Snacks reporting unit.
- Our U.S. Salty Snacks business grew in 2010, after experiencing two years of volume declines. Revenues and operating income grew more substantially as we increased pricing and implemented cost saving measures. Further volume, revenue or operating income declines would adversely affect the estimated fair value of U.S. Salty Snacks reporting unit. However, as noted, we also experienced significant input cost inflation over the past year within our U.S. Salty Snacks business. If input costs continue to rise, as we expect, additional price increases will be required. We expect to take needed pricing actions in the midst of persistent consumer weakness; however, if we are unable to, it would decrease profitability and adversely affect the estimated fair value of our U.S. Salty Snacks reporting unit.
- Our U.S. Confections, Asia Pacific and Central and Eastern Europe, Middle East and Africa businesses compose a significant portion of our 2010 Cadbury acquisition. As our Cadbury acquisition was only eight months prior to our annual review of goodwill on October 1, 2010, we did not expect a significant amount of excess estimated fair value over book value to be realized in such a short period. We expect to integrate our combined businesses in these reporting units over the next two years; however, if we are unable to, it would adversely affect the estimated fair values of these reporting units.

As part of the 2009 annual review of goodwill and non-amortizable intangible assets, we recorded a $12 million charge for the impairment of intangible assets in the Netherlands. In addition, during 2009 we recorded a $9 million asset impairment charge to write off an investment in Norway. We recorded the aggregate charges within asset impairment and exit costs.

During the fourth quarter of 2008, we completed the annual review of goodwill and non-amortizable intangible assets and recorded a $44 million charge for the impairment of intangible assets in the Netherlands, France and Puerto Rico. In addition, in December 2008, we reached a preliminary agreement to divest a juice operation in Brazil and reached an agreement to sell a cheese plant in Australia. In anticipation of divesting the juice operation in Brazil, we recorded an asset impairment charge of $13 million in the fourth quarter of 2008. The charge primarily included the write-off of associated intangible assets of $8 million and property, plant and equipment of $4 million. In anticipation of selling the cheese plant in Australia, we recorded an asset impairment charge of $28 million to property, plant and equipment in the fourth quarter of 2008. Additionally, in 2008, we divested a Nordic and Baltic snacks operation and incurred an asset impairment charge of $55 million in connection with the divestiture. This charge primarily included the write-off of associated goodwill of $34 million and property, plant and equipment of $16 million. We recorded the aggregate charges within asset impairment and exit costs.

Insurance and Self-Insurance:
We use a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability, automobile liability, product liability and our obligation for employee health care benefits. Liabilities associated with the risks are estimated by considering historical claims experience and other actuarial assumptions.

Revenue Recognition:
We recognize revenues when title and risk of loss pass to customers, which generally occurs upon shipment or delivery of goods. Revenues are recorded net of consumer incentives and trade promotions and include all shipping and handling charges billed to customers. Kraft Foods' shipping and handling costs are classified as part of cost of sales. A provision for product returns and allowances for bad debts are also recorded as reductions to revenues within the same period that the revenue is recognized.

Selling, general and administrative expenses:
Marketing Costs - We promote our products with advertising, consumer incentives and trade promotions. These programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. We expense advertising costs either in the period the advertising first takes place or as incurred. Consumer incentive and trade promotion activities are recorded as a reduction to revenues based on amounts estimated as being due to customers and consumers at the end of a period. We base these estimates principally on historical utilization and redemption rates. For interim reporting purposes, advertising and consumer incentive expenses are charged to operations as a percentage of volume, based on estimated volume and related expense for the full year. We do not defer costs on our year-end consolidated balance sheet and all marketing costs are recorded as an expense in the year incurred.

Environmental Costs:
We are subject to laws and regulations relating to the protection of the environment. We accrue for environmental remediation obligations on an undiscounted basis when amounts are probable and can be reasonably estimated. The accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from third parties are recorded as assets when recovery of those costs is deemed probable. At December 31, 2010, our subsidiaries were involved in 74 active actions in the U.S. under Superfund legislation (and other similar actions and legislation) related to current operations and certain former or divested operations for which we retain liability.

Outside the U.S., we are subject to applicable multi-national, national and local environmental laws and regulations in the countries in which we do business. Outside the U.S., we have specific programs across our business units designed to meet applicable environmental compliance requirements.

As of December 31, 2010, we had accrued an insignificant amount for environmental remediation. Based on information currently available, we believe that the ultimate resolution of existing environmental remediation actions and our compliance in general with environmental laws and regulations will not have a material effect on our financial results. However, we cannot quantify with certainty the potential impact of future compliance efforts and environmental remediation actions.

Employee Benefit Plans:
We provide a range of benefits to our employees and retired employees. These include pension benefits, postretirement health care benefits and postemployment benefits, consisting primarily of severance. We record amounts relating to these plans based on calculations specified by U.S. GAAP. These calculations require the use of various actuarial assumptions, such as discount rates, assumed rates of return on plan assets, compensation increases, turnover rates and health care cost trend rates. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. As permitted by U.S. GAAP, we generally amortize any effect of the modifications over future periods. We believe that the assumptions used in recording our plan obligations are reasonable based on our experience and advice from our actuaries. Refer to Note 11, *Benefit Plans*, to the consolidated financial statements for a discussion of the assumptions used.

We recorded the following amounts in earnings for these employee benefit plans during the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(in millions)	
U.S. pension plan cost	$ 322	$ 313	$ 160
Non-U.S. pension plan cost	209	77	82
Postretirement health care cost	234	221	254
Postemployment benefit plan cost	17	18	11
Employee savings plan cost	104	94	93
Multiemployer pension plan contributions	30	29	27
Multiemployer medical plan contributions	35	35	33
Net expense for employee benefit plans	$ 951	$ 787	$ 660

The 2010 net expense for employee benefit plans of $951 million increased by $164 million over the 2009 amount. The cost increase primarily related to higher pension plan costs, including costs associated with the Cadbury acquisition and higher amortization of the net loss from experience differences. The 2009 net expense for employee benefit plans of $787 million increased by $127 million over the 2008 amount. The cost increase primarily related to higher pension plan costs, including higher amortization of the net loss from experience differences and settlement losses for the U.S. pension plans.

In 2010, we contributed $85 million to our U.S. pension plans and $303 million to our non-U.S. pension plans. In addition, employees contributed $23 million to our non-U.S. plans. Based on current tax law, we plan to make contributions of approximately $540 million to our U.S. plans and approximately $400 million to our non-U.S. plans in 2011. Of our total 2011 pension contributions, approximately $510 million will be voluntary. Our actual contributions may differ from our planned contributions due to many factors, including changes in tax and other benefit laws, or significant differences between expected and actual pension asset performance or interest rates. For our U.S. qualified pension plans, we are currently only required to make a nominal cash contribution to our U.S. pension plans under the Pension Protection Act of 2006 in 2011.

We expect our 2011 net expense for employee benefit plans to remain flat, primarily due to a weighted-average decrease of 40 basis points in our U.S. discount rate assumption partially offset by lower forecasted non-U.S. pension plan costs due to plan assumption changes.

We are freezing our U.S. pension plans for current salaried and non-union hourly employees effective December 31, 2019. Pension accruals for all salaried and non-union employees who are currently earning pension benefits will end on December 31, 2019, and continuing pay and service will be used to calculate the pension benefits through December 31, 2019. Our projected benefit obligation decreased $168 million in 2009, and we incurred a $5 million curtailment charge in 2009 related to the freeze. Beginning in 2010, our annual U.S. pension plan costs decreased by approximately $40 million as a result of this change. Additionally, for salaried and non-union hourly employees hired in the U.S. after January 1, 2009, we discontinued benefits under our U.S. pension plans, and we replaced them with an enhanced company contribution to our employee savings plan. This did not have a significant impact on our 2010 or 2009 pension plan cost.

Our 2011 health care cost trend rate assumption increased to 7.50% from 7.00% for our U.S. postretirement plans and decreased to 8.83% from 9.00% for our non-U.S. postretirement plans. We established these rates based upon our most recent experience as well as our expectation for health care trend rates going forward. We anticipate that our health care cost trend rate assumption will be 5.00% for U.S. plans by 2016 and 6.00% for non-U.S. plans by 2017. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of December 31, 2010:

	One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost	12.7%	(10.4%)
Effect on postretirement benefit obligation	10.5%	(8.8%)

Our 2011 discount rate assumption decreased to 5.30% from 5.70% for our U.S. postretirement plans and decreased to 5.02% from 5.25% for our non-U.S. postretirement plans. Our 2011 discount rate decreased to 5.53% from 5.93% for our U.S. pension plans. We model these discount rates using a portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the benefit obligations. Our 2011 discount rate assumption for our non-U.S. pension plans decreased to 5.11% from 5.21%. We developed the discount rates for our non-U.S. plans from local bond indices that match local benefit obligations as closely as possible. Changes in our discount rates were primarily the result of changes in bond yields year-over-year.

Our 2011 expected rate of return on plan assets decreased to 7.95% from 8.00% for our U.S. pension plans. We determine our expected rate of return on plan assets from the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class. We attempt to maintain our target asset allocation by rebalancing between asset classes as we make contributions and monthly benefit payments.

While we do not anticipate further changes in the 2011 assumptions for our U.S. and non-U.S. pension and postretirement health care plans, as a sensitivity measure, a fifty-basis point change in our discount rate or a fifty-basis point change in the expected rate of return on plan assets would have the following effects, increase / (decrease) in cost, as of December 31, 2010:

	U.S. Plans		Non-U.S. Plans	
	Fifty-Basis-Point		Fifty-Basis-Point	
	Increase	Decrease	Increase	Decrease
	(in millions)			
Effect of change in discount rate on pension costs	$ (64)	$ 66	$ (38)	$ 36
Effect of change in expected rate of return on plan assets on pension costs	(31)	31	(38)	38
Effect of change in discount rate on postretirement health care costs	(12)	12	(1)	1

Financial Instruments:

As we operate globally, we use certain financial instruments to manage our foreign currency exchange rate, commodity price and interest rate risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We maintain foreign currency, commodity price and interest rate risk management strategies that seek to reduce significant, unanticipated earnings fluctuations that may arise from volatility in foreign currency exchange rates, commodity prices and interest rates, principally through the use of derivative instruments.

Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature of and relationships between the hedging instruments and hedged items, as well as our risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of the forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If we deem it probable that the forecasted transaction will not occur, we recognize the gain or loss in earnings currently.

By using derivatives to hedge exposures to changes in exchange rates, commodity prices and interest rates, we have exposure on these derivatives to credit and market risk. We are exposed to credit risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. We minimize our credit risk by entering into transactions with high quality counterparties with investment grade credit ratings, limiting the amount of exposure we have with each counterparty and monitoring the financial condition of our counterparties. We also maintain a policy of requiring that all significant, non-exchange traded derivative contracts with a duration greater than one year be governed by an International Swaps and Derivatives Association master agreement. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in foreign currency exchange rates, commodity prices, or interest rates. We manage market risk by incorporating monitoring parameters within our risk management strategy that limit the types of derivative instruments and derivative strategies we use, and the degree of market risk that may be undertaken by the use of derivative instruments.

We record derivative financial instruments at fair value in our consolidated balance sheets as either current assets or current liabilities. Changes in the fair value of a derivative that is highly effective and designated as a cash flow hedge, to the extent that the hedge is effective, are recorded each period in accumulated other comprehensive earnings / (losses). Gains and losses on derivative instruments reported in accumulated other comprehensive earnings / (losses) are reclassified to the consolidated statement of earnings in the periods in which operating results are affected by the hedged item. Changes in the fair value of a derivative that is highly effective and designated as a fair value hedge, along with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded in current period earnings. Cash flows from hedging instruments are classified in the same manner as the affected hedged item in the consolidated statements of cash flows.

We also have numerous investments in our foreign subsidiaries. The net assets of these subsidiaries are exposed to volatility in foreign currency exchange rates. We use foreign-currency-denominated debt to hedge a portion of our net investment in foreign operations against adverse movements in exchange rates. We designated our euro and pound sterling denominated borrowings as a net investment hedge of a portion of our overall European operations. The gains and losses on our net investment in these designated European operations are economically offset by losses and gains on our euro and pound sterling denominated borrowings. The change in the debt’s fair value is recorded in the currency translation adjustment component of accumulated other comprehensive earnings / (losses).

Income Taxes:
We recognize tax benefits in our financial statements when our uncertain tax positions are more likely than not to be sustained upon audit. The amount we recognize is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

We recognize deferred tax assets for deductible temporary differences, operating loss carryforwards and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

Commodity Trends

We purchase large quantities of commodities, including dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. In addition, we use significant quantities of plastic, glass and cardboard to package our products, and natural gas for our factories and warehouses. We continuously monitor worldwide supply and cost trends of these commodities so we can act quickly to obtain ingredients and packaging needed for production.

Significant cost items in chocolate confectionery products are cocoa and sugar. We purchase cocoa and sugar on world markets, and the prices are affected by the quality and availability of supply and changes in the value of the pound sterling and the U.S. dollar relative to certain other currencies. Cocoa bean, cocoa butter and sugar costs on average were higher in 2010 than in 2009. We purchase our dairy raw material requirements, including milk and cheese, from independent third parties such as agricultural cooperatives and independent processors. The prices for milk and other dairy products are substantially influenced by market supply and demand, as well as by government programs. Dairy commodity costs on average were higher in 2010 than in 2009. The most significant cost item in coffee products is green coffee beans, which are purchased on world markets. Green coffee bean prices are affected by the quality and availability of supply, changes in the value of the U.S. dollar in relation to certain other currencies and consumer demand for coffee products. Green coffee bean costs on average were higher in 2010 than in 2009. Significant cost items in our biscuit and grocery products are grains (wheat, corn and soybean oil). Grain costs have experienced significant volatility as a result of burgeoning global demand for food, livestock feed and biofuels such as ethanol and biodiesel. Grain costs on average decreased from 2009 to 2010.

During 2010, our aggregate commodity costs increased primarily as a result of higher cocoa, sugar, dairy, coffee and meat costs, partially offset by lower grain costs. For 2010, our commodity costs were approximately $1.0 billion higher than 2009, following a decrease of approximately $150 million in 2009 compared to 2008. Overall, we expect commodity costs to continue to be volatile and to further increase in 2011.

Liquidity

We believe that our cash from operations, our existing $4.5 billion revolving credit facility (which supports our commercial paper program) and our authorized long-term financing will provide sufficient liquidity to meet our working capital needs, planned capital expenditures, future contractual obligations and payment of our anticipated quarterly dividends. We continue to utilize our commercial paper program and primarily uncommitted international credit lines for regular funding requirements. We also use short-term intercompany loans from foreign subsidiaries to improve financial flexibility. Overall, we do not expect any negative effects to our funding sources that would have a material effect on our liquidity.

Net Cash Provided by Operating Activities:
Operating activities provided net cash of $3.7 billion in 2010, $5.1 billion in 2009, and $4.1 billion in 2008. The decrease in operating cash flows in 2010 primarily related to estimated tax payments on the Frozen Pizza divestiture, increased inventory levels and the unfavorable impact of acquisition-related financing fees, partially offset by increased earnings.

The increase in operating cash flows in 2009 primarily related to working capital improvements over the prior year. The capital improvements were primarily due to improved inventory positions, partially offset by higher interest payments, principally due to the first annual payment on our euro notes. Additionally, higher earnings also attributed to an increase in operating cash flows. The increase in operating cash flows was partially offset by higher pension contributions, driven by total voluntary contributions of $400 million that we made to our U.S. pension plans in May and December 2009.

We anticipate making U.S. pension contributions of approximately $540 million in 2011 and non-U.S. pension contributions of approximately $400 million in 2011. We expect to fund these contributions from operations.

Net Cash Used in Investing Activities:
Net cash used in investing activities was $7.5 billion in 2010, $1.2 billion in 2009, and $1.3 billion in 2008. The increase in cash used in investing activities in 2010 primarily related to the Cadbury acquisition, partially offset by higher proceeds from divestitures. The decrease in cash used in investing activities in 2009 primarily related to a $99 million payment made to Groupe Danone S.A. in 2008 to refund excess cash received in the acquisition of *LU* Biscuit and lower capital expenditures, partially offset by lower proceeds from divestitures.

During 2010, we paid $9.8 billion in net cash for the Cadbury acquisition, and we received $3.7 billion in proceeds from the sale of the Frozen Pizza business and $0.3 billion in proceeds from the divestitures in Poland and Romania. During 2009, we divested our *Balance* bar operations in the U.S., a juice operation in Brazil and a plant in Spain and received $41 million in net proceeds. During 2008, we received $153 million in net proceeds on divestitures, primarily related to a Nordic and Baltic snacks operation and four operations in Spain, and we disbursed $56 million for transaction fees related to the split-off of the *Post* cereals business. Additionally, we paid Groupe Danone S.A. the aforementioned refund in 2008.

Capital expenditures, which were funded by operating activities, were $1.7 billion in 2010, $1.3 billion in 2009, and $1.4 billion in 2008. Cadbury accounted for approximately $440 million of the capital expenditures in 2010. The 2010 capital expenditures were primarily used to modernize manufacturing facilities and support new product and productivity initiatives. We expect 2011 capital expenditures to be approximately $1.8 billion, including capital expenditures required for systems investments and the Integration Program. We expect to fund these expenditures from operations.

Net Cash Provided by / (Used in) Financing Activities:
Net cash provided by financing activities was $4.2 billion in 2010, $3.1 billion used in 2009 and $2.1 billion used in 2008. The net cash provided by financing activities in 2010 primarily related to proceeds from our long-term debt issuance of $9.4 billion, partially offset by $2.2 billion in dividends paid, $2.1 billion in long-term debt repayments, primarily related to our repurchase of $1.5 billion in notes through our tender offer, and $864 million in net repayments of short-term borrowings. The net cash used in financing activities in 2009 primarily related to $1.7 billion in dividend payments, $950 million in repayments of long-term debt and $344 million in net commercial paper repayments. Additionally, other cash used in financing activities in 2009 included $69 million in costs related to our bridge facility agreement dated November 9, 2009 (the "Cadbury Bridge Facility"). The net cash used in financing activities in 2008 primarily related to $5.9 billion in payments made on the bridge facility used to fund our *LU* Biscuit acquisition, $1.7 billion in dividend payments, $777 million in Common Stock share repurchases and $795 million in repayments of long-term debt securities, primarily related to debt that matured on October 1, 2008, partially offset by $6.9 billion in proceeds from our long-term debt offerings.

In November 2011, $1.1 billion of our long-term debt matures. We expect to fund the repayment by re-financing all or a portion of it with long-term debt or short-term borrowings, and any remaining amounts will be funded by cash from operations.

Borrowing Arrangements:
We maintain a revolving credit facility that we have historically used for general corporate purposes, including for working capital purposes, and to support our commercial paper issuances. Our $4.5 billion three-year senior unsecured revolving credit facility expires in November 2012. No amounts have been drawn on the facility.

The revolving credit facility agreement includes a covenant that we maintain a minimum total shareholders' equity, excluding accumulated other comprehensive earnings / (losses), of at least $28.6 billion. This threshold was increased by $5.6 billion to $28.6 billion due to the equity we issued as part of our Cadbury acquisition. At December 31, 2010, our total shareholders' equity, excluding accumulated other comprehensive earnings / (losses), was $39.7 billion. We expect to continue to meet this covenant. The revolving credit agreement also contains customary representations, covenants and events of default. However, the revolving credit facility has no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security.

In addition to the above, some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. Collectively, these credit lines amounted to $2.4 billion at December 31, 2010. Borrowings on these lines amounted to $267 million at December 31, 2010 and $191 million at December 31, 2009.

Cadbury maintained a three-year, £450 million senior unsecured revolving credit facility that we terminated in 2010.

As part of our Cadbury acquisition, on November 9, 2009, we entered into the Cadbury Bridge Facility. During the first quarter of 2010, we borrowed £807 million under the Cadbury Bridge Facility, and later repaid it ($1,205 million at the time of repayment) with proceeds from the divestiture of our Frozen Pizza business. Upon repayment, the Cadbury Bridge Facility was terminated.

Long-term Debt:
Our total debt was $28.7 billion at December 31, 2010 and $19.0 billion at December 31, 2009. Our debt-to-capitalization ratio was 0.44 at December 31, 2010 and 0.42 at December 31, 2009. At December 31, 2010, the weighted-average term of our outstanding long-term debt was 9.9 years.

On December 29, 2010, we repurchased $900 million principal amount of our 5.625% notes due 2011 and $600 million principal amount of our 6.25% notes due 2012, which were validly tendered pursuant to the cash tender offers we initiated in November 2010. We paid $1,596 million aggregate consideration, including accrued and unpaid interest, for the accepted notes in December 2010.

On December 20, 2010, we repaid £77 million (approximately $119 million) of our long-term debt and on August 11, 2010, we repaid $500 million of our long-term debt. We funded these repayments with cash from operations and short-term borrowings.

On February 8, 2010, we issued $9.5 billion of senior unsecured notes at a weighted-average effective rate of 5.364% and used the net proceeds ($9,379 million) to finance the Cadbury acquisition and for general corporate purposes. The general terms of the $9.5 billion notes are:

- $3.75 billion total principal notes due February 10, 2020 at a fixed, annual interest rate of 5.375%. Interest is payable semiannually beginning August 10, 2010.
- $3.00 billion total principal notes due February 9, 2040 at a fixed, annual interest rate of 6.500%. Interest is payable semiannually beginning August 9, 2010.
- $1.75 billion total principal notes due February 9, 2016 at a fixed, annual interest rate of 4.125%. Interest is payable semiannually beginning August 9, 2010.
- $1.00 billion total principal notes due May 8, 2013 at a fixed, annual interest rate of 2.625%. Interest is payable semiannually beginning November 8, 2010.

In addition, these notes include covenants that restrict our ability to incur debt secured by liens above a certain threshold. We also must offer to purchase these notes at a price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to the date of repurchase, if both of the following occur:

(i) a “change of control” triggering event, and
(ii) a downgrade of these notes below an investment grade rating by each of Moody’s Investor Service, Inc., Standard & Poor’s Ratings Services and Fitch, Inc. within a specified period.

We expect to continue to comply with our long-term debt covenants. Refer to Note 7, *Debt and Borrowing Arrangements*, for further details of these debt offerings.

On September 3, 2009, we redeemed our November 2011, 7% $200 million debenture at par value. Upon redemption, we recorded a loss of $14 million within interest and other expense, net which represented the write-off of the remaining discount. On November 12, 2009, we repaid $750 million in notes. These repayments were primarily financed from commercial paper issuances.

The fair value of the long-term debt we acquired as part of our Cadbury acquisition was $2,437 million at February 2, 2010. The acquired debt has the following terms (including U.S. dollar par amounts):

- £77 million (approximately $123 million) total principal notes due December 20, 2010 at a fixed, annual interest rate of 4.875%.
- C$150 million (approximately $140 million) Canadian bank loan agreement expiring August 30, 2012 at a variable interest rate. The interest rate at December 31, 2010 was 1.573%.
- $1.00 billion total principal notes due October 1, 2013 at a fixed, annual interest rate of 5.125%.
- £300 million (approximately $478 million) total principal notes due December 11, 2014 at a fixed, annual interest rate of 5.375%.
- £350 million (approximately $558 million) total principal notes due July 18, 2018 at a fixed, annual interest rate of 7.250%.

From time to time we refinance long-term and short-term debt. The nature and amount of our long-term and short-term debt and the proportionate amount of each varies as a result of future business requirements, market conditions and other factors. Our Board of Directors has authorized $12.0 billion in general long-term financing authority. As a well-known seasoned issuer, we plan to file an automatic shelf registration statement on Form S-3 with the SEC shortly after this Annual Report on Form 10-K is filed with the SEC.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the guarantees and contractual obligations that are discussed below.

Guarantees:
As discussed in Note 13, *Commitments and Contingencies*, we have third-party guarantees primarily covering the long-term obligations of our vendors. As part of those transactions, we guarantee that third parties will make

contractual payments or achieve performance measures. At December 31, 2010, the carrying amount of our third-party guarantees on our consolidated balance sheet and the maximum potential payments under these guarantees was $26 million. Substantially all of these guarantees expire at various times through 2018.

In addition, at December 31, 2010, we were contingently liable for $445 million of guarantees related to our own performance. These include letters of credit related to dairy commodity purchases and guarantees related to the payment of custom duties and taxes, and other letters of credit.

Guarantees do not have, and we do not expect them to have, a material effect on our liquidity.

Aggregate Contractual Obligations:
The following table summarizes our contractual obligations at December 31, 2010.

	Payments Due				
	Total	**2011**	**2012-13**	**2014-15**	**2016 and Thereafter**
			(in millions)		
Long-term debt (1)	$ 27,937	$ 1,101	$ 7,280	$ 2,509	$ 17,047
Interest expense (2)	17,967	1,621	2,846	2,281	11,219
Capital leases (3)	57	13	18	6	20
Operating leases (4)	1,562	470	549	299	244
Purchase obligations: (5)		-	-	-	-
Inventory and production costs	7,099	5,379	1,564	133	23
Other	1,672	1,205	437	26	4
	8,771	6,584	2,001	159	27
Other long-term liabilities (6)	2,251	224	462	452	1,113
	$ 58,545	$ 10,013	$ 13,156	$ 5,706	$ 29,670

(1) Amounts represent the expected cash payments of our long-term debt and do not include unamortized bond premiums or discounts.

(2) Amounts represent the expected cash payments of our interest expense on our long-term debt. Interest calculated on our euro notes was forecasted using the euro to U.S. dollar exchange rate as of December 31, 2010. Interest on our pound sterling notes was forecasted using the pound sterling to U.S. dollar exchange rate as of December 31, 2010. An insignificant amount of interest expense was excluded from the table for a portion of our other foreign currency obligations due to the complexities involved in forecasting expected interest payments.

(3) Amounts represent the expected cash payments of our capital leases, including the expected cash payments of interest expense of approximately $12 million on our capital leases.

(4) Operating leases represent the minimum rental commitments under non-cancelable operating leases.

(5) Purchase obligations for inventory and production costs (such as raw materials, indirect materials and supplies, packaging, co-manufacturing arrangements, storage and distribution) are commitments for projected needs to be utilized in the normal course of business. Other purchase obligations include commitments for marketing, advertising, capital expenditures, information technology and professional services. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transaction. Most arrangements are cancelable without a significant penalty and with short notice (usually 30 days). Any amounts reflected on the consolidated balance sheet as accounts payable and accrued liabilities are excluded from the table above.

(6) Other long-term liabilities primarily consist of estimated future benefit payments for our postretirement health care plans through December 31, 2020 of approximately $2,220 million. We are unable to reliably estimate the timing of the payments beyond 2020; as such, they are excluded from the above table. There are also another $31 million of various other long-term liabilities that are expected to be paid over the next 5 years. In addition, the following long-term liabilities included on the consolidated balance sheet are excluded from the table above: accrued pension costs, income taxes, insurance accruals and other accruals. We are unable to reliably estimate the timing of the payments (or contributions beyond 2011, in the case of accrued pension costs) for these items. We currently expect to make approximately $940 million in contributions to our pension plans in 2011. We also expect that our net pension cost will remain unchanged at approximately $530 million in 2011. As of December 31, 2010, our total liability for income taxes, including uncertain tax positions and associated accrued interest and penalties, was $1.3 billion. We expect to pay approximately $180 million in the next 12 months. While years 2004-2006 are currently under examination by the IRS, we are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of these and other tax audit outcomes.

Equity and Dividends

Stock Repurchases:
Our Board of Directors had authorized a $5.0 billion share repurchase program that expired on March 30, 2009. We did not repurchase any shares in 2010 or 2009.

Share Repurchase Program Authorized by the Board of Directors	$5.0 billion
Authorized / completed period for repurchase	April 2007 - March 2009
Aggregate cost of shares repurchased in 2008 (millions of shares)	$777 million (25.3 shares)
Aggregate cost of shares repurchased life-to-date under program (millions of shares)	$4.3 billion (130.9 shares)

In total, we repurchased 25.3 million shares for $777 million in 2008 under these programs. We made these repurchases of our Common Stock in open market transactions.

Stock Plans:
In January 2010, we granted 1.7 million shares of stock in connection with our long-term incentive plan, and the market value per share was $27.33 on the date of grant. In February 2010, as part of our annual equity program, we issued 2.5 million shares of restricted and deferred stock to eligible employees, and the market value per restricted or deferred share was $29.15 on the date of grant. Also, as a part of our annual equity program, we granted 15.0 million stock options to eligible employees at an exercise price of $29.15.

During 2010, we granted an additional 0.6 million shares of stock in connection with our long-term incentive plan and the market value per share was $29.15 on the date of grant. We also issued 1.0 million off-cycle shares of restricted and deferred stock at a weighted-average market value per restricted or deferred share of $29.57 on the date of grant, including shares issued to Cadbury employees under our annual equity program. Additionally, we issued 3.1 million off-cycle shares of stock options at a weighted-average exercise price of $29.73 on the date of the grant, including options issued to Cadbury employees under our annual equity program.

At December 31, 2010, the number of shares to be issued upon exercise of outstanding stock options, vesting of non-U.S. deferred shares and vesting of long-term incentive plan shares was 62.2 million or 3.6% of total shares outstanding.

In January 2009, we granted 1.5 million shares of stock in connection with our long-term incentive plan. The market value per share was $27.00 on the date of grant. In February 2009, as part of our annual equity program, we issued 4.1 million shares of restricted and deferred stock to eligible employees. The market value per restricted or deferred share was $23.64 on the date of grant. Also, as part of our annual equity program, we granted 16.3 million stock options to eligible employees at an exercise price of $23.64.

We also issued 0.2 million off-cycle shares of restricted and deferred stock during 2009. The weighted-average market value per restricted or deferred share was $25.55 on the date of grant. In aggregate, we issued 5.8 million restricted and deferred shares during 2009.

In January 2008, we granted 1.4 million shares of stock in connection with our long-term incentive plan. The market value per share was $32.26 on the date of grant. In February 2008, as part of our annual equity program, we issued 3.4 million shares of restricted and deferred stock to eligible employees. The market value per restricted or deferred share was $29.49 on the date of grant. Also, as part of our annual equity program, we granted 13.5 million stock options to eligible employees at an exercise price of $29.49.

In addition, we issued 0.2 million off-cycle shares of restricted and deferred stock during 2008. The weighted-average market value per restricted or deferred share was $30.38 on the date of grant. In aggregate, we issued 5.0 million restricted and deferred shares during 2008. We also granted 0.1 million off-cycle stock options during 2008 at an exercise price of $30.78. In aggregate, we granted 13.6 million stock options during 2008.

Dividends:
We paid dividends of $2,175 million in 2010, $1,712 million in 2009, and $1,663 million in 2008. The increase of 27.0% in 2010 reflects an increase in shares outstanding due to the Cadbury acquisition and the $224 million payment of a ten pence per share dividend that Cadbury declared and accrued on the Cadbury shares that were outstanding at the time of the acquisition. The 2.9% increase in 2009 reflects a higher dividend rate, partially offset by fewer shares outstanding resulting from the split-off of the *Post* cereals business and share repurchases. The present annualized dividend rate is $1.16 per common share. The declaration of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors that our Board of Directors deems relevant to its analysis and decision making.

<u>2011 Outlook</u>

Our outlook for 2011 reflects confidence in continuing our strong business momentum in a challenging environment of weak consumer and category growth as well as significant input cost inflation.

The company expects to deliver organic net revenue growth of at least 5 percent, or approximately 4 percent excluding the impact of accounting calendar changes, and Operating EPS growth of 11 to 13 percent.

<u>New Accounting Guidance</u>

See Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements for a discussion of new accounting standards.

<u>Contingencies</u>

See Note 13, *Commitments and Contingencies*, to the consolidated financial statements.

<u>Non-GAAP Financial Measures</u>

We use the non-U.S. GAAP financial measure "organic net revenues" and corresponding growth ratios. The difference between "organic net revenues" and "net revenues," which is the most comparable U.S. GAAP financial measure, is that organic net revenues excludes the impact of acquisitions, divestitures and currency. Management uses organic net revenues to budget, make operating and strategic decisions and evaluate our performance. We have disclosed this measure so that you have the same financial data that management uses with the intention of assisting you in making comparisons to our historical operating results and analyzing our underlying performance. Our management believes that organic net revenues better reflect the underlying growth from the ongoing activities of our business and provide improved comparability of results because they exclude the impact of fluctuations in foreign currency exchange rates, which are not under our control, and also exclude the one-time impacts of acquisitions and divestitures on net revenues. The limitation of this measure is that it excludes items that have an impact on net revenues. The best way that this limitation can be addressed is by using organic net revenues in combination with our U.S. GAAP reported net revenues. Our management believes that the presentation of this non-U.S. GAAP financial measure, when considered together with our U.S. GAAP financial measures and the reconciliations to the corresponding U.S. GAAP financial measures, provides you with a more complete understanding of the factors and trends affecting Kraft Foods than could be obtained absent these disclosures. Because organic net revenues calculations may vary among other companies, the organic net revenues figures presented in the Consolidated Results of Operations section may not be comparable to similarly titled measures used by other companies. Our use of organic net revenues is not meant to be considered in isolation or as a substitute for any U.S. GAAP financial measure. You should carefully evaluate the following tables reconciling U.S. GAAP reported net revenues to organic net revenues.

	2010	2009	$ Change	% Change
	(in millions; 2009 revised)			
Organic net revenues	**$ 40,075**	**$ 38,645**	**$ 1,430**	**3.7%**
Impact of divestitures	21	109	(88)	(0.3)pp
Impact of acquisitions	9,143	-	9,143	23.7pp
Impact of integration	(1)	-	(1)	-
Impact of foreign currency	(31)	-	(31)	(0.1)pp
Reported net revenues	**$ 49,207**	**$ 38,754**	**$ 10,453**	**27.0%**

	2009	2008	$ Change	% Change
	(in millions; as revised)			
Organic net revenues	**$ 40,565**	**$ 40,137**	**$ 428**	**1.1%**
Impact of divestitures	73	355	(282)	(0.7)pp
Impact of acquisitions	-	-	-	-
Impact of foreign currency	(1,884)	-	(1,884)	(4.7)pp
Reported net revenues	**$ 38,754**	**$ 40,492**	**$ (1,738)**	**(4.3)%**

We use the non-U.S. GAAP financial measure "Operating EPS" and corresponding growth ratios. The difference between "Operating EPS" and "diluted EPS attributable to Kraft Foods from continuing operations," which is the most comparable U.S. GAAP financial measure, is that Operating EPS excludes costs related to: the Integration Program; acquisition-related costs, including transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation; acquisition-related financing fees, including hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury Bridge Facility; and the impact of a deferred tax charge resulting from the recently enacted U.S. health care legislation. Management uses Operating EPS to budget, make operating and strategic decisions and evaluate our performance on a go-forward basis, and our management believes it provides improved comparability of results because it excludes certain impacts related to the Cadbury acquisition and other one-time impacts from earnings per share. The limitation of this measure is that it excludes items that have an impact on diluted EPS attributable to Kraft Foods from continuing operations. The best way that this limitation can be addressed is by using Operating EPS in combination with our U.S. GAAP reported diluted EPS attributable to Kraft Foods from continuing operations. Our management believes that the presentation of this non-U.S. GAAP financial measure, when considered together with our U.S. GAAP financial measures and the reconciliations to the corresponding U.S. GAAP financial measures, provides you with a more complete understanding of the factors and trends affecting Kraft Foods than could be obtained absent these disclosures. Because Operating EPS calculations may vary among other companies, the Operating EPS figures presented in the Consolidated Results of Operations section may not be comparable to similarly titled measures used by other companies. Our use of Operating EPS is not meant to be considered in isolation or as a substitute for any U.S. GAAP financial measure. You should carefully evaluate the following tables reconciling U.S. GAAP reported diluted EPS attributable to Kraft Foods from continuing operations to Operating EPS.

	For the Year Ended December 31, 2010				
	As Reported (GAAP)	Integration Program Costs (1)	Acquisition-Related Costs (2) and Financing Fees (3)	U.S. Healthcare Legislation Impact on Deferred Taxes	Operating EPS (Non-GAAP)
Diluted earnings per share attributable to Kraft Foods:					
Continuing operations	**$ 1.44**	$ 0.29	$ 0.21	$ 0.08	**$ 2.02**
Discontinued operations	**0.95**				
Net earnings attributable to Kraft Foods	**$ 2.39**				

	For the Year Ended December 31, 2009				
	As Reported (GAAP)(4)	Integration Program Costs (1)	Acquisition-Related Costs (2) and Financing Fees (3)	U.S. Healthcare Legislation Impact on Deferred Taxes	Operating EPS (Non-GAAP)
Diluted earnings per share attributable to Kraft Foods:					
Continuing operations	**$ 1.89**	$ -	$ 0.04	$ -	**$ 1.93**
Discontinued operations	**0.14**				
Net earnings attributable to Kraft Foods	**$ 2.03**				

(1) Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.
(2) Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.
(3) Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury Bridge Facility.
(4) As revised to reflect Frozen Pizza as a discontinued operation.

In addition, we use the non-U.S. GAAP financial measure “free cash flow.” The difference between “free cash flow” and “net cash provided by operating activities,” which is the most comparable U.S. GAAP financial measure, is that free cash flow reflects the impact of capital expenditures. The limitation of this measure is that it includes items that do not have an impact on our cash flow provided by operating activities. The best way that this limitation can be addressed is by using free cash flow in combination with our U.S. GAAP reported net cash provided by operating activities.

Free cash flow is an internal, supplemental measure of our performance. Our management uses free cash flow as the primary cash flow metric in the budgeting and forecasting processes, as it represents the controllable cash flows from operations. We believe free cash flow shows the financial health of, and how efficiently we are running, the company. We further believe that this non-U.S. GAAP measure provides information useful to both management and investors in gaining an overall understanding of our current financial performance, and that it provides investors with financial information that most closely aligns to our internal measurement processes.

This non-U.S. GAAP measure should not be considered in isolation or as an alternative to cash flows generated by operating, investing or financing activities as a measure of our liquidity. Because free cash flow is not a measurement determined in accordance with U.S. GAAP, and is thus susceptible to varying calculations, free cash flow may not be comparable to other similarly titled measures of other companies.

The table below reconciles reported net cash provided by operating activities to free cash flow for the periods stated.

	2010	2009 (in millions)	2008
Net Cash Provided by Operating Activities	**$ 3,748**	**$ 5,084**	**$ 4,141**
Capital Expenditures	(1,661)	(1,330)	(1,367)
Free cash flow	**$ 2,087**	**$ 3,754**	**$ 2,774**

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

As we operate globally, we use certain financial instruments to manage our foreign currency exchange rate, commodity price and interest rate risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We maintain foreign currency, commodity price and interest rate risk management policies that principally use derivative instruments to reduce significant, unanticipated earnings fluctuations that may arise from volatility in foreign currency exchange rates, commodity prices and interest rates. We also sell commodity futures to unprice future purchase commitments, and we occasionally use related futures to cross-hedge a commodity exposure. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes. Refer to Note 1, *Summary of Significant Accounting Policies,* and Note 12, *Financial Instruments*, to the consolidated financial statements for further details of our foreign currency, commodity price and interest rate risk management policies and the types of derivative instruments we use to hedge those exposures.

Value at Risk:
We use a value at risk (“VAR”) computation to estimate: 1) the potential one-day loss in the fair value of our interest rate-sensitive financial instruments; and 2) the potential one-day loss in pre-tax earnings of our foreign currency and commodity price-sensitive derivative financial instruments. We included our debt; foreign currency forwards and futures, swaps and options; and commodity futures, forwards and options in our VAR computation. Anticipated transactions, foreign currency trade payables and receivables, and net investments in foreign subsidiaries, which the abovementioned instruments are intended to hedge, were excluded from the computation.

We made the VAR estimates assuming normal market conditions, using a 95% confidence interval. We used a “variance / co-variance” model to determine the observed interrelationships between movements in interest rates and various currencies. These interrelationships were determined by observing interest rate and forward currency rate movements over the prior quarter for the calculation of VAR amounts at December 31, 2010 and 2009, and over each of the four prior quarters for the calculation of average VAR amounts during each year. The values of foreign currency and commodity options do not change on a one-to-one basis with the underlying currency or commodity, and were valued accordingly in the VAR computation.

As of December 31, 2010, the estimated potential one-day loss in fair value of our interest rate-sensitive instruments, primarily debt, under normal market conditions and the estimated potential one-day loss in pre-tax earnings from our foreign currency and commodity instruments under normal market conditions, as calculated in the VAR model, were (in millions):

	Pre-Tax Earnings Impact				Fair Value Impact			
	At 12/31/10	Average	High	Low	At 12/31/10	Average	High	Low
Instruments sensitive to:								
Interest rates					$ 237	$ 176	$ 237	$ 97
Foreign currency rates	$ 13	$ 8	$ 13	$ 4				
Commodity prices	34	22	34	9				

	Pre-Tax Earnings Impact				Fair Value Impact			
	At 12/31/09	Average	High	Low	At 12/31/09	Average	High	Low
Instruments sensitive to:								
Interest rates					$ 123	$ 175	$ 239	$ 114
Foreign currency rates	$ 8	$ 11	$ 15	$ 8				
Commodity prices	31	30	36	24				

This VAR computation is a risk analysis tool designed to statistically estimate the maximum probable daily loss from adverse movements in interest rates, foreign currency rates and commodity prices under normal market conditions. The computation does not represent actual losses in fair value or earnings to be incurred by Kraft Foods, nor does it consider the effect of favorable changes in market rates. We cannot predict actual future movements in such market rates and do not present these VAR results to be indicative of future movements in such market rates or to be representative of any actual impact that future changes in market rates may have on our future financial results.

Item 8. Financial Statements and Supplementary Data.

Kraft Foods Inc. and Subsidiaries
Consolidated Statements of Earnings
for the years ended December 31,
(in millions of dollars, except per share data)

	2010	2009	2008
Net revenues	$ 49,207	$ 38,754	$ 40,492
Cost of sales	31,305	24,819	27,164
Gross profit	17,902	13,935	13,328
Selling, general and administrative expenses	12,001	8,784	8,613
Asset impairment and exit costs	18	(64)	1,024
Losses on divestitures, net	6	6	92
Amortization of intangibles	211	26	23
Operating income	5,666	5,183	3,576
Interest and other expense, net	2,024	1,237	1,240
Earnings from continuing operations before income taxes	3,642	3,946	2,336
Provision for income taxes	1,147	1,136	658
Earnings from continuing operations	2,495	2,810	1,678
Earnings and gain from discontinued operations, net of income taxes	1,644	218	1,215
Net earnings	4,139	3,028	2,893
Noncontrolling interest	25	7	9
Net earnings attributable to Kraft Foods	$ 4,114	$ 3,021	$ 2,884
Per share data:			
Basic earnings per share attributable to Kraft Foods:			
Continuing operations	$ 1.44	$ 1.90	$ 1.11
Discontinued operations	0.96	0.14	0.81
Net earnings attributable to Kraft Foods	$ 2.40	$ 2.04	$ 1.92
Diluted earnings per share attributable to Kraft Foods:			
Continuing operations	$ 1.44	$ 1.89	$ 1.10
Discontinued operations	0.95	0.14	0.80
Net earnings attributable to Kraft Foods	$ 2.39	$ 2.03	$ 1.90
Dividends declared	$ 1.16	$ 1.16	$ 1.12

See notes to consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Consolidated Balance Sheets, at December 31,
(in millions of dollars)

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,481	$ 2,101
Receivables (net of allowances of $246 in 2010 and $121 in 2009)	6,539	5,197
Inventories, net	5,310	3,775
Deferred income taxes	898	730
Other current assets	993	651
Total current assets	16,221	12,454
Property, plant and equipment, net	13,792	10,693
Goodwill	37,856	28,764
Intangible assets, net	25,963	13,429
Prepaid pension assets	86	115
Other assets	1,371	1,259
TOTAL ASSETS	$ 95,289	$ 66,714
LIABILITIES		
Short-term borrowings	$ 750	$ 453
Current portion of long-term debt	1,115	513
Accounts payable	5,409	3,766
Accrued marketing	2,515	2,181
Accrued employment costs	1,292	1,175
Other current liabilities	4,579	3,403
Total current liabilities	15,660	11,491
Long-term debt	26,859	18,024
Deferred income taxes	7,984	4,508
Accrued pension costs	2,382	1,765
Accrued postretirement health care costs	3,046	2,816
Other liabilities	3,416	2,138
TOTAL LIABILITIES	59,347	40,742
Contingencies (Note 13)		
EQUITY		
Common Stock, no par value (1,996,537,778 shares issued in 2010 and 1,735,000,000 shares issued in 2009)	-	-
Additional paid-in capital	31,231	23,611
Retained earnings	16,619	14,636
Accumulated other comprehensive losses	(3,890)	(3,955)
Treasury stock, at cost	(8,126)	(8,416)
Total Kraft Foods Shareholders’ Equity	35,834	25,876
Noncontrolling interest	108	96
TOTAL EQUITY	35,942	25,972
TOTAL LIABILITIES AND EQUITY	$ 95,289	$ 66,714

See notes to consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Consolidated Statements of Equity
(in millions of dollars, except per share data)

	Kraft Foods Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings/ (Losses)	Treasury Stock	Noncontrolling Interest	Total Equity
Balances at January 1, 2008	$ -	$ 23,445	$ 12,321	$ (1,835)	$ (6,524)	$ 38	$ 27,445
Comprehensive earnings / (losses):							
Net earnings	-	-	2,884	-	-	9	2,893
Other comprehensive losses, net of income taxes	-	-	-	(4,159)	-	(9)	(4,168)
Total comprehensive losses						-	(1,275)
Adoption of new benefit plan guidance	-	-	(8)	-	-	-	(8)
Exercise of stock options and issuance of other stock awards	-	118	(81)	-	231	-	268
Cash dividends declared ($1.12 per share)	-	-	(1,676)	-	-	-	(1,676)
Acquisitions of noncontrolling interest and other activities	-	-	-	-	-	23	23
Common Stock repurchased	-	-	-	-	(777)	-	(777)
Common Stock tendered	-	-	-	-	(1,644)	-	(1,644)
Balances at December 31, 2008	$ -	$ 23,563	$ 13,440	$ (5,994)	$ (8,714)	$ 61	$ 22,356
Comprehensive earnings:							
Net earnings	-	-	3,021	-	-	7	3,028
Other comprehensive earnings, net of income taxes	-	-	-	2,039	-	34	2,073
Total comprehensive earnings						41	5,101
Exercise of stock options and issuance of other stock awards	-	49	(110)	-	298	-	237
Cash dividends declared ($1.16 per share)	-	-	(1,715)	-	-	-	(1,715)
Dividends paid on noncontrolling interest and other activities	-	(1)	-	-	-	(6)	(7)
Balances at December 31, 2009	$ -	$ 23,611	$ 14,636	$ (3,955)	$ (8,416)	$ 96	$ 25,972
Comprehensive earnings / (losses):							
Net earnings	-	-	4,114	-	-	25	4,139
Other comprehensive earnings, net of income taxes	-	-	-	65	-	(19)	46
Total comprehensive earnings	-	-				6	4,185
Exercise of stock options and issuance of other stock awards	-	153	(106)	-	290	-	337
Cash dividends declared ($1.16 per share)	-	-	(2,025)	-	-	-	(2,025)
Net impact of noncontrolling interests from Cadbury acquisition	-	38	-	-	-	33	71
Purchase from noncontrolling interest, dividends paid and other activities	-	(28)	-	-	-	(27)	(55)
Issuance of Common Stock	-	7,457	-	-	-	-	7,457
Balances at December 31, 2010	$ -	$ 31,231	$ 16,619	$ (3,890)	$ (8,126)	$ 108	$ 35,942

See notes to consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31,
(in millions of dollars)

	2010	2009	2008
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES			
Net earnings	$ 4,139	$ 3,028	$ 2,893
Adjustments to reconcile net earnings to operating cash flows:			
Depreciation and amortization	1,440	931	986
Stock-based compensation expense	174	164	178
Deferred income tax provision / (benefit)	251	38	(208)
Losses on divestitures, net	6	6	92
Gains on discontinued operations	(1,596)	-	(926)
Asset impairment and exit costs, net of cash paid	55	17	731
Other non-cash expense, net	329	269	87
Change in assets and liabilities, excluding the effects of acquisitions and divestitures:			
Receivables, net	(165)	(17)	(39)
Inventories, net	(359)	299	(151)
Accounts payable	83	126	29
Other current assets	42	351	(535)
Other current liabilities	(776)	111	985
Change in pension and postretirement assets and liabilities, net	125	(239)	19
Net cash provided by operating activities	3,748	5,084	4,141
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(1,661)	(1,330)	(1,367)
Acquisitions, net of cash received	(9,848)	-	(99)
Proceeds from divestitures, net of disbursements	4,039	41	97
Other	8	50	49
Net cash used in investing activities	(7,462)	(1,239)	(1,320)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES			
Net repayments of short-term borrowings	(864)	(446)	(5,912)
Long-term debt proceeds	9,433	3	7,018
Long-term debt repaid	(2,134)	(968)	(795)
Repurchase of Common Stock	-	-	(777)
Dividends paid	(2,175)	(1,712)	(1,663)
Other	(72)	(10)	72
Net cash provided by / (used in) financing activities	4,188	(3,133)	(2,057)
Effect of exchange rate changes on cash and cash equivalents	(94)	145	(87)
Cash and cash equivalents:			
Increase	380	857	677
Balance at beginning of period	2,101	1,244	567
Balance at end of period	$ 2,481	$ 2,101	$ 1,244
Cash paid:			
Interest	$ 1,593	$ 1,308	$ 968
Income taxes	$ 2,232	$ 1,025	$ 964

See notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies:

Nature of Operations and Basis of Presentation:
Kraft Foods Inc. was incorporated in 2000 in the Commonwealth of Virginia. Kraft Foods Inc., through its subsidiaries (collectively “Kraft Foods,” “we,” “us” and “our”), sells packaged food and beverage products to consumers in approximately 170 countries.

Principles of Consolidation:
The consolidated financial statements include Kraft Foods, as well as our wholly owned and majority owned subsidiaries. Our domestic operating subsidiaries report results as of the last Saturday of the year, and our international operating subsidiaries generally report results two weeks prior to the last Saturday of the year. The results of operations of the newly acquired Cadbury Limited (formerly, Cadbury plc) (“Cadbury”) are reported on the last day of the calendar month.

In 2010, we changed the consolidation date for certain European biscuits operations, which are included within our Kraft Foods Europe segment, and certain operations in Asia Pacific and Latin America, which are included within our Kraft Foods Developing Markets segment. Previously, these operations primarily reported period-end results one month or two weeks prior to the end of the period. Now our Kraft Foods Europe segment primarily reports period-end results two weeks prior to the last Saturday of the period, and certain of our operations in Asia Pacific and Latin America report results through the last day of the period. We believe the change is preferable and will improve financial reporting by better matching the close dates of the operating subsidiaries within our Kraft Foods Europe segment and those operations with Asia Pacific and Latin America with our consolidated reporting. This change resulted in a favorable impact to net revenues of approximately $200 million and an insignificant impact on operating income and net income in 2010. As the impacts to prior period results were not material to our financial results, we have not revised the prior period results for this change. Our domestic operating subsidiaries will continue to report period-end results as of the Saturday closest to the end of each period, and our international operating subsidiaries will continue to report period-end results two weeks prior to the Saturday closest to the end of each period.

We account for investments in which we exercise significant influence (20%-50% ownership interest) under the equity method of accounting. We use the cost method of accounting for investments in which we have an ownership interest of less than 20% and in which we do not exercise significant influence. Noncontrolling interest in subsidiaries consists of the equity interest of noncontrolling investors in consolidated subsidiaries of Kraft Foods. All intercompany transactions are eliminated.

Use of Estimates:
We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require us to make estimates and assumptions that affect a number of amounts in our financial statements. Significant accounting policy elections, estimates and assumptions include, among others, pension and benefit plan assumptions, lives and valuation assumptions of goodwill and intangible assets, marketing programs and income taxes. We base our estimates on historical experience and other assumptions that we believe are reasonable. If actual amounts differ from estimates, we include the revisions in our consolidated results of operations in the period the actual amounts become known. Historically, the aggregate differences, if any, between our estimates and actual amounts in any year have not had a significant impact on our consolidated financial statements.

Foreign Currencies:
We translate the results of operations of our foreign subsidiaries using average exchange rates during each period, whereas balance sheet accounts are translated using exchange rates at the end of each period. We record currency translation adjustments as a component of equity. Transaction gains and losses are recorded in earnings and were not significant for any of the periods presented.

Highly Inflationary Accounting:
In the fourth quarter of 2009, the Venezuelan economy was classified as highly inflationary under U.S. GAAP. Effective January 1, 2010, we began accounting for our Venezuelan subsidiaries under highly inflationary accounting

rules, which principally means all transactions are recorded in U.S. dollars. On January 8, 2010, the Venezuelan government devalued its currency and established a preferential exchange rate for imports of food, medicine and other essential items. Accordingly, we were required to revalue our net assets in Venezuela. In July 2010, the Venezuelan government eliminated the secondary (or parallel) market exchange rate and replaced it with the government-regulated Transaction System for Foreign Currency Denominate Securities (“SITME”) rate. Accordingly, we were required to revalue those of our net assets in Venezuela that we maintained at the parallel rate. Then on December 30, 2010, the Venezuelan government eliminated the preferential exchange rate. Although the elimination of the preferential exchange rate did not immediately cause us to revalue our net assets in Venezuela, it will have further impacts to our operating results in future periods. Venezuela now has two exchange rates: the official rate and the SITME rate. We used both the official rate and the SITME rate to translate our Venezuelan operations into U.S. dollars, based on the nature of the operations of each individual subsidiary.

During 2010, we recorded approximately $115 million of unfavorable foreign currency impacts relating to highly inflationary accounting in Venezuela. This included a one-time impact to translate cash of $34 million that we previously carried at the secondary rate. Upon the change to highly inflationary accounting in January, we were required to translate those U.S. dollars on hand using the official rate.

Cash and Cash Equivalents:
Cash equivalents include demand deposits with banks and all highly liquid investments with original maturities of three months or less.

Inventories:
Inventories are stated at the lower of cost or market. We value all our inventories using the average cost method. We also record inventory allowances for overstocked and obsolete inventories due to ingredient and packaging changes.

Long-Lived Assets:
Property, plant and equipment are stated at historical cost and depreciated by the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over periods ranging from 3 to 20 years and buildings and building improvements over periods up to 40 years.

We review long-lived assets, including amortizable intangible assets, for impairment when conditions exist that indicate the carrying amount of the assets may not be fully recoverable. We perform undiscounted operating cash flow analyses to determine if an impairment exists. When testing for impairment of assets held for use, we group assets and liabilities at the lowest level for which cash flows are separately identifiable. If an impairment is determined to exist, the loss is calculated based on estimated fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

Software Costs:
We capitalize certain computer software and software development costs incurred in connection with developing or obtaining computer software for internal use. Capitalized software costs are included in property, plant and equipment and amortized on a straight-line basis over the estimated useful lives of the software, which do not exceed seven years.

Goodwill and Intangible Assets:
We test goodwill and non-amortizable intangible assets at least annually for impairment. We have recognized goodwill in our reporting units, which are generally one level below our operating segments. We use a two step process to test goodwill at the reporting unit level. The first step involves a comparison of the estimated fair value of each reporting unit with its carrying value. Fair value is estimated using discounted cash flows of the reporting unit based on planned growth rates, and estimates of discount rates and residual values. If the carrying value exceeds the fair value, we must proceed with the second step of the process. The second step measures the difference between the carrying value and implied fair value of goodwill. To test non-amortizable intangible assets for impairment, we compare the fair value of the intangible asset with its carrying value. Fair value of non-amortizable intangible assets is determined using our planned growth rates, and estimates of discount rates and royalty rates. If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value. Definite-lived intangible assets are amortized over their estimated useful lives.

We perform our annual impairment review of goodwill and non-amortizable intangible assets as of October 1 each year. The basis of our valuation methodology for estimating the fair value of our 21 reporting units is a 20-year projection of discounted cash flows that is based on our annual strategic planning process. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, industry and economic conditions. For reporting units within our Kraft Foods North America and Kraft Foods Europe geographic units, we used a market-participant, weighted-average cost of capital of 7.5% to discount the projected cash flows of those operations. For reporting units within our Kraft Foods Developing Markets geographic unit, we used a risk-rated discount rate of 10.5%.

Insurance and Self-Insurance:
We use a combination of insurance and self-insurance for a number of risks, including workers' compensation, general liability, automobile liability, product liability and our obligation for employee healthcare benefits. Liabilities associated with the risks are estimated by considering historical claims experience and other actuarial assumptions.

Revenue Recognition:
We recognize revenues when title and risk of loss pass to customers, which generally occurs upon shipment or delivery of goods. Revenues are recorded net of consumer incentives and trade promotions and include all shipping and handling charges billed to customers. Kraft Foods' shipping and handling costs are classified as part of cost of sales. A provision for product returns and allowances for bad debts are also recorded as reductions to revenues within the same period that the revenue is recognized.

Selling, general and administrative expenses:
Marketing - We promote our products with advertising, consumer incentives and trade promotions. These programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. We expense advertising costs either in the period the advertising first takes place or as incurred. Consumer incentive and trade promotion activities are recorded as a reduction to revenues based on amounts estimated as being due to customers and consumers at the end of a period. We base these estimates principally on historical utilization and redemption rates. For interim reporting purposes, advertising and consumer incentive expenses are charged to operations as a percentage of volume, based on estimated volume and related expense for the full year. We do not defer costs on our year-end consolidated balance sheet and all marketing costs are recorded as an expense in the year incurred. Advertising expense was $2,269 million in 2010, $1,581 million in 2009, and $1,598 million in 2008.

Research - We expense costs as incurred for product research and development. Research and development expense was $583 million in 2010, $466 million in 2009, and $487 million in 2008.

Environmental Costs:
We are subject to laws and regulations relating to the protection of the environment. We accrue for environmental remediation obligations on an undiscounted basis when amounts are probable and can be reasonably estimated. The accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from third parties are recorded as assets when recovery of those costs is deemed probable. At December 31, 2010, our subsidiaries were involved in 74 active actions in the U.S. under Superfund legislation (and other similar actions and legislation) related to current operations and certain former or divested operations for which we retain liability.

Outside the U.S., we are subject to applicable multi-national, national and local environmental laws and regulations in the countries in which we do business. Outside the U.S., we have specific programs across our business units designed to meet applicable environmental compliance requirements.

As of December 31, 2010, we had accrued an insignificant amount for environmental remediation. Based on information currently available, we believe that the ultimate resolution of existing environmental remediation actions and our compliance in general with environmental laws and regulations will not have a material effect on our financial results. However, we cannot quantify with certainty the potential impact of future compliance efforts and environmental remediation actions.

Employee Benefit Plans:
We provide a range of benefits to our employees and retired employees. These include pension benefits, postretirement health care benefits and postemployment benefits, consisting primarily of severance. We provide

pension coverage for certain employees of our non-U.S. subsidiaries through separate plans. Local statutory requirements govern many of these plans. For salaried and non-union hourly employees hired in the U.S. after January 1, 2009, we discontinued benefits under our U.S. pension plans, and we replaced them with an enhanced company contribution to our employee savings plan. Additionally, we will be freezing the U.S. pension plans for current salaried and non-union hourly employees effective December 31, 2019. Pension accruals for all salaried and non-union employees who are currently earning pension benefits will end on December 31, 2019, and continuing pay and service will be used to calculate the pension benefits through December 31, 2019. Our projected benefit obligation decreased $168 million in 2009, and we incurred a $5 million curtailment charge in 2009 related to the freeze. Our U.S., Canadian, and United Kingdom subsidiaries provide health care and other benefits to most retired employees. Local government plans generally cover health care benefits for retirees outside the U.S., Canada, and United Kingdom. Our postemployment benefit plans cover most salaried and certain hourly employees. The cost of these plans is charged to expense over the working life of the covered employees.

In September 2006, new guidance was issued surrounding employers' accounting for defined benefit pension and other postretirement plans. The new guidance required us to measure plan assets and benefit obligations as of the balance sheet date beginning in 2008. We previously measured our non-U.S. pension plans (other than certain Canadian and French pension plans) at September 30 of each year. On December 31, 2008, we recorded an after-tax decrease of $8 million to retained earnings using the 15-month approach to proportionally allocate the transition adjustment required upon adoption of the measurement provision of the new guidance.

Financial Instruments:
As we operate globally, we use certain financial instruments to manage our foreign currency exchange rate, commodity price and interest rate risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We maintain foreign currency, commodity price and interest rate risk management strategies that seek to reduce significant, unanticipated earnings fluctuations that may arise from volatility in foreign currency exchange rates, commodity prices and interest rates, principally through the use of derivative instruments.

Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. We formally document the nature of and relationships between the hedging instruments and hedged items, as well as our risk management objectives, strategies for undertaking the various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of the forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If we deem it probable that the forecasted transaction will not occur, we recognize the gain or loss in earnings currently.

By using derivatives to hedge exposures to changes in exchange rates, commodity prices and interest rates, we have exposure on these derivatives to credit and market risk. We are exposed to credit risk that the counterparty might fail to fulfill its performance obligations under the terms of the derivative contract. We minimize our credit risk by entering into transactions with high quality counterparties with investment grade credit ratings, limiting the amount of exposure we have with each counterparty and monitoring the financial condition of our counterparties. We also maintain a policy of requiring that all significant, non-exchange traded derivative contracts with a duration greater than one year be governed by an International Swaps and Derivatives Association master agreement. Market risk is the risk that the value of the financial instrument might be adversely affected by a change in foreign currency exchange rates, commodity prices or interest rates. We manage market risk by incorporating monitoring parameters within our risk management strategy that limit the types of derivative instruments and derivative strategies we use, and the degree of market risk that may be undertaken by the use of derivative instruments.

We record derivative financial instruments at fair value in our consolidated balance sheets as either current assets or current liabilities. Cash flows from hedging instruments are classified in the same manner as the affected hedged item in the consolidated statement of cash flows.

Commodity cash flow hedges - We are exposed to price risk related to forecasted purchases of certain commodities that we primarily use as raw materials. Accordingly, we use commodity forward contracts as cash flow hedges, primarily for meat, coffee, dairy, sugar, cocoa and wheat. Commodity forward contracts generally qualify for the normal purchase exception under guidance for derivative instruments and hedging activities, and therefore are not subject to its provisions. We use commodity futures and options to hedge the price of certain input costs, including dairy, coffee, cocoa, wheat, corn products, soybean oils, meat products, sugar, natural gas and heating oil. Some of these derivative instruments are highly effective and qualify for hedge accounting treatment. We also sell commodity futures to unprice future purchase commitments, and we occasionally use related futures to cross-hedge a commodity exposure. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes.

For those derivative instruments that are highly effective and qualify for hedge accounting treatment, we defer the effective portion of unrealized gains and losses on commodity futures and option contracts as a component of accumulated other comprehensive earnings / (losses). We recognize the deferred portion as a component of cost of sales when the related inventory is sold. Ineffectiveness is directly recorded as a component of cost of sales. For the derivative instruments that we consider economic hedges but do not designate for hedge accounting treatment, we recognize gains and losses directly as a component of cost of sales.

Foreign currency cash flow hedges - We use various financial instruments to mitigate our exposure to changes in exchange rates from third-party and intercompany actual and forecasted transactions. These instruments include forward foreign exchange contracts, foreign currency swaps and foreign currency options. Based on the size and location of our businesses, we use these instruments to hedge our exposure to certain currencies, including the euro, Swiss franc, pound sterling and Canadian dollar.

For those derivative instruments that are highly effective and qualify for hedge accounting treatment, we defer the effective portion of unrealized gains and losses associated with forward, swap and option contracts as a component of accumulated other comprehensive earnings / (losses) until the underlying hedged transactions are reported in earnings. We recognize the deferred portion as a component of cost of sales when the related inventory is sold or as interest and other expense, net for our hedges of intercompany loans, when the payments are made. For those derivative instruments that we consider economic hedges but do not designate for hedge accounting treatment, we recognize gains and losses directly as a component of cost of sales or interest and other expense, net, depending on the nature of the underlying transaction.

Interest rate cash flow and fair value hedges - We manage interest rate volatility by modifying the repricing or maturity characteristics of certain liabilities so that the net interest margin is not, on a material basis, adversely affected by movements in interest rates. As a result of interest rate fluctuations, hedged fixed-rate liabilities appreciate or depreciate in market value. We expect the effect of this unrealized appreciation or depreciation to be substantially offset by our gains or losses on the derivative instruments that are linked to these hedged liabilities.

We use derivative instruments, including interest rate swaps that have indices related to the pricing of specific liabilities as part of our interest rate risk management strategy. As a matter of policy, we do not use highly leveraged derivative instruments for interest rate risk management. We use interest rate swaps to economically convert a portion of our nonprepayable fixed-rate debt into variable-rate debt. Under the interest rate swap contracts, we agree with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts, which is calculated based on an agreed-upon notional amount. We also use interest rate swaps to hedge the variability of interest payment cash flows on a portion of our future debt obligations. Substantially all of these derivative instruments are highly effective and qualify for hedge accounting treatment.

For those derivative instruments that are highly effective and qualify for hedge accounting treatment, we either record the impacts in current period earnings or defer the effective portion of unrealized gains and losses as a component of accumulated other comprehensive earnings / (losses), depending on whether the hedging relationship satisfies the criteria for a fair value or cash flow hedge. For fair value hedges, we record both (i) the gains or losses on interest rate swaps and (ii) the corresponding changes in fair value of the hedged long-term debt directly as a component of interest and other expense, net. For cash flow hedges, we recognize the deferred portion as a component of interest and other expense, net when we incur the interest expense. The ineffective portion is directly recorded as a component of interest and other expense, net. For the derivative instruments that we consider economic hedges but do not designate for hedge accounting treatment, we recognize gains and losses directly as a component of interest and other expense, net.

Hedges of net investments in foreign operations - We have numerous investments in our foreign subsidiaries. The net assets of these subsidiaries are exposed to volatility in foreign currency exchange rates. We use foreign-currency-denominated debt to hedge our net investment in foreign operations against adverse movements in exchange rates. We designated our euro and pound sterling denominated borrowings as a net investment hedge of a portion of our overall European operations. The gains and losses on our net investment in these designated European operations are economically offset by losses and gains on our euro and pound sterling denominated borrowings. The change in the debt's fair value is recorded in the currency translation adjustment component of accumulated other comprehensive earnings / (losses).

Guarantees:
Authoritative guidance related to guarantor's accounting and disclosure requirements for guarantees requires us to disclose certain guarantees and to recognize a liability for the fair value of the obligation of qualifying guarantee activities. See Note 13, *Commitments and Contingencies* for a further discussion of guarantees.

Income Taxes:
We recognize tax benefits in our financial statements when our uncertain tax positions are more likely than not to be sustained upon audit. The amount we recognize is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement.

We recognize deferred tax assets for deductible temporary differences, operating loss carryforwards and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion, or all, of the deferred tax assets will not be realized.

New Accounting Pronouncements:
In June 2009, new guidance was issued on the consolidation of variable interest entities. We adopted the guidance effective January 1, 2010. This guidance increases the likelihood of an enterprise being classified as a variable interest entity. The adoption of this guidance did not have a material impact on our financial results.

Note 2. Acquisitions and Divestitures:

Cadbury Acquisition:
On January 19, 2010, we announced the terms of our final offer for each outstanding ordinary share of Cadbury, including each ordinary share represented by an American Depositary Share ("Cadbury ADS"), and the Cadbury Board of Directors recommended that Cadbury shareholders accept the terms of the final offer. On February 2, 2010, all of the conditions to the offer were satisfied or validly waived, the initial offer period expired and a subsequent offer period immediately began. At that point, we had received acceptances of 71.73% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs ("Cadbury Shares"). As of June 1, 2010, we owned 100% of all outstanding Cadbury Shares. We believe the combination of Kraft Foods and Cadbury will create a global snacks powerhouse and an unrivaled portfolio of brands people love.

Under the terms of our final offer and the subsequent offer, we agreed to pay Cadbury shareholders 500 pence in cash and 0.1874 shares of Kraft Foods Common Stock per Cadbury ordinary share validly tendered and 2,000 pence in cash and 0.7496 shares of Kraft Foods Common Stock per Cadbury ADS validly tendered. This valued Cadbury at $18.5 billion, or approximately £11.6 billion (based on the average price of $28.36 for a share of Kraft Foods Common Stock on February 2, 2010 and an exchange rate of $1.595 per £1.00).

On February 2, 2010, we acquired 71.73% of Cadbury Shares for $13.1 billion and the value attributed to noncontrolling interests was $5.4 billion. From February 2, 2010 through June 1, 2010, we acquired the remaining 28.27% of Cadbury Shares for $5.4 billion. We had a $38 million gain on noncontrolling interest acquired and recorded it within additional paid in capital.

As part of our Cadbury acquisition, we incurred and expensed transaction related fees of $218 million in 2010 and $40 million in 2009. We recorded these expenses within selling, general and administrative expenses. We also incurred acquisition financing fees of $96 million in 2010. We recorded these expenses within interest and other expense, net.

Cadbury contributed net revenues of $9,143 million and net earnings of $530 million from February 2, 2010 through December 31, 2010. The following unaudited pro forma summary presents Kraft Foods' consolidated information as if Cadbury had been acquired on January 1, 2009. These amounts were calculated after conversion to U.S. GAAP, applying our accounting policies, and adjusting Cadbury's results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied from January 1, 2009, together with the consequential tax effects. These adjustments also reflect the additional interest expense incurred on the debt to finance the purchase, and the divestitures of certain Cadbury confectionery operations in Poland and Romania, as required by the EU Commission as a condition of our Cadbury acquisition.

	Pro forma for the Years Ended December 31,	
	2010	2009
	(in millions)	
Net revenues	$ 49,770	$ 47,852
Net earnings attributable to Kraft Foods	3,938	2,586

Our February 2, 2010 Cadbury acquisition was valued at $18,547 million, or $17,503 million net of cash and cash equivalents. As part of that acquisition, we acquired the following assets and assumed the following liabilities (in millions):

Receivables (1)	$ 1,333
Inventories	1,298
Other current assets	660
Property, plant and equipment	3,293
Goodwill (2)	9,530
Intangible assets (3)	12,905
Other assets	593
Short-term borrowings	(1,206)
Accounts payable	(1,605)
Other current liabilities (4)	(1,866)
Long-term debt	(2,437)
Deferred income taxes	(3,218)
Accrued pension costs	(817)
Other liabilities	(927)
Noncontrolling interest	(33)

(1) The gross amount due under the receivables we acquired is $1,474 million, of which $141 million is expected to be uncollectable.
(2) Goodwill will not be deductible for statutory tax purposes and is attributable to Cadbury's workforce and the significant synergies we expect from the acquisition.
(3) We acquired $10.3 billion of indefinitely lived intangible assets, primarily trademarks, and $2.6 billion of amortizable intangible assets, primarily customer relationships and technology. Customer relationships will be amortized over approximately 13 years and technology will be amortized over approximately 12 years.
(4) Within other current liabilities, a reserve for exposures related to taxes of approximately $70 million was established within our Developing Markets segment. The cumulative exposure was approximately $150 million at December 31, 2010.

The above amounts represent the allocation of purchase price which was completed during the fourth quarter of 2010.

Pizza Divestiture:
On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business ("Frozen Pizza") to Nestlé USA, Inc. ("Nestlé") for $3.7 billion. Our Frozen Pizza business was a component of our U.S. Convenient Meals and Canada & North America Foodservice segments. The sale included the *DiGiorno*, *Tombstone* and *Jack's* brands in the U.S., the *Delissio* brand in Canada and the *California Pizza Kitchen* trademark license. It also included two Wisconsin manufacturing facilities (Medford and Little Chute) and the leases for the pizza depots and delivery trucks. Approximately 3,600 of our employees transferred with the business to Nestlé. Accordingly, the results of our Frozen Pizza business have been reflected as discontinued operations on the consolidated statement of earnings, and prior period results have been revised in a consistent manner.

Pursuant to the Frozen Pizza business Transition Services Agreement, we agreed to provide certain sales, co-manufacturing, distribution, information technology, accounting and finance services to Nestlé for up to two years.

Summary results of operations for the Frozen Pizza business through March 1, 2010 were as follows:

	For the Years Ended December 31, 2010	2009	2008
		(in millions)	
Net revenues	$ 335	$ 1,632	$ 1,440
Earnings before income taxes	73	341	267
Provision for income taxes	(25)	(123)	(97)
Gain on discontinued operations, net of income taxes	1,596	-	-
Earnings and gain from discontinued operations, net of income taxes	$ 1,644	$ 218	$ 170

Earnings before income taxes as presented exclude associated allocated overheads of $25 million in 2010, $108 million in 2009 and $112 million in 2008.

The 2010 gain on discontinued operations from the sale of the Frozen Pizza business included tax expense of $1.2 billion.

The following assets of the Frozen Pizza business were included in the Frozen Pizza divestiture (in millions):

Inventories, net	$ 102
Property, plant and equipment, net	317
Goodwill	475
Distributed assets of the Frozen Pizza business	$ 894

Post Cereals Split-off:
On August 4, 2008, we completed the split-off of the *Post* cereals business into Ralcorp Holdings, Inc. (“Ralcorp”), after an exchange with our shareholders. Accordingly, the *Post* cereals business prior period results were reflected as discontinued operations on the consolidated statement of earnings. The exchange was expected to be tax-free to participating shareholders for U.S. federal income tax purposes.

In this split-off transaction, approximately 46 million shares of Kraft Foods Common Stock were tendered for $1,644 million. Our shareholders had the option to exchange some or all of their shares of Kraft Foods Common Stock and receive shares of common stock of Cable Holdco, Inc. (“Cable Holdco”). Cable Holdco was our wholly owned subsidiary that owned certain assets and liabilities of the *Post* cereals business. In exchange for the contribution of the *Post* cereals business, Cable Holdco issued approximately $665 million in debt securities, issued shares of its common stock and assumed a $300 million credit facility. Upon closing, we used the cash equivalent net proceeds, approximately $960 million, to repay debt.

The *Post* cereals business included such brands as *Honey Bunches of Oats*, *Pebbles*, *Shredded Wheat*, *Selects*, *Grape-Nuts* and *Honeycomb*. Under Kraft Foods, the brands in this transaction were distributed primarily in North America. In addition to the *Post* brands, the transaction included four manufacturing facilities, certain manufacturing equipment and approximately 1,230 employees who joined Ralcorp as part of the transaction.

Pursuant to the *Post* cereals business Transition Services Agreement, we provided certain sales, co-manufacturing, distribution, information technology, and accounting and finance services to Ralcorp through 2009.

Summary results of operations for the *Post* cereals business through August 4, 2008, were as follows:

	For the Year Ended December 31, 2008 (in millions)
Net revenues	$ 666
Earnings before income taxes	189
Provision for income taxes	(70)
Gain on discontinued operations, net of income taxes	926
Earnings and gain from discontinued operations, net of income taxes	$ 1,045

Other Divestitures:
The EU Commission required, as a condition of our Cadbury acquisition, that we divest certain Cadbury confectionery operations in Poland and Romania. In 2010, we completed the sale of the assets of the confectionery operations in Poland and Romania. The total proceeds from the divestitures were $342 million and the impacts of these divestitures were primarily reflected as adjustments to the purchase price allocations.

In 2009, we received $41 million in net proceeds and recorded pre-tax losses of $6 million on the divestitures of our *Balance* bar operations in the U.S., a juice operation in Brazil and a plant in Spain. We recorded after-tax gains of $58 million on these divestitures, primarily due to the differing book and tax bases of our *Balance* bar operations.

In 2008, we received $153 million in net proceeds, and recorded pre-tax losses of $92 million on divestitures, primarily related to a Nordic and Baltic snacks operation and four operations in Spain. We recorded after-tax losses of $64 million on these divestitures.

Included in the 2008 divestitures were the following, which were a condition of the EU Commission’s approval of our Groupe Danone S.A. global *LU* biscuit business (“LU Biscuit”) acquisition:

- We divested a biscuit operation in Spain. From this divestiture, we received $86 million in net proceeds and recorded pre-tax losses of $74 million.
- We divested another biscuit operation in Spain and a trademark in Hungary that we had previously acquired as part of the *LU* Biscuit acquisition. As such, the impacts of these divestitures were reflected as adjustments to the purchase price allocations.

These gains and losses on divestitures do not reflect the related asset impairment charges discussed in Note 5, *Goodwill and Intangible* Assets.

The aggregate operating results of the divestitures discussed above, other than the divestiture of the Frozen Pizza and *Post* cereals businesses, were not material to our financial statements in any of the periods presented. Refer to Note 16, *Segment Reporting*, for details of the gains and losses on divestitures by segment.

<u>Note 3. Inventories:</u>

Inventories at December 31, 2010 and 2009 were:

	2010	2009
	(in millions)	
Raw materials	$ 1,743	$ 1,410
Finished product	3,567	2,365
Inventories, net	$ 5,310	$ 3,775

Note 4. Property, Plant and Equipment:

Property, plant and equipment at December 31, 2010 and 2009 were:

	2010	2009
	(in millions)	
Land and land improvements	$ 795	$ 492
Buildings and building equipment	4,934	4,231
Machinery and equipment	16,147	13,872
Construction in progress	1,154	828
	23,030	19,423
Accumulated depreciation	(9,238)	(8,730)
Property, plant and equipment, net	$ 13,792	$ 10,693

Refer to Note 5, *Goodwill and Intangible* Assets, for asset impairment charges taken against property, plant and equipment.

Note 5. Goodwill and Intangible Assets:

At December 31, 2010 and 2009, goodwill by reportable segment was:

	2010	2009
	(in millions)	
Kraft Foods North America:		
U.S. Beverages	$ 1,290	$ 1,290
U.S. Cheese	3,000	3,000
U.S. Convenient Meals	985	1,460
U.S. Grocery	3,046	3,046
U.S. Snacks	9,125	6,948
Canada & N.A. Foodservice	3,430	2,340
Kraft Foods Europe	9,023	6,756
Kraft Foods Developing Markets	7,957	3,924
Total goodwill	$ 37,856	$ 28,764

Intangible assets at December 31, 2010 and 2009 were:

	2010	2009
	(in millions)	
Non-amortizable intangible assets	$ 23,351	$ 13,262
Amortizable intangible assets	2,928	278
	26,279	13,540
Accumulated amortization	(316)	(111)
Intangible assets, net	$ 25,963	$ 13,429

Non-amortizable intangible assets consist principally of brand names purchased through our acquisitions of Nabisco Holdings Corp., *LU* Biscuit and the Spanish and Portuguese operations of United Biscuits and Cadbury. Amortizable intangible assets consist primarily of trademark licenses, customer-related intangibles, process technology, license agreements and non-compete agreements. At December 31, 2010, the weighted-average life of our amortizable intangible assets was 13.2 years.

The movements in goodwill and intangible assets were:

	2010		2009	
	Goodwill	Intangible Assets, at cost	Goodwill	Intangible Assets, at cost
	(in millions)			
Balance at January 1	$ 28,764	$ 13,540	$ 27,581	$ 13,012
Changes due to:				
Foreign currency	37	48	1,200	544
Acquisitions	9,530	12,907	-	-
Divestitures	(475)	(168)	(17)	-
Asset impairments	-	(43)	-	(12)
Other	-	(5)	-	(4)
Balance at December 31	$ 37,856	$ 26,279	$ 28,764	$ 13,540

Changes to goodwill and intangible assets during 2010 were:

- Acquisitions - We increased goodwill by $9,530 million and intangible assets by $12,907 million related to allocations of purchase price for our Cadbury acquisition. We recorded $2,177 million of the acquired goodwill in our U.S. Snacks segment, $937 million in our Canada & N.A. Foodservice segment, $2,671 million in our Kraft Foods Europe segment and $3,745 million in our Kraft Foods Developing Markets segment.
- Divestitures - We reduced goodwill by $475 million due to our Frozen Pizza business divestiture.
- Asset impairments - During our 2010 review of goodwill and non-amortizable intangible assets, we recorded a $43 million charge for the impairment of intangible assets. We recorded the aggregate asset impairment charges within asset impairment and exit costs.

Changes to goodwill and intangible assets during 2009 were:

- Divestitures - We reduced goodwill by $17 million due to the divestiture of our *Balance* bar operations in the U.S.
- Asset impairments - During our 2009 review of goodwill and non-amortizable intangible assets, we recorded a $12 million charge for the impairment of intangible assets in the Netherlands.

Amortization expense for intangible assets was $211 million in 2010, $26 million in 2009, and $23 million in 2008. We currently estimate amortization expense for each of the next five years to be approximately $220 million.

Annual Impairment Review & Asset Impairment Charges:
As a result of our 2010 annual review of goodwill and non-amortizable intangible assets, we recorded a $13 million charge for the impairment of intangible assets in the Netherlands and a $30 million charge for the impairment of intangible assets in China. During the fourth quarter of 2010, we also recorded an asset impairment of $12 million on a biscuit plant and related property, plant and equipment in France. We recorded the aggregate asset impairment charges within asset impairment and exit costs. During our 2010 impairment review, we also noted that the following five reporting units were the most sensitive to near-term changes in our discounted cash flow assumptions:

	Percentage of Excess Fair Value over Carrying Value	October 1, 2010 Carrying Value of Goodwill (in millions)
U.S. Confections	17%	$ 2,177
U.S. Grain Snacks	10%	5,778
U.S. Salty Snacks	12%	1,170
Central and Eastern Europe, Middle East and Africa	8%	3,390
Asia Pacific	18%	2,517

Each of our reporting units passed the first step of our 2010 annual impairment review with an estimated fair value greater than 105% of its carrying value. Looking past 2010, there are uncertainties within the five identified reporting units that could potentially require further analysis in the future in order for us to determine if a goodwill impairment exists within any of the individual reporting units. Significant uncertainties are:

- Across Kraft Foods North America, and specifically within our U.S. Grain Snacks reporting unit, we experienced significant input cost inflation over the past year. In 2010 the contribution from pricing trailed input cost inflation. Consequently, in 2011 we have announced price increases on selective portions of the portfolio, while also implementing sizing changes on other portions of the portfolio. If input costs continue to rise, as we expect, additional price increases will be required. We expect to take needed pricing actions in the midst of persistent consumer weakness; however, if we are unable to, it would decrease profitability and adversely affect the estimated fair value of our U.S. Grain Snacks reporting unit.
- Our U.S. Salty Snacks business grew in 2010, after experiencing two years of volume declines. Revenues and operating income grew more substantially as we increased pricing and implemented cost saving measures. Further volume, revenue or operating income declines would adversely affect the estimated fair value of U.S. Salty Snacks reporting unit. However, as noted, we also experienced significant input cost inflation over the past year within our U.S. Salty Snacks business. If input costs continue to rise, as we expect, additional price increases will be required. We expect to take needed pricing actions in the midst of persistent consumer weakness; however, if we are unable to, it would decrease profitability and adversely affect the estimated fair value of our U.S. Salty Snacks reporting unit.
- Our U.S. Confections, Asia Pacific and Central and Eastern Europe, Middle East and Africa businesses compose a significant portion of our 2010 Cadbury acquisition. As our Cadbury acquisition was only eight months prior to our annual review of goodwill on October 1, 2010, we did not expect a significant amount of excess estimated fair value over book value to be realized in such a short period. We expect to integrate our combined businesses in these reporting units over the next two years; however, if we are unable to, it would adversely affect the estimated fair values of these reporting units.

During the fourth quarter of 2009, we completed the annual review of goodwill and non-amortizable intangible assets and recorded a $12 million charge for the impairment of intangible assets in the Netherlands. In addition, during 2009, we recorded a $9 million asset impairment charge to write off an investment in Norway. We recorded the aggregate charges within asset impairment and exit costs.

During the fourth quarter of 2008, we completed the annual review of goodwill and non-amortizable intangible assets and recorded a $44 million charge for the impairment of intangible assets in the Netherlands, France and Puerto Rico. During our 2008 impairment review, we determined that our Europe Biscuits reporting unit was the most sensitive to near-term changes in our discounted cash flow assumptions, as it contains a significant portion of the goodwill recorded upon our 2007 acquisition of *LU* Biscuit. In addition, in December 2008, we reached a preliminary agreement to divest a juice operation in Brazil and reached an agreement to sell a cheese plant in Australia. In anticipation of divesting the juice operation in Brazil, we recorded an asset impairment charge of $13 million in the fourth quarter of 2008. The charge primarily included the write-off of associated intangible assets of $8 million and property, plant and equipment of $4 million. In anticipation of selling the cheese plant in Australia, we recorded an asset impairment charge of $28 million to property, plant and equipment in the fourth quarter of 2008. Additionally, in 2008, we divested a Nordic and Baltic snacks operation and incurred an asset impairment charge of $55 million in connection with the divestiture. This charge primarily included the write-off of associated goodwill of $34 million and property, plant and equipment of $16 million. We recorded the aggregate charges within asset impairment and exit costs.

Note 6. Restructuring Costs:

Within our restructuring programs and initiatives, we include certain costs along with exit and disposal costs that are directly attributable to those activities yet they do not qualify for treatment as exit or disposal costs under U.S. GAAP. These costs, which we commonly refer to as other project costs or implementation costs, generally include the integration and reorganization of operations and facilities, the discontinuance of certain product lines and the incremental expenses related to the closure of facilities. Management believes the disclosure and inclusion of these charges provides readers of our financial statements greater transparency to the total costs of our programs and initiatives.

Integration Program

Our combination with Cadbury has the potential for meaningful synergies and costs savings. We expect to recognize at least $750 million of cost savings by the end of the third year following completion of the acquisition. Additionally, we expect to create revenue synergies from investments in distribution, marketing and product development. In order to achieve these cost savings and synergies, we expect to incur total integration charges of approximately $1.5 billion in the first three years following the acquisition to combine and integrate the two businesses (the “Integration Program”).

Integration Program costs include the costs associated with combining our operations with Cadbury’s and are separate from the costs related to the acquisition. We incurred charges under the Integration Program of $657 million in 2010. We recorded these charges primarily in operations as a part of selling, general and administrative expenses within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses.

During the second quarter of 2010, we evaluated Cadbury’s Vision into Action (“VIA”) restructuring program and began managing it within our overall Integration Program. Cadbury initiated the VIA restructuring program in 2007 and planned to run it through 2011. Accordingly, we acquired an accrual of $228 million relating to charges taken in previous periods. In evaluating the program as part of our corporate strategies and our integration plans, we included the remaining charges within our overall Integration Program. As we move forward on a combined company basis, we do not intend to manage these programs separately.

Liability activity for Integration Program in 2010 was (in millions):

Liability assumed upon acquisition	$ 228
Charges	657
Cash spent	(463)
Asset impairments	(13)
Currency / other	(3)
Liability balance, December 31, 2010	$ 406

Cost Savings Initiatives

Cost savings initiatives generally include exit, disposal and other project costs. We incurred costs associated with our Cost Savings Initiatives of $170 million in 2010 and $318 million in 2009 and none in 2008.

- In 2010, we primarily recorded these changes within the segment operating income of Kraft Foods Europe and Canada & N.A. Foodservice. The majority of these charges incurred were for other project costs associated with the Kraft Foods Europe Reorganization.
- The 2009 charges primarily included severance charges for benefits received by terminated employees, associated benefit plan costs and other related activities. These were recorded in operations, primarily within the segment operating income of Kraft Foods Europe, with the remainder spread across all other segments.

Even though other project costs were directly attributable to exit and disposal costs, they did not qualify for special accounting treatment as exit or disposal activities. Management believes the disclosure of other project costs provides readers of our financial statements greater transparency to the total costs of our Cost Savings Initiatives.

2004-2008 Restructuring Program

In 2008, we completed our five-year restructuring program (the “Restructuring Program”). The Restructuring Program’s objectives were to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program, we:

- incurred $2.9 billion in pre-tax charges reflecting asset disposals, severance and implementation costs;
- announced the closure of 35 facilities and announced the elimination of approximately 18,200 positions; and
- will use cash to pay for $1.9 billion of the $2.9 billion in charges.

In 2010, we reversed $37 million of previously accrued Restructuring Program charges, primarily related to severance. In 2009, we reversed $85 million of previously accrued Restructuring Program charges. The reversal in 2009 related to the following:

- We sold a plant in Spain that we previously announced we would close under our Restructuring Program. Accordingly, we reversed $35 million in Restructuring Program charges, primarily related to severance, and recorded a $17 million loss on the divestiture of the plant in 2009. The reversal occurred in our Kraft Foods Europe segment.
- We also reversed $50 million of previously accrued Restructuring Program charges in 2009, primarily due to planned position eliminations that did not occur. These were primarily the result of redeployment and natural attrition. The majority of these reversals occurred in our Kraft Foods Europe segment, with the remainder spread across all other segments.

We incurred charges from continuing operations under the Restructuring Program of $989 million in 2008. Since the inception of the Restructuring Program, we have paid cash of $1.8 billion of the $1.9 billion in expected cash payments, including $94 million paid in 2010. At December 31, 2010, we had an accrual of $125 million related to the Restructuring Program.

Restructuring Costs:
Under the Restructuring Program, we recorded asset impairment and exit costs of $884 million during 2008. We recorded implementation costs from of $105 million in 2008. Restructuring liability activity for the years ended December 31, 2010 and 2009 was (in millions):

Liability balance, January 1, 2009	489
Reversal of charges	(85)
Cash spent	(176)
Currency	42
Liability balance, December 31, 2009	270
Reversal of charges	(37)
Cash spent	(94)
Currency	(14)
Liability balance, December 31, 2010	$ 125

Our 2010 activity was related to cash outflows on prior year Restructuring Program charges and reversals relating to severance benefits and other charges. Our prior year charges to the liability included severance benefits received by terminated employees, other costs related primarily to the renegotiation of supplier contract costs, workforce reductions associated with facility closings and the termination of leasing agreements. We anticipate utilizing the majority of the remaining accrual during 2011.

Implementation Costs:
Implementation costs were directly attributable to exit and disposal costs; however, they did not qualify for special accounting treatment as exit or disposal activities. These costs primarily included the discontinuance of certain product lines, incremental expenses related to the closure of facilities and the reorganization of our European operations discussed above. Management believes the disclosure of implementation charges provides readers of our financial statements greater transparency to the total costs of our Restructuring Program.

Implementation costs associated with the Restructuring Program were:

	2008 (in millions)
Cost of sales	$ 38
Selling, general and administrative costs	67
Total implementation costs	$ 105

Total Restructuring Program Costs:
We included the asset impairment, exit and implementation costs discussed above, for the year ended December 31, 2008 in segment operating income as follows:

	For the Year Ended December 31, 2008		
	Restructuring Costs	Implementation Costs (in millions)	Total
Kraft Foods North America:			
U.S. Beverages	$ 59	$ 8	$ 67
U.S. Cheese	31	7	38
U.S. Convenient Meals	31	7	38
U.S. Grocery	36	5	41
U.S. Snacks	72	9	81
Canada & N.A. Foodservice	100	10	110
Kraft Foods Europe	418	56	474
Kraft Foods Developing Markets	137	3	140
Total	$ 884	$ 105	$ 989

Note 7. Debt and Borrowing Arrangements:

Short-Term Borrowings:
At December 31, 2010 and 2009, our short-term borrowings and related weighted-average interest rates consisted of:

	2010		2009	
	Amount Outstanding (in millions)	Weighted-Average Year-End Rate	Amount Outstanding (in millions)	Weighted-Average Year-End Rate
Commercial paper	$ 483	0.5%	$ 262	0.5%
Bank loans	267	6.3%	191	10.5%
Total short-term borrowings	$ 750		$ 453	

The fair values of our short-term borrowings at December 31, 2010 and 2009, based upon current market interest rates, approximate the amounts disclosed above.

Borrowing Arrangements:
We maintain a revolving credit facility that we have historically used for general corporate purposes, including for working capital purposes, and to support our commercial paper issuances. Our $4.5 billion three-year senior unsecured revolving credit facility expires in November 2012. No amounts have been drawn on the facility.

The revolving credit facility agreement requires us to maintain a minimum total shareholders' equity, excluding accumulated other comprehensive earnings / (losses), of at least $28.6 billion. This threshold was increased by $5.6 billion to $28.6 billion due to the equity we issued as part of our Cadbury acquisition. At December 31, 2010, our total shareholders' equity, excluding accumulated other comprehensive earnings / (losses), was $39.7 billion. We expect to continue to meet this covenant. The revolving credit agreement also contains customary representations, covenants and events of default. However, the revolving credit facility has no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security.

In addition to the above, some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. Collectively, these credit lines amounted to $2.4 billion at December 31, 2010. Borrowings on these lines amounted to $267 million at December 31, 2010 and $191 million at December 31, 2009.

Cadbury maintained a three-year, £450 million senior unsecured revolving credit facility that we terminated in 2010.

As part of our Cadbury acquisition, on November 9, 2009, we entered into an agreement for a 364-day senior unsecured bridge facility (the "Cadbury Bridge Facility"). During the first quarter of 2010, we borrowed £807 million under the Cadbury Bridge Facility, and later repaid it ($1,205 million at the time of repayment) with proceeds from the divestiture of our Frozen Pizza business. Upon repayment, the Cadbury Bridge Facility was terminated.

Long-Term Debt:
On February 8, 2010, we issued $9.5 billion of senior unsecured notes at a weighted-average effective rate of 5.364% and used the net proceeds ($9,379 million) to finance the Cadbury acquisition and for general corporate purposes. The general terms of the $9.5 billion notes are:

- $3.75 billion total principal notes due February 10, 2020 at a fixed, annual interest rate of 5.375%. Interest is payable semiannually beginning August 10, 2010.
- $3.00 billion total principal notes due February 9, 2040 at a fixed, annual interest rate of 6.500%. Interest is payable semiannually beginning August 9, 2010.
- $1.75 billion total principal notes due February 9, 2016 at a fixed, annual interest rate of 4.125%. Interest is payable semiannually beginning August 9, 2010.
- $1.00 billion total principal notes due May 8, 2013 at a fixed, annual interest rate of 2.625%. Interest is payable semiannually beginning November 8, 2010.

In addition, these notes include covenants that restrict our ability to incur debt secured by liens above a certain threshold. We also must offer to purchase these notes at a price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to the date of repurchase, if both of the following occur:

(i) a "change of control" triggering event, and
(ii) a downgrade of these notes below an investment grade rating by each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch, Inc. within a specified period.

We expect to continue to comply with our long-term debt covenants.

The fair value of the long-term debt we acquired as part of our Cadbury acquisition was $2,437 million at February 2, 2010. The acquired debt has the following terms (including U.S. dollar par amounts):

- £77 million (approximately $123 million) total principal notes due December 20, 2010 at a fixed, annual interest rate of 4.875%.
- C$150 million (approximately $140 million) Canadian bank loan agreement expiring August 30, 2012 at a variable interest rate. The interest rate at December 31, 2010 was 1.573%.
- $1.00 billion total principal notes due October 1, 2013 at a fixed, annual interest rate of 5.125%.
- £300 million (approximately $478 million) total principal notes due December 11, 2014 at a fixed, annual interest rate of 5.375%.
- £350 million (approximately $558 million) total principal notes due July 18, 2018 at a fixed, annual interest rate of 7.250%.

At December 31, 2010 and 2009, our long-term debt consisted of (interest rates were as of December 31, 2010):

	December 31, 2010	December 31, 2009
	(in millions)	
Notes, 2.63% to 7.55% (average effective rate 5.86%), due through 2040	$ 22,872	$ 14,395
Euro notes, 5.75% to 6.25% (average effective rate 5.98%), due through 2015	3,808	4,072
Sterling notes, 5.38% to 7.25% (average effective rate 4.94%), due through 2018	1,091	-
Other foreign currency obligations	158	5
Capital leases and other	45	65
Total	27,974	18,537
Less current portion of long-term debt	(1,115)	(513)
Long-term debt	$ 26,859	$ 18,024

As of December 31, 2010, aggregate maturities of long-term debt were (in millions):

2011	$ 1,115
2012	3,738
2013	3,557
2014	972
2015	1,541
Thereafter	17,062

On December 29, 2010 we repurchased $900 million principal amount of our 5.625% notes due 2011 and $600 million principal amount of our 6.25% notes due 2012, which were validly tendered pursuant to the cash tender offers we initiated in November 2010. We paid $1,596 million aggregate consideration, including accrued and unpaid interest, for the accepted notes in December 2010.

On December 20, 2010, we repaid £77 million (approximately $119 million) of our long-term debt and on August 11, 2010, we repaid $500 million of our long-term debt. We funded these repayments with cash from operations and short-term borrowings.

On September 3, 2009, we redeemed our November 2011, 7% $200 million debenture at par value. Upon redemption, we recorded a loss of $14 million within interest and other expense, net which represented the write-off of the remaining discount. On November 12, 2009, we repaid $750 million in notes. This repayment was primarily financed from commercial paper issuances.

Fair Value:
The aggregate fair value of our total debt, based on quoted prices in active markets for identical liabilities, was $31,459 million at December 31, 2010 as compared with the carrying value of $28,724 million. The aggregate fair value of our total debt, based on quoted prices in active markets for identical liabilities, at December 31, 2009, was $20,222 million as compared with the carrying value of $18,990 million.

Interest and Other Expense:
Interest and other expense was:

	For the Years Ended December 31, 2010	2009	2008
		(in millions)	
Interest and other expense, net:			
Interest expense, debt	$ 1,790	$ 1,260	$ 1,272
Acquisition-related financing fees	$ 251	$ -	$ -
Other income, net	(17)	(23)	(32)
Total interest and other expense, net	$ 2,024	$ 1,237	$ 1,240

Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury Bridge Facility.

Note 8. Capital Stock:

Our articles of incorporation authorize 5.0 billion shares of Class A common stock and 500 million shares of preferred stock. In 2010, we combined our Class B common stock authorization with our Class A common stock authorization. Accordingly, we only have a single class of Class A common stock authorized. Shares of Class A common stock issued, repurchased and outstanding were:

	Shares Issued	Shares Repurchased	Shares Outstanding
Balance at January 1, 2008	1,735,000,000	(201,222,380)	1,533,777,620
Repurchase of shares	-	(25,272,255)	(25,272,255)
Shares tendered	-	(46,119,899)	(46,119,899)
Exercise of stock options and issuance of other stock awards	-	6,915,974	6,915,974
Balance at December 31, 2008	1,735,000,000	(265,698,560)	1,469,301,440
Exercise of stock options and issuance of other stock awards	-	8,583,463	8,583,463
Balance at December 31, 2009	1,735,000,000	(257,115,097)	1,477,884,903
Shares issued	261,537,778	-	261,537,778
Exercise of stock options and issuance of other stock awards	-	8,643,868	8,643,868
Balance at December 31, 2010	1,996,537,778	(248,471,229)	1,748,066,549

There were no Class B common shares or preferred shares issued and outstanding at December 31, 2010, 2009 and 2008. At December 31, 2010, 136,402,967 shares of Common Stock were reserved for stock options and other stock awards.

In 2010, we issued 262 million additional shares of our Common Stock as part of the Cadbury acquisition. The issued stock had a total fair value of $7,457 million based on the average of the high and low market prices on the dates of issuance.

On August 4, 2008, we completed the split-off of the *Post* cereals business. In this transaction, approximately 46 million shares of Kraft Foods Common Stock were tendered for $1,644 million.

On March 30, 2007, our Board of Directors had authorized a $5.0 billion share repurchase program that expired on March 30, 2009. We did not repurchase any shares in 2010 or 2009.

Share Repurchase Program Authorized by the Board of Directors	$5.0 billion
Authorized / completed period for repurchase	April 2007 - March 2009
Aggregate cost of shares repurchased in 2008 (millions of shares)	$777 million (25.3 shares)
Aggregate cost of shares repurchased life-to-date under program (millions of shares)	$4.3 billion (130.9 shares)

In total, we repurchased 25.3 million shares for $777 million in 2008 under this program. We made these repurchases of our Common Stock in open market transactions.

Note 9. Accumulated Other Comprehensive Earnings / (Losses):

The components of accumulated other comprehensive earnings / (losses) were:

	Currency Translation Adjustments	Pension and Other Benefits	Derivatives Accounted for as Hedges	Total
		(in millions)		
Balances at January 1, 2008	$ (51)	$ (1,811)	$ 27	$ (1,835)
Other comprehensive earnings / (losses), net of income taxes:				
Currency translation adjustments	(2,348)	114	-	(2,234)
Amortization of experience losses and prior service costs	-	98	-	98
Settlement losses	-	48	-	48
Net actuarial loss arising during period	-	(2,021)	-	(2,021)
Change in fair value of cash flow hedges	-	-	(50)	(50)
Total other comprehensive losses				(4,159)
Balances at December 31, 2008	$ (2,399)	$ (3,572)	$ (23)	$ (5,994)
Other comprehensive earnings / (losses), net of income taxes:				
Currency translation adjustments	1,893	(116)	-	1,777
Amortization of experience losses and prior service costs	-	126	-	126
Settlement losses	-	76	-	76
Net actuarial loss arising during period	-	(64)	-	(64)
Change in fair value of cash flow hedges	-	-	124	124
Total other comprehensive earnings				2,039
Balances at December 31, 2009	$ (506)	$ (3,550)	$ 101	$ (3,955)
Other comprehensive earnings / (losses), net of income taxes:	-	-	-	-
Currency translation adjustments	195	(13)	-	182
Amortization of experience losses and prior service costs	-	186	-	186
Settlement losses	-	96	-	96
Net actuarial loss arising during period	-	(377)	-	(377)
Change in fair value of cash flow hedges	-	-	(22)	(22)
Total other comprehensive earnings				65
Balances at December 31, 2010	$ (311)	$ (3,658)	$ 79	$ (3,890)

Note 10. Stock Plans:

We align our annual and long-term incentive compensation programs with shareholder returns. Under the Amended and Restated 2005 Performance Incentive Plan (the “2005 Plan”), we may grant to eligible employees awards of stock options, stock appreciation rights, restricted stock, restricted and deferred stock units, and other awards based on our Common Stock, as well as performance-based annual and long-term incentive awards. We are authorized to issue a maximum of 168.0 million shares of our Common Stock under the 2005 Plan. In addition, under the Kraft Foods 2006 Stock Compensation Plan for Non-Employee Directors (the “2006 Directors Plan”), we may grant up to 500,000 shares of our Common Stock to members of the Board of Directors who are not our full-time employees. At December 31, 2010, there were 73,897,346 shares available to be granted under the 2005 Plan and 326,766 shares available to be granted under the 2006 Directors Plan. Restricted or deferred shares available for grant under the 2005 Plan at December 31, 2010, were 23,599,273.

All stock awards are issued to employees from treasury stock. We have no specific policy to repurchase Common Stock to mitigate the dilutive impact of options; however, we have historically made adequate discretionary purchases, based on cash availability, market trends and other factors, to satisfy stock option exercise activity.

Stock Options:
Stock options are granted at an exercise price equal to the market value of the underlying stock on the grant date, generally become exercisable in three annual installments beginning on the first anniversary of the grant date and have a maximum term of ten years. Prior to 2008, we had not granted stock options through a broad-based program since 2002.

We account for our employee stock options under the fair value method of accounting using a modified Black-Scholes methodology to measure stock option expense at the date of grant. The fair value of the stock options at the date of grant is amortized to expense over the vesting period. We recorded compensation expense related to stock options of $46 million in 2010, $31 million in 2009 and $18 million in 2008. The deferred tax benefit recorded related to this compensation expense was $15 million in 2010, $11 million in 2009 and $6 million in 2008. The unamortized compensation expense related to our stock options was $60 million at December 31, 2010 and is expected to be recognized over a weighted-average period of two years. Our weighted-average Black-Scholes fair value assumptions were as follows:

	Risk-Free Interest Rate	Expected Life	Expected Volatility	Expected Dividend Yield	Fair Value at Grant Date
2010	2.82%	6 years	19.86%	4.14%	$ 3.69
2009	2.46%	6 years	21.36%	4.90%	$ 2.68
2008	3.08%	6 years	21.04%	3.66%	$ 4.49

The risk-free interest rate represents the constant maturity U.S. government treasuries rate with a remaining term equal to the expected life of the options. The expected life is the period over which our employees are expected to hold their options. It is based on the simplified method from the SEC's safe harbor guidelines. Volatility reflects historical movements in our stock price for a period commensurate with the expected life of the options. Dividend yield is estimated over the expected life of the options based on our stated dividend policy.

Stock option activity for the year ended December 31, 2010 was:

	Shares Subject to Option	Weighted-Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at January 1, 2010	46,727,697	$ 25.56		
Options granted	18,077,470	29.24		
Options exercised	(7,611,479)	18.25		
Options cancelled	(2,957,527)	27.56		
Balance at December 31, 2010	54,236,161	27.71	6.5 years	$ 206 million
Exercisable at December 31, 2010	23,564,404	27.89	3.9 years	$ 85 million

In February 2010, as part of our annual equity program, we granted 15.0 million stock options to eligible employees at an exercise price of $29.15. We also issued 3.1 million off-cycle shares of stock options during 2010 at a weighted-average exercise price of $29.73 on the date of grant, including options issued to Cadbury employees under our annual equity program.

In February 2009, as part of our annual equity program, we granted 16.3 million stock options to eligible employees at an exercise price of $23.64.

In February 2008, as part of our annual equity program, we granted 13.5 million stock options to eligible employees at an exercise price of $29.49. We also granted 0.1 million off-cycle stock options during 2008 at an exercise price of $30.78.

The total intrinsic value of options exercised was $92 million in 2010, $72 million in 2009, and $76 million in 2008. Cash received from options exercised was $134 million in 2010, $79 million in 2009, and $80 million in 2008. The actual tax benefit realized for the tax deductions from the option exercises totaled $60 million in 2010, $52 million in 2009, and $44 million in 2008.

Restricted and Deferred Stock:
We may grant shares of restricted or deferred stock to eligible employees, giving them in most instances all of the rights of shareholders, except that they may not sell, assign, pledge or otherwise encumber the shares. Shares of restricted and deferred stock are subject to forfeiture if certain employment conditions are not met. Restricted and deferred stock generally vest on the third anniversary of the grant date.

Shares granted in connection with our long-term incentive plan vest based on varying performance, market and service conditions. The unvested shares have no voting rights and do not pay dividends.

The fair value of the restricted and deferred shares at the date of grant is amortized to earnings over the restriction period. We recorded compensation expense related to restricted and deferred stock of $128 million in 2010, $133 million in 2009, and $160 million in 2008. The deferred tax benefit recorded related to this compensation expense was $39 million in 2010, $44 million in 2009, and $53 million in 2008. The unamortized compensation expense related to our restricted and deferred stock was $150 million at December 31, 2010 and is expected to be recognized over a weighted-average period of two years.

Our restricted and deferred stock activity for the year ended December 31, 2010 was:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Balance at January 1, 2010	13,854,953	$ 29.30
Granted	5,782,531	28.82
Vested	(4,063,589)	34.17
Forfeited	(1,352,401)	27.91
Balance at December 31, 2010	14,221,494	27.84

In January 2010, we granted 1.7 million shares of stock in connection with our long-term incentive plan, and the market value per share was $27.33 on the date of grant. During 2010, we granted an additional 0.6 million shares of stock in connection with our long-term incentive plan and market value per share was $29.15 on the date of grant. In February 2010, as part of our annual equity program, we issued 2.5 million shares of restricted and deferred stock to eligible employees, and the market value per restricted or deferred share was $29.15 on the date of grant. During 2010, we issued an additional 1.0 million off-cycle shares of restricted and deferred stock at a weighted-average market value per restricted or deferred share of $29.57 on the date of grant, including shares issued to Cadbury employees under our annual equity program. In aggregate, we issued 5.8 million restricted and deferred shares during 2010, including those issued as part of our long-term incentive plan.

In January 2009, we granted 1.5 million shares of stock in connection with our long-term incentive plan, and the market value per share was $27.00 on the date of grant. In February 2009, as part of our annual equity program, we issued 4.1 million shares of restricted and deferred stock to eligible employees, and the market value per restricted or deferred share was $23.64 on the date of grant. We also issued 0.2 million off-cycle shares of restricted and deferred stock during 2009, and the weighted-average market value per restricted or deferred share was $25.55 on the date of grant.

In January 2008, we granted 1.4 million shares of stock in connection with our long-term incentive plan, and the market value per share was $32.26 on the date of grant. In February 2008, as part of our annual equity program, we issued 3.4 million shares of restricted and deferred stock to eligible employees, and the market value per restricted or deferred share was $29.49 on the date of grant. We also issued 0.2 million off-cycle shares of restricted and deferred stock during 2008, and the weighted-average market value per restricted or deferred share was $30.38 on the date of grant. The total number of restricted and deferred shares issued in 2008 was 5.0 million.

The weighted-average grant date fair value of restricted and deferred stock granted was $167 million, or $28.82 per restricted or deferred share, in 2010, $143 million, or $24.68 per restricted or deferred share, in 2009, and $151 million, or $30.38 per restricted or deferred share, in 2008. The vesting date fair value of restricted and deferred stock was $117 million in 2010, $153 million in 2009, and $196 million in 2008.

Note 11. Benefit Plans:

Pension Plans

Obligations and Funded Status:
The projected benefit obligations, plan assets and funded status of our pension plans at December 31, 2010 and 2009 were:

	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
	(in millions)			
Benefit obligation at January 1	$ 6,195	$ 6,133	$ 4,401	$ 3,211
Service cost	145	152	162	67
Interest cost	368	369	419	215
Benefits paid	(322)	(310)	(462)	(225)
Settlements paid	(244)	(187)	(49)	(14)
Curtailment gain	(23)	(168)	(3)	-
Actuarial losses	368	203	265	619
Acquisition	206	-	4,375	-
Currency	-	-	(164)	510
Other	10	3	(49)	18
Benefit obligation at December 31	6,703	6,195	8,895	4,401
Fair value of plan assets at January 1	5,496	4,386	3,397	2,618
Actual return on plan assets	671	1,180	624	400
Contributions	85	427	326	209
Benefits paid	(322)	(310)	(462)	(225)
Settlements paid	(244)	(187)	(49)	(14)
Acquisition	114	-	3,702	-
Currency	-	-	(84)	414
Other	-	-	(1)	(5)
Fair value of plan assets at December 31	5,800	5,496	7,453	3,397
Net pension liability recognized at December 31	$ (903)	$ (699)	$ (1,442)	$ (1,004)

Our projected benefit obligation decreased $23 million in 2010 due to the divestiture of our Frozen Pizza business and its effect on certain of our U.S. pension plans. In 2009, our projected benefit obligation decreased $168 million due to the freeze of certain of our U.S. pension plans.

The accumulated benefit obligation, which represents benefits earned to the measurement date, was $6,208 million at December 31, 2010 and $5,673 million at December 31, 2009 for the U.S. pension plans. The accumulated benefit obligation for the non-U.S. pension plans was $8,549 million at December 31, 2010 and $4,115 million at December 31, 2009.

The combined U.S. and non-U.S. pension plans resulted in a net pension liability of $2,345 million at December 31, 2010 and $1,703 million at December 31, 2009. We recognized these amounts in our consolidated balance sheets at December 31, 2010 and 2009 as follows:

	2010	2009
	(in millions)	
Prepaid pension assets	$ 86	$ 115
Other accrued liabilities	(49)	(53)
Accrued pension costs	(2,382)	(1,765)
	$ (2,345)	$ (1,703)

Certain of our U.S. and non-U.S. plans are underfunded and have accumulated benefit obligations in excess of plan assets. For these plans, the projected benefit obligations, accumulated benefit obligations and the fair value of plan assets at December 31, 2010 and 2009 were:

	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
	(in millions)			
Projected benefit obligation	$ 5,097	$ 4,666	$ 7,934	$ 3,703
Accumulated benefit obligation	4,627	4,166	7,668	3,478
Fair value of plan assets	4,156	3,932	6,471	2,629

We used the following weighted-average assumptions to determine our benefit obligations under the pension plans at December 31:

	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Discount rate	5.53%	5.93%	5.11%	5.21%
Expected rate of return on plan assets	7.95%	8.00%	6.77%	7.26%
Rate of compensation increase	4.00%	4.00%	3.68%	3.08%

Year-end discount rates for our U.S. and Canadian plans were developed from a model portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the benefit obligations. Year-end discount rates for our non-U.S. plans (other than Canadian plans) were developed from local bond indices that match local benefit obligations as closely as possible. Changes in our discount rates were primarily the result of changes in bond yields year-over-year. We determine our expected rate of return on plan assets from the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

Components of Net Pension Cost:
Net pension cost consisted of the following for the years ended December 31, 2010, 2009, and 2008:

	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
	(in millions)					
Service cost	$ 145	$ 152	$ 149	$ 162	$ 67	$ 91
Interest cost	368	369	371	419	215	222
Expected return on plan assets	(490)	(486)	(526)	(467)	(242)	(285)
Amortization:						
Net loss from experience differences	170	160	85	77	23	31
Prior service cost	6	6	7	7	6	7
Other expenses	123	112	74	11	8	16
Net pension cost	$ 322	$ 313	$ 160	$ 209	$ 77	$ 82

A significant portion of the 2010 increase in non-U.S. net periodic pension cost related to the Cadbury acquisition. The following costs are included within other expenses above. Severance payments related to our Cost Savings Initiatives and Restructuring Program, and retired employees who elected lump-sum payments resulted in settlement losses for our U.S. plans of $118 million in 2010, $107 million in 2009, and $74 million in 2008. In addition, we incurred a $5 million curtailment charge in 2010 related to the divestiture of our Frozen Pizza business. Non-U.S. plant closures and early retirement benefits resulted in curtailment and settlement losses of $11 million in 2010, $8 million in 2009, and $16 million in 2008.

For the U.S. plans, we determine the expected return on plan assets component of net periodic benefit cost using a calculated market return value that recognizes the cost over a four year period. For our non-U.S. plans, we utilize a similar approach with varying cost recognition periods for some plans, and with others, we determine the expected return on plan assets based on asset fair values as of the measurement date.

As of December 31, 2010, for the combined U.S. and non-U.S. pension plans, we expected to amortize from accumulated other comprehensive earnings / (losses) into net periodic pension cost during 2011:

- an estimated $318 million of net loss from experience differences; and
- an estimated $7 million of prior service cost.

We used the following weighted-average assumptions to determine our net pension cost for the years ended December 31:

	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	5.85%	6.10%	6.30%	5.21%	6.41%	5.44%
Expected rate of return on plan assets	7.99%	8.00%	8.00%	6.68%	7.25%	7.43%
Rate of compensation increase	3.98%	4.00%	4.00%	3.59%	3.09%	3.13%

Plan Assets:
The fair value of pension plan assets at December 31, 2010 was determined using:

Asset Category	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
U.S. equity securities	$ 280	$ 276	$ 4	$ -
Non-U.S. equity securities	1,915	1,912	3	-
Pooled funds - equity securities	4,971	281	4,690	-
Total equity securities	7,166	2,469	4,697	-
Government bonds	1,405	731	674	-
Pooled funds - fixed income securities	1,893	52	1,841	-
Corporate bonds and other fixed income securities	1,749	5	993	751
Total fixed income securities	5,047	788	3,508	751
Real estate	343	86	7	250
Other	542	155	11	376
Total	$ 13,098	$ 3,498	$ 8,223	$ 1,377

The fair value of pension plan assets at December 31, 2009 was determined using:

Asset Category	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
U.S. equity securities	$ 289	$ 289	$ -	$ -
Non-U.S. equity securities	1,991	1,988	2	1
Pooled funds - equity securities	3,014	-	3,014	-
Total equity securities	5,294	2,277	3,016	1
Government bonds	1,037	931	106	-
Pooled funds - fixed income securities	945	-	945	-
Corporate bonds and other fixed income securities	988	54	932	2
Total fixed income securities	2,970	985	1,983	2
Real estate	131	22	109	-
Other	326	322	2	2
Total	$ 8,721	$ 3,606	$ 5,110	$ 5

We excluded plan assets of $155 million at December 31, 2010 and $172 million at December 31, 2009 from the above tables related to certain insurance contracts as they are reported at contract value, in accordance with authoritative guidance. U.S. and non-U.S. equity securities and government bonds are primarily classified as level one and are valued using quoted prices in active markets. Corporate bonds and other fixed income securities are primarily classified as level two and are valued using independent observable market inputs, such as matrix pricing, yield curves and indices. Pooled funds, including assets in real estate pooled funds, are primarily classified as level two and are valued using net asset values of participation units held in common collective trusts, as reported by the managers of the trusts and as supported by the unit prices of actual purchase and sale transactions. Level three assets are valued using unobservable inputs that reflect the plans' assumptions that market participants would use in pricing the assets, based on the best information available. Fair value estimates are calculated by the general partners for limited partnership and private equity investments using the market approach to estimate the fair value of private investments. The market approach utilizes prices and other relevant information generated by market transactions, type of security, degree of liquidity, restrictions on the disposition, latest round of financing data, company financial statements, relevant valuation multiples and discounted cash flow analyses. Fair value estimates are calculated for real estate investments by the investment managers using the present value of future cash flows expected to be received from the investments, based on valuation methodologies such as appraisals, local market conditions, and current and projected operating performance. Fair value estimates are calculated for investments in hedge fund-of-funds by the investment managers using the net asset value per share of the investment as reported by the money managers of the underlying funds. Fair value estimates are calculated for insurance contracts based on the future stream of benefit payments discounted using prevailing interest rates based on the valuation date.

Below is a rollforward of our Level 3 assets for the year ended December 31, 2010.

Asset Category	January 1, 2010 Balance	Net Realized and Unrealized Gains/(Losses)	Net Purchases, Issuances and Settlements	Net Transfers Into/(Out of) Level 3	Currency Impact Level 3	December 31, 2010 Balance
			(in millions)			
Non-U.S. equity securities	$ 1	$ -	$ (1)	$ -	$ -	$ -
Corporate bond and other fixed income securities	2	23	(44)	789	(19)	751
Real Estate	-	34	(1)	220	(3)	250
Other	2	29	12	341	(8)	376
Total Level 3 investments	5	86	(34)	1,350	(30)	1,377

The increases in Level 3 pension plan investments from December 31, 2009 were due to our Cadbury acquisition and the types of investments we acquired in those plans. A rollforward of our Level 3 assets for 2009 was omitted as their value was insignificant to the total overall pension plan assets.

The percentage of fair value of pension plan assets at December 31, 2010 and 2009 was:

	U.S. Plans		Non-U.S. Plans	
Asset Category	2010	2009	2010	2009
Equity securities	69%	68%	41%	50%
Fixed-income securities	31%	28%	47%	43%
Real estate	-	-	5%	4%
Other	-	4%	7%	3%
Total	100%	100%	100%	100%

Our investment strategy is based on our expectation that equity securities will outperform fixed-income securities over the long term. Accordingly, approximately 70% of our U.S. plan assets are in equity securities and approximately 30% are in fixed-income securities. The strategy uses indexed U.S. equity securities, actively managed and indexed international equity securities and actively managed and indexed U.S. and international investment grade fixed-income securities (which constitute 90% or more of fixed-income securities) with lesser allocations to high yield fixed-income securities. The other asset balance of our non-U.S. plans at December 31, 2010 primarily related to $374 million in hedge funds and private equity investments and $150 million in cash accounts held across various investment managers.

For the plans outside the U.S., the investment strategy is subject to local regulations and the asset / liability profiles of the plans in each individual country. These specific circumstances result in a level of equity exposure that is typically less than the U.S. plans. In aggregate, the asset allocation targets of our non-U.S. plans are broadly characterized as a mix of 41% equity securities, 46% fixed-income securities and 13% real estate / other.

We attempt to maintain our target asset allocation by rebalancing between asset classes as we make contributions and monthly benefit payments.

Employer Contributions:
In 2010, we contributed $85 million to our U.S. pension plans and $303 million to our non-U.S. pension plans. In addition, employees contributed $23 million to our non-U.S. plans. We make contributions to our U.S. and non-U.S. pension plans, primarily, to the extent that they are tax deductible and do not generate an excise tax liability. Based on current tax law, we plan to make contributions of approximately $540 million to our U.S. plans and approximately $400 million to our non-U.S. plans in 2011. Of our total 2011 pension contributions, approximately $510 million will be voluntary. However, our actual contributions may be different due to many factors, including changes in tax and other benefit laws, or significant differences between expected and actual pension asset performance or interest rates.

Future Benefit Payments:
The estimated future benefit payments from our pension plans at December 31, 2010 were:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
2011	$ 484	$ 449
2012	454	461
2013	459	471
2014	450	479
2015	470	499
2016-2020	2,722	2,726

Other Costs:
We sponsor and contribute to employee savings plans. These plans cover eligible salaried, non-union and union employees. Our contributions and costs are determined by the matching of employee contributions, as defined by the plans. Amounts charged to expense for defined contribution plans totaled $104 million in 2010, $94 million in 2009, and $93 million in 2008.

We also made contributions to multiemployer pension plans totaling $30 million in 2010, $29 million in 2009, and $27 million in 2008.

Postretirement Benefit Plans

Obligations:
Our postretirement health care plans are not funded. The changes in the accrued benefit obligation and net amount accrued at December 31, 2010 and 2009 were:

	2010	2009
	(in millions)	
Accrued postretirement benefit obligation at January 1	$ 3,032	$ 2,899
Service cost	39	35
Interest cost	172	174
Benefits paid	(213)	(210)
Plan amendments	(7)	-
Currency	10	25
Assumption changes	147	157
Actuarial losses / (gains)	42	(48)
Acquisition	41	-
Accrued postretirement health care costs at December 31	$ 3,263	$ 3,032

The current portion of our accrued postretirement health care costs of $217 million at December 31, 2010 and $216 million at December 31, 2009 was included in other accrued liabilities.

We used the following weighted-average assumptions to determine our postretirement benefit obligations at December 31:

	U.S. Plans		Non-U.S. Plans	
	2010	2009	2010	2009
Discount rate	5.30%	5.70%	5.02%	5.25%
Health care cost trend rate assumed for next year	7.50%	7.00%	8.83%	9.00%
Ultimate trend rate	5.00%	5.00%	6.00%	6.00%
Year that the rate reaches the ultimate trend rate	2016	2014	2017	2016

Year-end discount rates for our U.S. and Canadian plans were developed from a model portfolio of high quality, fixed-income debt instruments with durations that match the expected future cash flows of the benefit obligations. Year-end discount rates for our non-U.S. plans (other than Canadian plans) were developed from local bond indices that match local benefit obligations as closely as possible. Changes in our discount rates were primarily the result of changes in bond yields year-over-year. Our expected health care cost trend rate is based on historical costs.

Assumed health care cost trend rates have a significant impact on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects as of December 31, 2010:

	One-Percentage-Point	
	Increase	Decrease
Effect on total of service and interest cost	12.7%	(10.4%)
Effect on postretirement benefit obligation	10.5%	(8.8%)

Components of Net Postretirement Health Care Costs:
Net postretirement health care costs consisted of the following for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(in millions)	
Service cost	$ 39	$ 35	$ 44
Interest cost	172	174	183
Amortization:			
Net loss from experience differences	55	44	55
Prior service credit	(32)	(32)	(28)
Other expense	-	-	-
Net postretirement health care costs	$ 234	$ 221	$ 254

As of December 31, 2010, we expected to amortize from accumulated other comprehensive earnings / (losses) into net postretirement health care costs during 2011:

- an estimated $64 million of net loss from experience differences; and
- an estimated $31 million of prior service credit.

We used the following weighted-average assumptions to determine our net postretirement cost for the years ended December 31:

	U.S. Plans			Non-U.S. Plans		
	2010	2009	2008	2010	2009	2008
Discount rate	5.70%	6.10%	6.10%	5.28%	7.60%	5.80%
Health care cost trend rate	7.00%	7.00%	7.50%	8.79%	9.00%	9.00%

Future Benefit Payments:
Our estimated future benefit payments for our postretirement health care plans at December 31, 2010 were:

	U.S. Plans	Non-U.S. Plans
	(in millions)	
2011	$ 207	$ 12
2012	207	12
2013	208	13
2014	210	13
2015	210	14
2016-2020	1,037	76

Other Costs:
We made contributions to multiemployer medical plans totaling $35 million, $35 million in 2009, and $33 million in 2008.

Postemployment Benefit Plans

Obligations:
Our postemployment plans are not funded. The changes in the benefit obligations of the plans and net amount accrued at December 31, 2010 and 2009 were:

	2010	2009
	(in millions)	
Accrued benefit obligation at January 1	$ 116	$ 115
Service cost	9	8
Interest cost	10	8
Severance	-	-
Benefits paid	(24)	(35)
Assumption changes	(8)	26
Actuarial gains	(12)	(7)
Acquisition	49	-
Currency	-	1
Accrued postemployment costs at December 31	$ 140	$ 116

The accrued postemployment costs exclude severance costs related to other Cost Savings Initiatives of $280 million in 2010 and $430 million in 2009. The accrued benefit obligation was determined using a weighted-average discount rate of 6.3% in 2010 and 6.5% in 2009, an assumed ultimate annual turnover rate of 0.5% in 2010 and 2009, assumed compensation cost increases of 4.0% in 2010 and 2009, and assumed benefits as defined in the respective plans. Postemployment costs arising from actions that offer employees benefits in excess of those specified in the respective plans are charged to expense when incurred.

Components of Net Postemployment Costs:
Net postemployment costs consisted of the following for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(in millions)	
Service cost	$ 9	$ 8	$ 6
Interest cost	10	8	7
Amortization of net (gains) / losses	(2)	2	(2)
Net postemployment costs	$ 17	$ 18	$ 11

The net postemployment costs exclude severance costs related to other Cost Savings Initiatives of $25 million in 2010 and $125 million in 2009. As of December 31, 2010, the estimated net gain for the postemployment benefit plans that we expected to amortize from accumulated other comprehensive earnings / (losses) into net postemployment costs during 2011 was insignificant.

Note 12. Financial Instruments:

Fair Value of Derivative Instruments:
The fair values of derivative instruments recorded in the consolidated balance sheet as of December 31, 2010 and 2009 were:

	December 31, 2010		December 31, 2009	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 24	$ 115	$ 8	$ 158
Commodity contracts	74	5	25	14
Interest rate contracts	58	13	153	-
	$ 156	$ 133	$ 186	$ 172
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	$ 21	$ 48	$ 2	$ -
Commodity contracts	202	114	71	62
Interest rate contracts	59	21	-	-
	$ 282	$ 183	$ 73	$ 62
Total fair value	$ 438	$ 316	$ 259	$ 234

The majority of the increase in derivatives not designated as hedging instruments was a result of the Cadbury acquisition as we did not re-designate them for hedge accounting. We include the fair value of our asset derivatives within other current assets and the fair value of our liability derivatives within other current liabilities.

The fair values (asset / (liability)) of our derivative instruments at December 31, 2010 were determined using:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in millions)		
Foreign exchange contracts	$ (118)	$ -	$ (118)	$ -
Commodity contracts	157	129	28	-
Interest rate contracts	83	-	83	-
Total derivatives	$ 122	$ 129	$ (7)	$ -

The fair values (asset / (liability)) of our derivative instruments at December 31, 2009 were determined using:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in millions)		
Foreign exchange contracts	$ (148)	$ -	$ (148)	$ -
Commodity contracts	20	11	8	1
Interest rate contracts	153	-	153	-
Total derivatives	$ 25	$ 11	$ 13	$ 1

Level 2 financial assets and liabilities consist of commodity forwards; foreign exchange forwards, currency swaps, and options; and interest rate swaps.

Commodity derivatives are valued using an income approach based on the observable market commodity index prices less the contract rate multiplied by the notional amount. Foreign currency contracts are valued using an income approach based on observable market forward rates less the contract rate multiplied by the notional amount.

Our calculation of the fair value of interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the observable market interest rate curve. Our calculation of the fair value of financial instruments takes into consideration the risk of nonperformance, including counterparty credit risk.

Cash Flow Hedges:
Cash flow hedges affected accumulated other comprehensive earnings / (losses), net of income taxes, as follows:

	2010	2009 (in millions)	2008
Accumulated gain / (loss) at beginning of period	$ 101	$ (23)	$ 27
Transfer of realized (gains) / losses in fair value to earnings	(25)	111	26
Unrealized gain / (loss) in fair value	3	13	(76)
Accumulated gain / (loss) at December 31	$ 79	$ 101	$ (23)

The effect of cash flow hedges for the years ended December 31, 2010 and 2009 was:

	2010		2009	
	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings
	(in millions)		(in millions)	
Foreign exchange contracts - intercompany loans	$ 2	$ (10)	$ (12)	$ -
Foreign exchange contracts - forecasted transactions	17	(1)	(40)	(27)
Commodity contracts	74	(15)	(27)	138
Interest rate contracts	(90)	1	92	-
Total	$ 3	$ (25)	$ 13	$ 111

	2010		2009	
	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
	(in millions)		(in millions)	
Foreign exchange contracts - intercompany loans	$ -	$ -	$ -	$ -
Foreign exchange contracts - forecasted transactions	-	-	-	-
Commodity contracts	(6)	3	12	1
Interest rate contracts	-	-	-	-
Total	$ (6)	$ 3	$ 12	$ 1

We record (i) the gain or loss reclassified from accumulated other comprehensive earnings / (losses) into earnings, (ii) the gain or loss on ineffectiveness, and (iii) the gain or loss on the amount excluded from effectiveness testing in:

- cost of sales for commodity contracts;
- cost of sales or selling, general and administrative expenses for foreign exchange contracts related to forecasted transactions, depending on the type of transaction; and
- interest and other expense, net for interest rate contracts and foreign exchange contracts related to intercompany loans.

We expected to transfer unrealized gains of $52 million (net of taxes) for commodity cash flow hedges and unrealized gains of $16 million (net of taxes) for foreign currency cash flow hedges and unrealized losses of $1 million (net of taxes) for interest rate cash flow hedges to earnings during the next 12 months.

Hedge Coverage:
As of December 31, 2010, we had hedged forecasted transactions for the following durations:

- commodity transactions for periods not exceeding the next 17 months;
- interest rate transactions for periods not exceeding the next 32 years and 4 months; and
- foreign currency transactions for periods not exceeding the next 13 months.

Fair Value Hedges:
The effect of fair value hedges for the years ended December 31, 2010 and 2009 was:

	2010		2009	
	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings
	(in millions)		(in millions)	
Interest rate contracts	$ 1	$ (1)	$ 7	$ (7)

We include the gain or loss on hedged long-term debt and the offsetting loss or gain on the related interest rate swap in interest and other expense, net.

Hedges of Net Investments in Foreign Operations:
The effect of hedges of net investments in foreign operations for the years ended December 31, 2010 and 2009 was:

	2010		2009	
	Gain / (Loss) Recognized in OCI	Location of Gain / (Loss) Recorded in AOCI	Gain / (Loss) Recognized in OCI	Location of Gain / (Loss) Recorded in AOCI
	(in millions)		(in millions)	
Euro notes	$ 170	Currency Translation Adjustment	$ (65)	Currency Translation Adjustment
Pound sterling notes	7		-	

Economic Hedges:
The effect of economic hedges, derivatives that are not designated as hedging instruments, for the years ended December 31, 2010 and 2009 was:

	2010 Gain / (Loss) Recognized in Earnings	2009 Gain / (Loss) Recognized in Earnings	Location of Gain / (Loss) Recognized in Earnings
		(in millions)	
Foreign exchange contracts:			
Intercompany loans and forecasted interest payments	$ 28	$ (10)	Interest expense
Forecasted transactions	(11)	(10)	Cost of sales
Forecasted transactions	(17)	-	Interest expense
Cadbury acquisition related	(395)	-	Interest expense
Interest rate contracts	4	-	Interest expense
Commodity contracts	126	37	Cost of sales
Total	$ (265)	$ 17	

The hedging losses related to the Cadbury acquisition were economically offset by foreign exchange movement net gains of $240 million on the pound sterling cash, Cadbury Bridge Facility and payable balances associated with the acquisition. For commodity contracts not designated as hedging instruments, the impact to earnings was insignificant in 2008. For foreign exchange contracts not designated as hedging instruments, we recognized net losses of $50 million in 2008. The majority of these losses were attributable to hedges of intercompany loans and were economically offset with foreign currency gains from the intercompany receivable.

Volume:
As of December 31, 2010 and 2009, we had the following notional amounts of outstanding hedges:

	2010	2009
	(in millions)	
Foreign exchange contracts:		
Intercompany loans and forecasted interest payments	$ 2,183	$ 1,376
Forecasted transactions	1,946	631
Commodity contracts	630	1,832
Interest rate contracts	5,167	2,350
Net investment hedge - euro notes	3,814	4,081
Net investment hedge - pound sterling notes	1,015	-

Note 13. Commitments and Contingencies:

Legal Proceedings:
We routinely are involved in legal proceedings, claims, and governmental inspections or investigations, arising in the ordinary course of our business.

On February 1, 2011, we received a subpoena from the SEC. The subpoena, issued in connection with an investigation under the Foreign Corrupt Practices Act, primarily relates to a Cadbury facility in India that we acquired in the Cadbury acquisition and primarily requests information regarding dealings with Indian governmental agencies and officials to obtain approvals related to the operation of that facility. We are cooperating with the U.S. government in its investigation of these matters.

While we cannot predict with certainty the results of this or any other legal matters in which we are currently involved, we do not expect that the ultimate costs to resolve any of these matters will have a material effect on our financial results.

In 2010, we recorded an insignificant amount of legal charges. In 2009, we recorded $50 million of charges for legal matters related to certain of our European operations.

Third-Party Guarantees:
We have third-party guarantees primarily covering the long-term obligations of our vendors. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At December 31, 2010, the carrying amount of our third-party guarantees on our consolidated balance sheet and the maximum potential payment under these guarantees was $26 million. Substantially all of these guarantees expire at various times through 2018.

Leases:
Rental expenses were $514 million in 2010, $505 million in 2009, and $505 million in 2008. As of December 31, 2010, minimum rental commitments under non-cancelable operating leases in effect at year-end were (in millions):

2011	$ 470
2012	324
2013	225
2014	169
2015	130
Thereafter	244

Note 14. Income Taxes:

Earnings from continuing operations before income taxes and the provision for income taxes consisted of the following for the years ended December 31, 2010, 2009, and 2008:

	2010	2009	2008
		(in millions)	
Earnings from continuing operations before income taxes:			
United States	$ 1,071	$ 2,047	$ 1,136
Outside United States	2,571	1,899	1,200
Total	$ 3,642	$ 3,946	$ 2,336
Provision for income taxes:			
United States federal:			
Current	$ 91	$ 335	$ 321
Deferred	322	108	(12)
	413	443	309
State and local:			
Current	47	82	52
Deferred	61	(39)	(21)
	108	43	31
Total United States	521	486	340
Outside United States:			
Current	763	681	490
Deferred	(137)	(31)	(172)
Total outside United States	626	650	318
Total provision for income taxes	$ 1,147	$ 1,136	$ 658

The 2010 earnings and gain from discontinued operations from the sale of the Frozen Pizza business included tax expense of $1.2 billion. Additionally, the 2008 earnings and gain from discontinued operations from the split-off of the *Post* cereals business included a net tax benefit of $104 million.

As of January 1, 2010, our unrecognized tax benefits were $829 million. If we had recognized all of these benefits, the net impact on our income tax provision would have been $661 million. Our unrecognized tax benefits were $1,281 million at December 31, 2010, and if we had recognized all of these benefits, the net impact on our income tax provision would have been $1,062 million. The amount of unrecognized tax benefits could decrease by approximately $50 million during the next 12 months due to the potential resolution of certain foreign, U.S. federal and state examinations. Furthermore, we recorded $357 million of unrecognized tax benefits and $47 million of accrued interest and penalties as part of our purchase price allocations for Cadbury. We include accrued interest and penalties related to uncertain tax positions in our tax provision. We had accrued interest and penalties of $210 million as of January 1, 2010 and $246 million as of December 31, 2010. Our 2010 provision for income taxes included a $3 million net benefit for interest and penalties as reversals exceeded expense accruals during the year, due to the resolution of a federal tax audit, settlements with various foreign and state tax authorities and the expiration of the statutes of limitations in various jurisdictions. We also paid interest and penalties of $11 million during 2010.

The changes in our unrecognized tax benefits for the years ended December 31, 2010, 2009 and 2008 were (in millions):

	2010	2009	2008
January 1	$ 829	$ 807	$ 850
Increases from positions taken during prior periods	49	90	17
Decreases from positions taken during prior periods	(146)	(205)	(90)
Increases from positions taken during the current period	229	146	98
(Decreases) / increases from acquisition adjustments	357	-	(22)
Decreases relating to settlements with taxing authorities	(19)	(26)	(8)
Reductions resulting from the lapse of the applicable statute of limitations	(10)	(14)	(13)
Currency / other	(8)	31	(25)
December 31	$ 1,281	$ 829	$ 807

We are regularly examined by federal and various state and foreign tax authorities. The U.S. federal statute of limitations remains open for the year 2004 and onward. During 2010, we reached a final resolution on a federal tax audit for the years 2000 through 2003. In addition, we are currently under examination by tax authorities in various U.S. state and foreign jurisdictions. U.S. state and foreign jurisdictions have statutes of limitations generally ranging from three to five years. Years still open to examination by foreign tax authorities in major jurisdictions include Australia (2008 onward), Brazil (2005 onward), Canada (2003 onward), France (2006 onward), Germany (1999 onward), India (2003 onward), Russia (2004 onward), Spain (2002 onward), and United Kingdom (2006 onward).

At December 31, 2010, applicable U.S. federal income taxes and foreign withholding taxes had not been provided on approximately $8.4 billion of accumulated earnings of foreign subsidiaries that are expected to be permanently reinvested. It is impractical for us to determine the amount of unrecognized deferred tax liabilities on these permanently reinvested earnings.

The effective income tax rate on pre-tax earnings differed from the U.S. federal statutory rate for the following reasons for the years ended December 31, 2010, 2009 and 2008:

	2010	2009 (2009 & 2008 revised)	2008
U.S. federal statutory rate	35.0%	35.0%	35.0%
Increase / (decrease) resulting from:			
State and local income taxes, net of federal tax benefit excluding IRS audit impacts	1.9%	1.9%	2.7%
Benefit principally related to reversal of federal and state reserves on IRS audit settlements	(2.3%)	(3.1%)	-
Reversal of other tax accruals no longer required	(0.5%)	(0.4%)	(1.8%)
U.S. Health Care Legislation	3.8%	-	-
Foreign rate differences	(6.0%)	(2.2%)	(5.7%)
Other	(0.4%)	(2.4%)	(2.0%)
Effective tax rate	31.5%	28.8%	28.2%

Our 2010 effective tax rate included net tax benefits of $123 million, primarily due to the favorable resolution of a federal tax audit and the resolution of several items in our international operations, partially offset by a $137 million write-off of deferred tax assets as a result of the U.S. health care legislation enacted in March 2010.

Our 2009 effective tax rate included net tax benefits of $225 million, primarily due to an agreement we reached with the IRS on specific matters related to years 2000 through 2003, settlements with various foreign and state tax authorities, the expiration of the statutes of limitations in various jurisdictions and the divestiture of our *Balance* bar operations in the U.S.

Our 2008 effective tax rate included net tax benefits of $222 million from discrete tax events. Of the total net tax benefits, approximately $50 million related to fourth quarter corrections of state, federal and foreign tax liabilities and a third quarter reconciliation of our inventory of deferred tax items that resulted in a write-down of our net deferred tax liabilities. The remaining net tax benefits primarily related to the resolution of various tax audits and the expiration of statutes of limitations in various jurisdictions. Other discrete tax benefits included the impact from divestitures of a

Nordic and Baltic snacks operation and several operations in Spain and the tax benefit from impairment charges taken in 2008. In addition, the 2008 tax rate benefited from foreign earnings taxed below the U.S. federal statutory tax rate and from the expected tax benefit of 2008 restructuring expenses. These benefits were only partially offset by state tax expense and certain foreign costs.

The tax effects of temporary differences that gave rise to deferred income tax assets and liabilities consisted of the following at December 31, 2010 and 2009:

	2010	2009
	(in millions)	
Deferred income tax assets:		
Accrued postretirement and postemployment benefits	$ 1,103	$ 1,472
Accrued pension costs	458	456
Other	2,064	1,997
Total deferred income tax assets	3,625	3,925
Valuation allowance	(400)	(97)
Net deferred income tax assets	$ 3,225	$ 3,828
Deferred income tax liabilities:		
Trade names	$ (7,606)	$ (4,431)
Property, plant and equipment	(1,845)	(2,029)
Other	(611)	(1,055)
Total deferred income tax liabilities	(10,062)	(7,515)
Net deferred income tax liabilities	$ (6,837)	$ (3,687)

The majority of the increase in valuation allowances on deferred tax assets was a result of our Cadbury acquisition. Our significant allowances reside within our operating subsidiaries in Ireland, Brazil, China, U.S., Nigeria and Japan.

Note 15. Earnings Per Share:

Basic and diluted EPS from continuing and discontinued operations were calculated using the following:

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions, except per share data; 2009 & 2008 revised)		
Earnings from continuing operations	$ 2,495	$ 2,810	$ 1,678
Earnings and gain from discontinued operations, net of income taxes	1,644	218	1,215
Net earnings	4,139	3,028	2,893
Noncontrolling interest	25	7	9
Net earnings attributable to Kraft Foods	$ 4,114	$ 3,021	$ 2,884
Weighted-average shares for basic EPS	1,715	1,478	1,505
Plus incremental shares from assumed conversions of stock options and long-term incentive plan shares	5	8	10
Weighted-average shares for diluted EPS	1,720	1,486	1,515
Basic earnings per share attributable to Kraft Foods:			
Continuing operations	$ 1.44	$ 1.90	$ 1.11
Discontinued operations	0.96	0.14	0.81
Net earnings attributable to Kraft Foods	$ 2.40	$ 2.04	$ 1.92
Diluted earnings per share attributable to Kraft Foods:			
Continuing operations	$ 1.44	$ 1.89	$ 1.10
Discontinued operations	0.95	0.14	0.80
Net earnings attributable to Kraft Foods	$ 2.39	$ 2.03	$ 1.90

We exclude antidilutive Kraft Foods stock options from our calculation of weighted-average shares for diluted EPS. We excluded 28.5 million antidilutive options for the year ended December 31, 2010, 23.0 million antidilutive options for the year ended December 31, 2009 and 11.3 million antidilutive options for the year ended December 31, 2008.

Note 16. Segment Reporting:

We manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We manage and report operating results through three geographic units: Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. We manage the operations of Kraft Foods North America and Kraft Foods Europe by product category, and we manage the operations of Kraft Foods Developing Markets by location. Our reportable segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets. The results of operations from our Cadbury acquisition are reflected within our U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets segments.

Management uses segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of our U.S. pension plan cost (which is a component of cost of sales and selling, general and administrative expenses), general corporate expenses (which are a component of selling, general and administrative expenses) and amortization of intangibles for all periods presented. We exclude certain components of our U.S. pension plan cost from segment operating income because we centrally manage pension plan funding decisions and the determination of discount rate, expected rate of return on plan assets and other actuarial assumptions. Therefore, we allocate only the service cost component of our U.S. pension plan expense to segment operating income. We exclude the unrealized gains and losses on hedging activities from segment operating income in order to provide better transparency of our segment operating results. Once realized, the gains and losses on hedging activities are recorded within segment operating results. Furthermore, we centrally manage interest and other expense, net. Accordingly, we do not present these items by segment because they are excluded from the segment profitability measure that management reviews. We use the same accounting policies for the segments as those described in Note 1, *Summary of Significant Accounting Policies*.

Segment data were:

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Net revenues:			
Kraft Foods North America:			
U.S. Beverages	$ 3,212	$ 3,057	$ 3,001
U.S. Cheese	3,528	3,605	4,007
U.S. Convenient Meals	3,131	3,029	2,947
U.S. Grocery	3,398	3,453	3,389
U.S. Snacks	6,001	4,964	5,025
Canada & N.A. Foodservice	4,696	3,922	4,147
Kraft Foods Europe	11,628	8,768	9,728
Kraft Foods Developing Markets	13,613	7,956	8,248
Net revenues	$ 49,207	$ 38,754	$ 40,492

	For the Years Ended December 31, 2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Earnings from continuing operations before income taxes:			
Operating income:			
Kraft Foods North America:			
U.S. Beverages	$ 564	$ 511	$ 381
U.S. Cheese	598	667	563
U.S. Convenient Meals	268	234	125
U.S. Grocery	1,164	1,146	1,009
U.S. Snacks	845	723	638
Canada & N.A. Foodservice	582	462	395
Kraft Foods Europe	1,115	785	182
Kraft Foods Developing Markets	1,577	936	815
Unrealized gains / (losses) on hedging activities	67	203	(205)
Certain U.S. pension plan costs	(179)	(165)	-
General corporate expenses	(724)	(293)	(304)
Amortization of intangibles	(211)	(26)	(23)
Operating income	5,666	5,183	3,576
Interest and other expense, net	(2,024)	(1,237)	(1,240)
Earnings from continuing operations before income taxes	$ 3,642	$ 3,946	$ 2,336

Our largest customer, Wal-Mart Stores, Inc. and its affiliates, accounted for approximately 14% of consolidated net revenues in 2010, 16% in 2009 and 16% in 2008. These net revenues occurred primarily in the Kraft Foods North America segment.

In 2010, the change in unrealized gains on hedging activities of $67 million primarily resulted from gains associated with commodity hedging activities. In 2009, the change in unrealized gains on hedging activities of $203 million primarily resulted from the 2008 unrealized losses on energy derivatives becoming realized in 2009 and therefore, included in segment operating income. In 2008, the change in unrealized losses on hedging activities of $205 million primarily related to energy derivatives, including heating oil (used primarily to hedge transportation costs) and natural gas contracts.

The 2010 increase in general corporate expenses was primarily due to acquisition-related transaction fees, Integration Program costs and the impact of Cadbury's corporate charges. We incurred acquisition-related transaction fees of $218 million in 2010 and $40 million in 2009. We recorded these charges in operations as part of general corporate expenses. In 2009, general corporate expenses included $50 million of charges for legal matters related to certain of our European operations. In 2008, we recorded $72 million in charges for legal matters related to certain of our U.S. and European operations, including U.S. coffee operations and represented the primary reason general corporate expenses increased $101 million in 2008.

As described in Note 2, *Acquisitions and Divestitures*, we divested several operations, and recorded net gains / (losses) on these divestitures in segment operating income as follows:

	For the Years Ended December 31, 2010	2009	2008
		(in millions)	
Kraft Foods North America:			
U.S. Beverages	$ -	$ -	$ (1)
U.S. Cheese	(6)	-	-
U.S. Convenient Meals	-	-	-
U.S. Grocery	-	-	-
U.S. Snacks	-	11	-
Canada & N.A. Foodservice	-	-	-
Kraft Foods Europe	-	(17)	(91)
Kraft Foods Developing Markets	-	-	-
Gains / (losses) on divestitures, net	$ (6)	$ (6)	$ (92)

Total assets, depreciation expense and capital expenditures by segment were:

	2010	2009
	(in millions)	
Total assets:		
Kraft Foods North America:		
U.S. Beverages	$ 2,513	$ 2,382
U.S. Cheese	4,633	4,589
U.S. Convenient Meals	2,064	3,063
U.S. Grocery	5,574	5,565
U.S. Snacks	20,895	16,418
Canada & N.A. Foodservice	7,207	5,051
Kraft Foods Europe	24,261	16,073
Kraft Foods Developing Markets	25,738	11,087
Unallocated assets (1)	2,404	2,486
Total assets	$ 95,289	$ 66,714

(1) Unallocated assets consist primarily of cash and cash equivalents, deferred income taxes, centrally held property, plant and equipment, prepaid pension assets and derivative financial instrument balances.

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Depreciation expense:			
Kraft Foods North America:			
U.S. Beverages	$ 73	$ 69	$ 68
U.S. Cheese	67	66	66
U.S. Convenient Meals	61	67	62
U.S. Grocery	88	82	78
U.S. Snacks	139	127	129
Canada & N.A. Foodservice	110	83	93
Kraft Foods Europe	355	237	265
Kraft Foods Developing Markets	320	157	160
Total - continuing operations	1,213	888	921
Discontinued operations	16	17	42
Total depreciation expense	$ 1,229	$ 905	$ 963

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions)		
Capital expenditures:			
Kraft Foods North America:			
U.S. Beverages	$ 88	$ 82	$ 110
U.S. Cheese	88	72	97
U.S. Convenient Meals	109	135	143
U.S. Grocery	76	85	87
U.S. Snacks	245	190	122
Canada & N.A. Foodservice	112	94	98
Kraft Foods Europe	334	292	285
Kraft Foods Developing Markets	607	319	368
Total - continuing operations	1,659	1,269	1,310
Discontinued operations	2	61	57
Total capital expenditures	$ 1,661	$ 1,330	$ 1,367

Net revenues by consumer sector, which reflects *Kraft* macaroni and cheese dinners in the Convenient Meals sector and separates Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets into sector components, were:

	For the Year Ended December 31, 2010			
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	Total
	(in millions)			
Biscuits [1]	$ 5,646	$ 2,322	$ 2,815	$ 10,783
Confectionery [1]	1,807	5,224	6,657	13,688
Beverages	3,742	2,522	2,536	8,800
Cheese	5,090	982	904	6,976
Grocery	3,088	334	579	4,001
Convenient Meals	4,593	244	122	4,959
Total net revenues	$ 23,966	$ 11,628	$ 13,613	$ 49,207

	For the Year Ended December 31, 2009			
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	Total
	(in millions; as revised)			
Biscuits [1]	$ 5,628	$ 2,330	$ 2,446	$ 10,404
Confectionery [1]	301	2,446	1,891	4,638
Beverages	3,545	2,390	2,094	8,029
Cheese	4,980	972	844	6,796
Grocery	3,136	369	566	4,071
Convenient Meals	4,440	261	115	4,816
Total net revenues	$ 22,030	$ 8,768	$ 7,956	$ 38,754

	For the Year Ended December 31, 2008			
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	Total
	(in millions; as revised)			
Biscuits [1]	$ 5,659	$ 2,706	$ 2,592	$ 10,957
Confectionery [1]	292	2,585	2,076	4,953
Beverages	3,509	2,625	2,081	8,215
Cheese	5,525	1,109	828	7,462
Grocery	3,211	394	567	4,172
Convenient Meals	4,320	309	104	4,733
Total net revenues	$ 22,516	$ 9,728	$ 8,248	$ 40,492

(1) We previously reported Biscuits and Confectionery combined as Snacks. With the Cadbury acquisition, the Biscuits and Confectionery sectors have been broken out separately. The Biscuits sector primarily includes Cookies, Crackers and Salted Snacks. The Confectionery sector primarily includes Chocolate, Gum and Candy.

Geographic data for net revenues, long-lived assets and total assets were:

	For the Years Ended December 31,		
	2010	2009	2008
	(in millions; 2009 & 2008 revised)		
Net revenues:			
United States	$ 20,934	$ 19,713	$ 20,168
Europe	15,733	11,471	12,868
Other	12,540	7,570	7,456
Total net revenues	$ 49,207	$ 38,754	$ 40,492

	2010	2009
	(in millions)	
Long-lived assets:		
United States	$ 35,200	$ 31,773
Europe	25,333	16,077
Other	18,535	6,410
Total long-lived assets	$ 79,068	$ 54,260
Total assets:		
United States	$ 40,085	$ 35,816
Europe	31,811	21,915
Other	23,393	8,983
Total assets	$ 95,289	$ 66,714

Note 17. Quarterly Financial Data (Unaudited):

	2010 Quarters			
	First	Second	Third	Fourth
	(in millions, except per share data)			
Net revenues	$ 11,318	$ 12,253	$ 11,863	$ 13,773
Gross profit	$ 4,089	$ 4,694	$ 4,321	$ 4,798
Earnings from continuing operations	$ 249	$ 939	$ 760	$ 547
Earnings and gain from discontinued operations, net of income taxes	1,644	-	-	-
Net earnings	1,893	939	760	547
Noncontrolling interest	10	2	6	7
Net earnings attributable to Kraft Foods	$ 1,883	$ 937	$ 754	$ 540
Weighted-average shares for diluted EPS	1,620	1,752	1,754	1,757
Per share data:				
Basic EPS attributable to Kraft Foods:				
Continuing operations	$ 0.15	$ 0.54	$ 0.43	$ 0.31
Discontinued operations	1.02	-	-	-
Net earnings attributable to Kraft Foods	$ 1.17	$ 0.54	$ 0.43	$ 0.31
Diluted EPS attributable to Kraft Foods:				
Continuing operations	$ 0.15	$ 0.53	$ 0.43	$ 0.31
Discontinued operations	1.01	-	-	-
Net earnings attributable to Kraft Foods	$ 1.16	$ 0.53	$ 0.43	$ 0.31
Dividends declared	$ 0.29	$ 0.29	$ 0.29	$ 0.29
Market price - high	$ 30.98	$ 31.09	$ 31.98	$ 32.67
- low	$ 27.09	$ 27.49	$ 27.59	$ 29.80

	2009 Quarters			
	First	Second	Third	Fourth
	(in millions, except per share data; as revised)			
Net revenues	$ 8,979	$ 9,781	$ 9,397	$ 10,597
Gross profit	$ 3,100	$ 3,512	$ 3,378	$ 3,945
Earnings from continuing operations	$ 603	$ 781	$ 774	$ 652
Earnings and gain from discontinued operations, net of income taxes	59	48	52	59
Net earnings	662	829	826	711
Noncontrolling interest	2	2	2	1
Net earnings attributable to Kraft Foods	$ 660	$ 827	$ 824	$ 710
Weighted-average shares for diluted EPS	1,483	1,484	1,487	1,487
Per share data:				
Basic EPS attributable to Kraft Foods:				
Continuing operations	$ 0.41	$ 0.53	$ 0.52	$ 0.44
Discontinued operations	0.04	0.03	0.04	0.04
Net earnings attributable to Kraft Foods	$ 0.45	$ 0.56	$ 0.56	$ 0.48
Diluted EPS attributable to Kraft Foods:				
Continuing operations	$ 0.41	$ 0.53	$ 0.52	$ 0.44
Discontinued operations	0.04	0.03	0.03	0.04
Net earnings attributable to Kraft Foods	$ 0.45	$ 0.56	$ 0.55	$ 0.48
Dividends declared	$ 0.29	$ 0.29	$ 0.29	$ 0.29
Market price - high	$ 29.84	$ 27.24	$ 29.11	$ 27.84
- low	$ 20.81	$ 21.94	$ 25.41	$ 25.72

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not equal the total for the year.

During 2010, we recorded the following pre-tax charges / (gains) in earnings from continuing operations:

	2010 Quarters			
	First	Second	Third	Fourth
	(in millions)			
Asset impairment and exit costs	$ -	$ -	$ (9)	$ 27
(Gains) / losses on divestitures, net	-	-	-	6
	$ -	$ -	$ (9)	$ 33

During 2009, we recorded the following pre-tax charges / (gains) in earnings from continuing operations:

	2009 Quarters			
	First	Second	Third	Fourth
	(in millions)			
Asset impairment and exit costs	$ -	$ (26)	$ -	$ (38)
(Gains) / losses on divestitures, net	-	17	-	(11)
	$ -	$ (9)	$ -	$ (49)

Basic and diluted EPS are computed independently for each of the periods presented. Accordingly, the sum of the quarterly EPS amounts may not equal the total for the year.

Note 18. Subsequent Events:

We evaluated subsequent events and included all accounting and disclosure requirements related to subsequent events in our financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, together with our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rule 13a-15(e)) as of the end of the period covered by this report. We acquired Cadbury Limited (formerly, Cadbury plc) ("Cadbury") in the first quarter of 2010, and it represented approximately 32% of our total assets as of December 31, 2010. As the acquisition occurred in the first quarter of 2010, the scope of our assessment of the effectiveness of internal control over financial reporting does not include Cadbury. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended December 31, 2010, and noted the following significant changes.

- In 2008, we began implementing "Catalyst," a business initiative to simplify and harmonize our systems processes. This multi-year program includes the delivery of SAP enterprise software applications and business solutions. During the quarter ended December 31, 2010, we transitioned some of our processes and procedures into the SAP control environment within Kraft Foods North America and Kraft Foods Developing Markets. As we migrate to the SAP environment, our management ensures that our key controls are mapped to applicable SAP controls, tests transition controls prior to the migration date of those controls, and as appropriate, maintains and evaluates controls over the flow of information to and from SAP. We expect the transition period to be completed in 2011.

We determined that there were no other changes in our internal control over financial reporting during the quarter ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures are being made only in accordance with management and director authorization; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. Management based this assessment on criteria for effective internal control over financial reporting described in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting.

Management reviewed the results of our assessment with the Audit Committee of our Board of Directors. Based on this assessment, management determined that, as of December 31, 2010, we maintained effective internal control over financial reporting.

PricewaterhouseCoopers LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements included in this report, has audited our internal control over financial reporting as of December 31, 2010.

February 28, 2011

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Kraft Foods Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, equity and cash flows present fairly, in all material respects, the financial position of Kraft Foods Inc. and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in the Report of Management on Internal Control over Financial Reporting management has excluded Cadbury Limited (formerly, Cadbury plc) ("Cadbury") from its assessment of internal control over financial reporting as of December 31, 2010 because it was acquired by the Company in a purchase business combination during 2010. We have also excluded Cadbury from our audit of internal control over financial reporting. Cadbury is a wholly-owned subsidiary whose total assets and total revenues represent 32% and 19%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2010.

/s/ PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
February 28, 2011

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item 10 is included under the headings “Election of Directors,” “Corporate Governance,” “Audit Committee Matters” and “Nominating and Governance Committee Matters” in our definitive Proxy Statement for our Annual Meeting of Shareholders scheduled to be held on May 24, 2011 (“2011 Proxy Statement”). All of this information is incorporated by reference into this Annual Report.

The information on our Web site is not, and shall not be deemed to be, a part of this Annual Report or incorporated into any other filings we make with the SEC.

On June 8, 2010, we filed our Annual CEO Certification as required by Section 303A.12 of the NYSE Listed Company Manual.

Item 11. Executive Compensation.

Information required by this Item 11 is included under the headings “Human Resources and Compensation Committee Matters,” “Compensation Discussion and Analysis” and “Executive Compensation Tables” in our 2011 Proxy Statement. All of this information is incorporated by reference into this Annual Report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The number of shares to be issued upon exercise or vesting of awards issued under, and the number of shares remaining available for future issuance under, our equity compensation plans at December 31, 2010 were:

Equity Compensation Plan Information

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1) (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	62,178,855	$ 27.71	74,224,112

(1) Includes vesting of deferred and long-term incentive plan stock.

Information related to the security ownership of certain beneficial owners and management is included in our 2011 Proxy Statement under the heading “Ownership of Equity Securities” and is incorporated by reference into this Annual Report.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item 13 is included under the heading “Corporate Governance - Certain Relationships and Transactions with Related Persons” in our 2011 Proxy Statement. Information about director independence is included under the heading “Corporate Governance - Director Independence” in our 2011 Proxy Statement. All of this information is incorporated by reference into this Annual Report.

Item 14. Principal Accountant Fees and Services.

Information required by this Item 14 is included under the heading “Audit Committee Matters” in our 2011 Proxy Statement. All of this information is incorporated by reference into this Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Index to Consolidated Financial Statements and Schedules

Schedules other than those listed above have been omitted either because such schedules are not required or are not applicable.

(b) The following exhibits are filed as part of, or incorporated by reference into, this Annual Report:

2.1 RMT Transaction Agreement, among the Registrant, Cable Holdco, Inc., Ralcorp Holdings, Inc. and Ralcorp Mailman LLC, dated as of November 15, 2007 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 20, 2007).

2.2 Master Sale and Purchase Agreement, between Groupe Danone S.A. and Kraft Foods Global, Inc., dated October 29, 2007 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).*

2.3 Asset Purchase Agreement, dated January 4, 2010, by and among Kraft Foods Global, Inc., Kraft Foods Global Brands LLC, Kraft Pizza Company, Kraft Canada Inc. and Nestlé USA, Inc. (pursuant to Item 601(b)(2) of Regulation S-K, annexes and schedules to the Asset Purchase Agreement have been omitted; annexes and schedules will be supplementally provided to the SEC upon request) (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 6, 2010).

3.1 Amended and Restated Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 24, 2011).

3.2 Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 24, 2011).

4.1 The Registrant agrees to furnish copies of any instruments defining the rights of holders of long-term debt of the Registrant and its consolidated subsidiaries that does not exceed 10 percent of the total assets of the Registrant and its consolidated subsidiaries to the SEC upon request.

4.2 Indenture, by and between the Registrant and Deutsche Bank Trust Company Americas (as successor trustee to The Bank of New York and The Chase Manhattan Bank), dated as of October 17, 2001 (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-3 (Reg. No. 333-86478) filed with the SEC on April 18, 2002).

10.1 $4.5 Billion 3-Year Revolving Credit Agreement, by and among the Registrant, the initial lenders named therein, Deutsche Bank AG New York Branch, Citibank, N.A., HSBC Securities (USA) Inc., Credit Suisse Securities (USA) LLC, and JPMorgan Chase Bank, N.A., dated as of November 30, 2009 (incorporated by reference to Exhibit 99.10 to the Registrant's Current Report on Form 8-K filed with the SEC on December 4, 2009).

10.2 Master Professional Services Agreement, among Kraft Foods Global, Inc., EDS Information Services, L.L.C. and Electronic Data Systems Corporation, dated as of April 27, 2006 (incorporated by reference to Exhibit 10.25 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).*

10.3	Tax Sharing Agreement, by and between the Registrant and Altria Group, Inc., dated as of March 30, 2007 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on March 30, 2007).
10.4	Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan, amended as of December 31, 2009 (incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 25, 2010).+
10.5	Form of Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan Restricted Stock Agreement.+
10.6	Form of Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan Non-Qualified U.S. Stock Option Award Agreement.+
10.7	Kraft Foods Inc. Long-Term Incentive Plan, effective as of January 1, 2011.+
10.8	Kraft Foods Inc. Supplemental Benefits Plan I (including First Amendment adding Supplement A) (incorporated by reference to Exhibit 10.7 to the Registrant's Amendment No. 1 to the Registration Statement on Form S-1/A filed with the SEC on May 2, 2001).+
10.9	Kraft Foods Inc. Supplemental Benefits Plan II (incorporated by reference to Exhibit 10.8 to the Registrant's Amendment No. 1 to the Registration Statement on Form S-1/A filed with the SEC on May 2, 2001).+
10.10	Form of Employee Grantor Trust Enrollment Agreement (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of Altria Group, Inc. for the year ended December 31, 1995).+
10.11	Kraft Foods Inc. 2006 Stock Compensation Plan for Non-Employee Directors, amended as of December 31, 2008 (incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.12	Kraft Foods Inc. 2001 Compensation Plan for Non-Employee Directors, amended as of December 31, 2008 (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.13	Kraft Foods Inc. Change in Control Plan for Key Executives, amended as of December 31, 2009 (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 25, 2010).+
10.14	Kraft Executive Deferred Compensation Plan.+
10.15	Kraft Executive Deferred Compensation Plan Adoption Agreement, effective as of May 1, 2009.+
10.16	Offer of Employment Letter, between the Registrant and Irene B. Rosenfeld, dated June 26, 2006 (incorporated by reference to Exhibit 10.29 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006).+
10.17	Amendment to Offer of Employment Letter, between the Registrant and Irene B. Rosenfeld, amended as of December 31, 2008 (incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.18	Offer of Employment Letter, between the Registrant and Timothy R. McLevish, dated August 22, 2007 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007).+
10.19	Amendment to Offer of Employment Letter, between the Registrant and Timothy R. McLevish, amended as of December 31, 2008 (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.20	Offer of Employment Letter, between the Registrant and Sanjay Khosla, dated December 1, 2006 (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.21	Amendment to Offer of Employment Letter, between the Registrant and Sanjay Khosla, amended as of December 31, 2008 (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+

10.22	Offer of Employment Letter, between the Registrant and Michael A. Clarke, dated as of December 11, 2008 (incorporated by reference to 10.27 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.23	Offer of Employment Letter, between the Registrant and W. Anthony Vernon, dated June 17, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 5, 2009).+
10.24	Amendment to Offer of Employment Letter, between the Registrant and W. Anthony Vernon, amended as of November 23, 2009 (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 25, 2010).+
10.25	Offer of Employment Letter, between the Registrant and Sam B. Rovit, dated January 14, 2011.+
10.26	Form of Indemnification Agreement for Non-Employee Directors (incorporated by reference to 10.28 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 27, 2009).+
10.27	Indemnification Agreement between the Registrant and Irene B. Rosenfeld, dated January 27, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on February 2, 2009).+
12.1	Computation of Ratios of Earnings to Fixed Charges.
21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1	Certification of the Registrant's Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Registrant's Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Registrant's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following materials from Kraft Foods' Annual Report on Form 10-K for the fiscal year ended December 31, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Equity, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements, tagged as blocks of text, and (vi) document and entity information.

* Pursuant to a request for confidential treatment, portions of this exhibit have been redacted from the publicly filed document and have been furnished separately to the SEC as required by Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

\+ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KRAFT FOODS INC.

By: /s/ TIMOTHY R. MCLEVISH
(Timothy R. McLevish,
Executive Vice President
and Chief Financial Officer)

Date: February 28, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

Signature	Title	Date
/s/ IRENE B. ROSENFELD (Irene B. Rosenfeld)	Director, Chairman and Chief Executive Officer	February 28, 2011
/s/ TIMOTHY R. MCLEVISH (Timothy R. McLevish)	Executive Vice President and Chief Financial Officer	February 28, 2011
/s/ KIM HARRIS JONES (Kim Harris Jones)	Senior Vice President and Corporate Controller	February 28, 2011
/s/ AJAYPAL S. BANGA (Ajaypal S. Banga)	Director	February 28, 2011
/s/ MYRA M. HART (Myra M. Hart)	Director	February 28, 2011
/s/ LOIS D. JULIBER (Lois D. Juliber)	Director	February 28, 2011
/s/ MARK D. KETCHUM (Mark D. Ketchum)	Director	February 28, 2011
/s/ RICHARD A. LERNER, M.D. (Richard A. Lerner, M.D.)	Director	February 28, 2011
/s/ MACKEY J. MCDONALD (Mackey J. McDonald)	Director	February 28, 2011
/s/ JOHN C. POPE (John C. Pope)	Director	February 28, 2011
/s/ FREDRIC G. REYNOLDS (Fredric G. Reynolds)	Director	February 28, 2011
/s/ JEAN-FRANÇOIS M.L. VAN BOXMEER (Jean-François M.L, van Boxmeer)	Director	February 28, 2011
/s/ DEBORAH C. WRIGHT (Deborah C. Wright)	Director	February 28, 2011
/s/ FRANK G. ZARB (Frank G. Zarb)	Director	February 28, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders of Kraft Foods Inc.:

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 28, 2011 appearing in the 2010 Annual Report on Form 10-K of Kraft Foods Inc. also included an audit of the financial statement schedule listed in Item 15(a) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
February 28, 2011

Kraft Foods Inc. and Subsidiaries
Valuation and Qualifying Accounts
for the years ended December 31, 2010, 2009 and 2008
(in millions)

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (a)	Deductions (b)	Balance at End of Period
2010:					
Allowance for discounts	$ 8	$ 49	$ 1	$ 47	$ 11
Allowance for doubtful accounts	138	89	82	32	277
Allowance for deferred taxes	97	30	305	32	400
	$ 243	$ 168	$ 388	$ 111	$ 688
2009:					
Allowance for discounts	$ 28	$ 35	$ 4	$ 59	$ 8
Allowance for doubtful accounts	128	32	13	35	138
Allowance for deferred taxes	84	19	13	19	97
	$ 240	$ 86	$ 30	$ 113	$ 243
2008:					
Allowance for discounts	$ 5	$ 73	$ 17	$ 67	$ 28
Allowance for doubtful accounts	118	47	(22)	15	128
Allowance for deferred taxes	105	11	(16)	16	84
	$ 228	$ 131	$ (21)	$ 98	$ 240

Notes:
(a) Primarily related to divestitures, acquisitions and currency translation.
(b) Represents charges for which allowances were created.

Exhibit 10.5

KRAFT FOODS INC.
AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT
FOR KRAFT FOODS COMMON STOCK

KRAFT FOODS INC., a Virginia corporation (the "Company"), hereby grants to the employee (the "Employee") named in the Award Statement (the "Award Statement") attached hereto, as of the date set forth in the Award Statement (the "Award Date") pursuant to the provisions of the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan (the "Plan"), a Restricted Stock Award (the "Award") with respect to the number of shares (the "Restricted Shares") of the Common Stock of the Company ("Common Stock") set forth in the Award Statement, upon and subject to the restrictions, terms and conditions set forth below, in the Award Statement and in the Plan. Capitalized terms not defined in this Restricted Stock Agreement (the "Agreement") shall have the meanings specified in the Plan.

1. Restrictions. Subject to paragraph 2 below, the restrictions on the Restricted Shares shall lapse and the Restricted Shares shall vest on the date set forth in the Restricted Stock Award section of the Award Statement (the "Vesting Date"), provided that the Employee remains an employee of the Kraft Foods Group (as defined below in paragraph 13) during the entire period (the "Restriction Period") commencing on the Award Date set forth in the Award Statement and ending on the Vesting Date.

2. Termination of Employment During Restriction Period. In the event of the termination of the Employee's employment with the Kraft Foods Group prior to the Vesting Date other than by death, Disability, or Normal Retirement (as defined below in paragraph 13) or unless it is otherwise determined by (or pursuant to authority granted by) the Committee administering the Plan (the "Committee"), the Restricted Shares shall not vest and the Employee shall forfeit all rights to the Restricted Shares. Any Restricted Shares that are forfeited shall be transferred directly to the Company. If death, Disability, or Normal Retirement of the Employee occurs prior to the Vesting Date, the restrictions on the Restricted Shares shall immediately lapse and the Restricted Shares shall become fully vested on such date of death, Disability, or Normal Retirement.

3. Voting and Dividend Rights. During the Restriction Period, the Employee shall have the right to vote the Restricted Shares and to receive any dividends and other distributions with respect to the Restricted Shares, as paid, less applicable withholding taxes (it being understood that such dividends will generally be taxable as ordinary compensation income during such Restriction Period) unless and until such Restricted Shares are forfeited pursuant to paragraph 2 hereof.

4. Custody and Delivery of Certificates Representing Shares. The shares of Common Stock subject to the Award may be held by a custodian in book entry form with the restrictions on such shares duly noted or, alternatively, the Company may hold the certificate or certificates representing such shares, in either case until the Award shall have vested, in whole or in part, pursuant to paragraphs 1 and 2 hereof. As soon as practicable after the Restricted Shares shall have vested pursuant to paragraphs 1 and 2 hereof, subject to paragraph 7 hereof, the restrictions shall be removed from those of such shares that are held in book entry form, and the Company shall deliver to the Employee any certificate or certificates representing those of such shares that are held by the Company and destroy or return to the Employee the stock power or powers relating to such shares. If such stock power or powers also relate to unvested shares, the Company may require, as a condition precedent to the delivery of any certificate pursuant to this paragraph 4, the execution and delivery to the Company of one or more irrevocable stock powers relating to such unvested shares.

5. Transfer Restrictions. This Award and the Restricted Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, hypothecated or otherwise pledged and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Restricted Shares shall be forfeited.

6. Withholding Taxes. Regardless of any action the Company or the Employee's employer (the "Employer") takes with respect to any or all income tax, social security, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Employee acknowledges that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains his or her responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Employee acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Shares, including the grant, vesting, or payment of this Award, the receipt of any dividends or the subsequent sale of shares of Common Stock; and (b) do not commit to and are under no obligation to structure the terms of the grant of the Restricted Shares or any aspect of the Employee's participation in the Plan to reduce or eliminate his or her liability for Tax-Related Items or achieve any particular tax result. If the Employee becomes subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for (including report) Tax-Related Items in more than one jurisdiction.

The Employee acknowledges and agrees that the Company shall not be required to lift the restrictions on the Restricted Shares unless it has received payment in a form acceptable to the Company for all applicable Tax-Related Items, as well as amounts due to the Company as "theoretical taxes", if applicable, pursuant to the then-current international assignment and tax and/or social insurance equalization policies and procedures of the Kraft Foods Group, or arrangements satisfactory to the Company for the payment thereof have been made.

In this regard, the Employee authorizes the Company and/or the Employer, in their sole discretion and without any notice or further authorization by the Employee, to withhold all applicable Tax-Related Items legally due by the Employee and any theoretical taxes from the Employee's wages or other cash compensation paid by the Company and/or the Employer. Alternatively, or in addition, the Company may (i) deduct the number of Restricted Shares having an aggregate value equal to the amount of Tax-Related Items and any theoretical taxes due from the total number of Restricted Shares awarded, vested, paid or otherwise becoming subject to current taxation; (ii) instruct the broker whom it has selected for this purpose (on the Employee's behalf and at the Employee's direction pursuant to this authorization) to sell the Restricted Shares to meet the Tax-Related Items withholding obligation and any theoretical taxes, except to the extent that such a sale would violate any Federal Securities law or other applicable law; and/or (iii) satisfy the Tax-Related Items and any theoretical taxes arising from the granting or vesting of this Award, as the case may be, through any other method established by the Company. Restricted Shares deducted from this Award in satisfaction of withholding tax requirements shall be valued at the Fair Market Value of the Common Stock received in payment of vested Restricted Shares on the date as of which the amount giving rise to the withholding requirement first became includible in the gross income of the Employee under applicable tax laws.

To avoid any negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, in accordance with Section 13(d) of the Plan. If the obligation for Tax-Related Items is satisfied by withholding in Restricted Shares, for tax purposes, the Employee is deemed to have been issued the full number of shares underlying the Award, notwithstanding that a number of Restricted Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Employee's participation in the Plan.

7. Death of Employee. If any of the Restricted Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee.

8. Original Issue or Transfer Taxes. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such delivery, except as otherwise provided in paragraph 6.

9. Successors. Whenever the word "Employee" is used herein under circumstances such that the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Shares may be transferred pursuant to this Agreement, it shall be deemed to include such person or persons. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Agreement, the Award Statement or the Plan.

10. Award Confers No Rights to Continued Employment - Nature of the Grant. Nothing contained in the Plan or this Agreement shall give the Employee the right to be retained in the employment of any member of the Kraft Foods Group or affect the right of any such employer to terminate the Employee. The adoption and maintenance of the Plan shall not constitute an inducement to, or condition of, the employment of the Employee. Further, the Employee acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan;

(b) the grant of Restricted Shares is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Board of Directors of the Company or the Committee;

(d) the Employee is voluntarily participating in the Plan;

(e) the Restricted Shares are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, which are outside the scope of the Employee's employment contract, if any and in no event should be considered as compensation for, or relating in any way to, past services for any member of the Kraft Foods Group;

(f) the Restricted Shares are not intended to replace any pension rights or compensation;

(g) the Restricted Shares are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension, retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for any member of the Kraft Foods Group;

(h) the Restricted Shares grant and the Employee's participation in the Plan will not be interpreted to form an employment contract or relationship with any member of the Kraft Foods Group;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Shares resulting from the termination of the Employee's employment by the Company or the Employer, and in consideration of the award of the Restricted Shares to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(k) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying shares of Common Stock;

(l) the Employee is hereby advised to consult with the Employee's own personal tax, legal and financial advisors regarding the Employee's participation in the Plan before taking any action related to the Plan; and

(m) the Restricted Shares and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

11. Interpretation. The terms and provisions of the Plan (a copy of which will be furnished to the Employee upon written request to the Office of the Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093) are incorporated herein by reference. To the extent any provision of this Agreement is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. The Committee shall have the right to resolve all questions which may arise in connection with the Award or this Agreement. Any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

12. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Virginia, U.S.A., without regard to choice of laws principles thereof.

13. Miscellaneous Definitions. For purposes of this Agreement, (a) the term "Disability" means permanent and total disability as determined under procedures established by the Company for purposes of the Plan, and (b) the term "Normal Retirement" means retirement from active employment under a pension plan of the Kraft Foods Group or under an employment contract with any member of the Kraft Foods Group, on or after the date specified as the normal retirement age in the pension plan or employment contract, if any, under which the Employee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of prior service). In any case in which (i) the meaning of "Normal Retirement" is uncertain under the definition contained in the prior sentence or (ii) a termination of employment at or after age 65 would not otherwise constitute "Normal Retirement," an Employee's termination of employment shall be treated as a "Normal Retirement" under such circumstances as the Committee, in its sole discretion, deems equivalent to retirement. "Kraft Foods Group" means Kraft Foods Inc. and each of its subsidiaries and affiliates. For purposes of this Agreement, (x) a "subsidiary" includes only any company in which the applicable entity, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an "affiliate" includes only any company that (A)

has a beneficial ownership interest, directly or indirectly, in the applicable entity of greater than 50 percent or (B) is under common control with the applicable entity through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the applicable entity and the affiliate.

14. Adjustments. In the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock after the date of this Award, the Board of Directors of the Company or the Committee shall make adjustments to the number and kind of shares of stock subject to this Award, including, but not limited to, the substitution of equity interests in other entities involved in such transactions, to provide for cash payments in lieu of restricted or unrestricted shares, and to determine whether continued employment with any entity resulting from such a transaction will or will not be treated as continued employment by the Kraft Foods Group, in each case subject to any Board or Committee action specifically addressing any such adjustments, cash payments, or continued employment treatment.

15. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request the Employee's consent to participate in the Plan by electronic means. The Employee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Agreement Severable. The provisions of this Agreement are severable and if any one or more provisions are deemed to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nonetheless be binding and enforceable.

17. Headings. Headings of paragraphs and sections used in this Agreement are for convenience only and are not part of this Agreement, and must not be used in construing it.

18. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Employee's participation in the Plan and on the Restricted Shares to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of ___________.

KRAFT FOODS INC.

Exhibit 10.6

KRAFT FOODS INC.
AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN

NON-QUALIFIED U.S. STOCK OPTION AWARD AGREEMENT

KRAFT FOODS INC., a Virginia corporation (the "Company"), hereby grants to the employee identified in the Award Statement (the "Optionee" identified in the "Award Statement") attached hereto under the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan (the "Plan") a non-qualified stock option (the "Option"). The Option entitles the Optionee to exercise up to the aggregate number of shares set forth in the Award Statement (the "Option Shares") of the Company's Common Stock, at the Grant Price per share set forth in the Award Statement (the "Grant Price"). Capitalized terms not otherwise defined in this Non-Qualified U.S. Stock Option Award Agreement (the "Agreement") shall have the meaning set forth in the Plan. The Option is subject to the following terms and conditions:

1. Vesting. Prior to the satisfaction of the Vesting Requirements set forth in the Schedule in the Award Statement (the "Schedule"), the Option Shares may not be exercised except as provided in paragraph 2 below.

2. Vesting Upon Termination of Employment. In the event of the termination of the Optionee's employment with the Kraft Foods Group (as defined below in paragraph 12) prior to satisfaction of the Vesting Requirements other than by reason of Early Retirement (as defined below in paragraph 12) occurring after December 31 of the same year as the date of grant of the Option, Normal Retirement (as defined below in paragraph 12), death or Disability (as defined below in paragraph 12), or as otherwise determined by (or pursuant to authority granted by) the Committee administering the Plan, this Option shall not be exercisable with respect to any of the Option Shares set forth in the Award Statement. If death or Disability of the Optionee occurs prior to satisfaction of the Vesting Requirements, this Option shall become immediately exercisable for 100% of the Option Shares set forth in the Award Statement. If the Optionee's employment with the Kraft Foods Group is terminated by reason of Normal Retirement, or by Early Retirement occurring after December 31 of the same year as the date of grant of the Option, the Option Shares shall continue to become exercisable as set forth on the Schedule as if such Optionee's employment had not terminated.

3. Exercisability Upon Termination of Employment. During the period commencing on the first date that the Vesting Requirements are satisfied (or, such earlier date determined in accordance with paragraph 2) until and including the Expiration Date set forth in the Schedule, this Option may be exercised in whole or in part with respect to such Option Shares, subject to the following provisions:

(a) In the event that the Optionee's employment is terminated by reason of Early Retirement occurring after December 31 of the same year as the date of grant of the Option, Normal Retirement, death or Disability, such Option Shares may be exercised on or prior to the Expiration Date;

(b) If employment is terminated by the Optionee (other than by Early Retirement occurring after December 31 of the same year as the date of grant of the Option, death, Disability or Normal Retirement), such Option Shares may be exercised for a period of 30 days from the effective date of termination;

(c) If, other than by death, Disability, Normal Retirement, or Early Retirement occurring after December 31 of the same year as the date of grant of the Option, the Optionee's employment is terminated by the Company, a subsidiary or affiliate without cause, such Option Shares may be exercised for a period of 12 months following such termination; provided, however, if the Optionee shall die within such 12-month period, such Option Shares may be exercised for a period of 12 months from the date of death of the Optionee; and

(d) If the Optionee's employment is involuntarily suspended or terminated for cause, no Option Shares may be exercised during the period of suspension, or following such termination of employment.

No provision of this paragraph 3 shall permit the exercise of any Option Shares after the Expiration Date. For purposes of this Agreement, the Optionee's employment shall be deemed to be terminated (i) when he or she is no longer actively employed by the Kraft Foods Group, and (ii) when he or she is no longer actively employed by a corporation, or a parent or subsidiary thereof, substituting a new option for this Option (or assuming this Option) in connection with a merger, consolidation, acquisition of property or stock, separation, split-up, reorganization, liquidation or similar transaction. The Optionee shall not be considered actively employed during any period for which he or she is receiving, or is eligible to receive, salary continuation, notice period or garden leave payments, or other benefits under the Kraft Foods Inc. Severance Pay Plan, or any similar plan maintained by the Kraft Foods Group or through other such arrangements that may be entered into that give rise to separation or notice pay, except in any case in which the Optionee is eligible for Normal Retirement or Early Retirement upon the expiration of salary continuation or other benefits. The Board of Directors and/or the Committee shall have the exclusive discretion to determine when the Optionee is no longer actively employed for purposes of the Option. Leaves of absence shall not constitute a termination of employment for purposes of this Agreement. Notwithstanding the foregoing provisions and unless otherwise determined by the Company, this Option may only be exercised on a day that the New York Stock Exchange (the "Exchange") is open. Accordingly, if the Expiration Date is a day the Exchange is closed, the Expiration Date shall be the immediately preceding day on which the Exchange is open.

4. Exercise of Option and Withholding Taxes. This Option may be exercised only in accordance with the procedures and limitations, set forth in the Company's Equity Awards Plan Guide, as amended from time to time (the "Methods of Exercise").

Regardless of any action the Company or the Optionee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Optionee hereby acknowledges that the ultimate liability for all Tax-Related Items legally due by the Optionee is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer. Furthermore, the Optionee acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option, the subsequent sale of Option Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. If the Optionee becomes subject to any Tax-Related Items in more than one jurisdiction (including jurisdictions outside the United States) between the date of grant and the date of any relevant taxable event, the Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for (including report) Tax-Related Items in more than one jurisdiction.

The Optionee acknowledges and agrees that the Company shall not be required to deliver the Option Shares being exercised upon any exercise of this Option unless it has received payment in a form acceptable to the Company for all applicable Tax-Related Items, as well as amounts due to the Company as "theoretical taxes" pursuant to the then-current international assignment and tax and/or social insurance equalization policies and procedures of the Kraft Foods Group, or arrangements satisfactory to the Company for the payment thereof have been made.

In this regard, the Optionee authorizes the Company and/or the Employer, in their sole discretion and without any notice or further authorization by the Optionee, to withhold all applicable Tax-Related Items legally due by the Optionee and any theoretical taxes from the Optionee's wages or other cash compensation paid by the Company and/or the Employer or from proceeds of the sale of Option Shares. Alternatively, or in addition, the Company may instruct the broker whom it has selected for this purpose (on the Optionee's behalf and at the Optionee's direction pursuant to this authorization) to sell the Option Shares that the Optionee acquires to meet the Tax-Related Items withholding obligation and any theoretical taxes. In addition, unless otherwise determined by the Committee, Tax-Related Items or theoretical taxes may be paid with outstanding shares of the Company's Common Stock, such shares to be valued at Fair Market Value on the exercise date. Finally, the Optionee shall pay to the Company or the Employer any amount of Tax-Related Items and theoretical taxes that the Company or the Employer may be required to withhold as a result of the Optionee's participation in the Plan or the Optionee's exercise of Option Shares that cannot be satisfied by the means previously described.

To avoid any negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates.

5. Cash-Out of Option. The Committee may elect to cash out all or a portion of the Option Shares to be exercised pursuant to any Method of Exercise by paying the Optionee an amount in cash or Common Stock, or both, equal to the Fair Market Value of such shares on the exercise date less the purchase price for such shares.

6. Transfer Restrictions. Unless otherwise required by law, this Option is not transferable by the Optionee in any manner other than by will or the laws of descent and distribution and is exercisable during the Optionee's lifetime only by the Optionee. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

7. Adjustments. In the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock after the date of this Award, the Board of Directors of the Company or the Committee shall make adjustments to the terms and provisions of this Award (including, without limiting the generality of the foregoing, terms and provisions relating to the Grant Price and the number and kind of shares subject to this Option) including, but not limited to, the substitution of equity interests in other entities involved in such transactions, to provide for cash payments in lieu of the Option, and to determine whether continued employment with any entity resulting from such transaction or event will or will not be treated as a continued employment with the Kraft Foods Group, in each case, subject to any Board of Director or Committee action specifically addressing any such adjustments, cash payments or continued employment treatment.

8. Successors. Whenever the word "Optionee" is used herein under circumstances such that the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom this Option may be transferred pursuant to this Agreement, it shall be deemed to include such person or persons. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall acquire any rights hereunder in accordance with this Agreement, the Award Statement or the Plan.

9. Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Virginia, U.S.A., without regard to choice of laws principles thereof.

10. Award Confers No Rights to Continued Employment - Nature of the Grant. Nothing contained in the Plan or this Agreement shall give any employee the right to be retained in the employment of any member of the Kraft Foods Group or affect the right of any such employer to terminate any employee. The adoption and maintenance of the Plan shall not constitute an inducement to, or condition of, the employment of any employee. Further, the Optionee acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;

(c) all decisions with respect to future option grants, if any, will be at the sole discretion of the Board of Directors of the Company or the Committee;

(d) the Optionee is voluntarily participating in the Plan;

(e) the Option and the shares of Common Stock subject to the Option are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Optionee's employment contract, if any;

(f) the Option is not intended to replace any pension rights or compensation;

(g) the Option and the shares of Common Stock subject to the Option are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the Option grant and the Optionee's participation in the Plan will not be interpreted to form an employment contract or relationship with any member of the Kraft Foods Group;

(i) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(j) if the underlying shares of Common Stock do not increase in value, the Option will have no value;

(k) if the Optionee exercises the Option and obtains shares of Common Stock, the value of those shares of Common Stock acquired upon exercise may increase or decrease in value, even below the Grant Price;

(l) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of the Optionee's employment by the Company or the Employer, and in consideration of the grant of the Option to which the Optionee is otherwise not entitled, the Optionee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(m) as further set forth in paragraph 3 above, in the event of termination of the Optionee's employment, the Optionee's right to exercise the Option after termination of employment, if any, will be measured by the date of termination of the Optionee's active employment and will not be extended by any notice period mandated under local law;

(n) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Optionee's participation in the Plan, or the Optionee's acquisition or sale of the underlying shares of Common Stock;

(o) the Optionee is hereby advised to consult with the Optionee's own personal tax, legal and financial advisors regarding the Optionee's participation in the Plan before taking any action related to the Plan;

(p) The Option is designated as not constituting an Incentive Stock Option. This Agreement shall be interpreted and treated consistently with such designation; and

(q) the Option and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

11**.** Interpretation. The terms and provisions of the Plan (a copy of which will be furnished to the Optionee upon written request to the Office of the Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093) are incorporated herein by reference. To the extent any provision in this Agreement is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. The Committee shall have the right to resolve all questions which may arise in connection with the Award or this Agreement, including whether an Optionee is no longer actively employed and any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

12. Miscellaneous Definitions. For the purposes of this Agreement, the term "Disability" means permanent and total disability as determined under the procedures established by the Company for purposes of the Plan and the term "Normal Retirement" means retirement from active employment under a pension plan of the Kraft Foods Group, or under an employment contract with any member of the Kraft Foods Group, on or after the date specified as normal retirement age in the pension plan or employment contract, if any, under which the Optionee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of prior service). For the purposes of this Agreement, "Early Retirement" means retirement from active employment other than Normal Retirement, as determined by the Committee, in its sole discretion. As used herein, "Kraft Foods Group" means Kraft Foods Inc. and each of its subsidiaries and affiliates. For purposes of this Agreement, (x) a "subsidiary" includes only any company in which the applicable entity, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an "affiliate" includes only any company that (A) has a beneficial ownership interest, directly or indirectly, in the applicable entity of greater than 50 percent or (B) is under common control with the applicable entity through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the applicable entity and the affiliate.

13. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means or to request the Optionee's consent to participate in the Plan by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

14. Agreement Severable. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

15. Headings. Headings of paragraphs and sections used in this Agreement are for convenience only and are not part of this Agreement, and must not be used in construing it.

16. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Optionee's participation in the Plan, on the Option, and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

17. Appendix. Notwithstanding any provisions in this Agreement, if the Optionee relocates to one of the countries included in Appendix A to the Company's Non-Qualified Non-U.S. Stock Option Award Agreement, the special terms for such country will apply to the Optionee, to the extent the Company determines that the application of such terms is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

IN WITNESS WHEREOF, this Non-Qualified U.S. Stock Option Award Agreement has been granted as of __________.

KRAFT FOODS INC.

KRAFT FOODS INC.
LONG-TERM INCENTIVE PLAN

The Board of Kraft Foods Inc., a corporation organized under the laws of the Commonwealth of Virginia (the "Company"), has established the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan, as amended from time to time (the "2005 Plan"), for the benefit of employees of the Company, its subsidiaries and Affiliates. Section 2 of the 2005 Plan authorizes the Committee to establish sub-plans relating to the 2005 Plan as the Committee deems necessary and desirable. The Committee has determined that it is necessary and desirable to establish a sub-plan for the purpose of advancing the interests of the Company and its shareholders by establishing a direct relationship between the payment of bonuses to certain of the officers and other employees of the Company and the financial success of the Company in order to enhance shareholder value. As such, the Committee hereby establishes the Kraft Foods Inc. Long-Term Incentive Plan, as may be amended from time to time (the "LTI Plan"), as a sub-plan to the 2005 Plan.

ARTICLE I.

DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meanings as set forth in the 2005 Plan. For purposes of the LTI Plan, the following terms shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

Section 1.1 – Affiliate. "Affiliate" means any entity that directly or indirectly through one or more intermediaries controls or is controlled by the Company, in each case, as determined by the Committee.

Section 1.2 – Base Salary. "Base Salary" means the annual base salary of a Participant at the rate in effect on the first date of the Performance Cycle. For an employee who becomes an Eligible Employee under Section 1.7 after the first date of the Performance Cycle, "Base Salary" means the annual base salary of that Participant at the rate in effect on the first date that the Participant becomes an Eligible Employee.

Section 1.3 – Covered Employee. "Covered Employee" means an Eligible Employee who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

Section 1.4 – Director. "Director" means a member of the Board.

Section 1.5 – Disability. "Disability" means permanent and total disability as determined under procedures established by the Company for purposes of the 2005 Plan.

Section 1.6 – Early Retirement. "Early Retirement" means retirement from active employment other than Normal Retirement, as determined by the Committee, in its sole discretion.

Section 1.7 – Eligible Employee. “Eligible Employee” means a regular full-time salaried, exempt employee of the Company or any Affiliate who, in the opinion of the Committee, is an employee whose performance can contribute to the successful management and financial success of the Company or an Affiliate and who has been designated as receiving a base salary in Band F or above as of July 1st of the first year of the applicable Performance Cycle.

Section 1.8 – GAAP. “GAAP” means United States generally accepted accounting principles.

Section 1.9 – Kraft Foods Group. “Kraft Foods Group” means Kraft Foods Inc. and each of its subsidiaries and Affiliates.

Section 1.10 – LTIP Award. “LTIP Award” means an award granted to a Participant under the LTI Plan entitling the Participant to cash or shares of Common Stock upon attainment of the Performance Goals and the satisfaction of the other terms and conditions set forth herein and in accordance with the provisions of this LTI Plan.

Section 1.11 – LTIP Award Agreement. “LTIP Award Agreement” means the agreement, contract, or other instrument or document evidencing the terms and conditions of an LTIP Award, including through electronic medium.

Section 1.12 – LTIP Award Cash Payout. “LTIP Award Cash Payout” means an amount equal to the product of (a) the LTIP Award Target, multiplied by (b) the Performance Goal Attainment Factor, and, in the case of a Participant who becomes eligible to participate in the Plan after the first day of the Performance Cycle or who terminated employment before the last day of the Performance Cycle, multiplied by (c) the Participation Period Factor.

Section 1.13 – LTIP Award Share Payout. “LTIP Award Share Payout” means an amount equal to the (a) the LTIP Award Target, divided by (b) the Fair Market Value of a share of Common Stock on the first business day of the Performance Cycle, rounded up to the next 10 shares of Common Stock, and multiplied by (c) the Performance Goal Attainment Factor, and, in the case of a Participant who becomes eligible to participate in the Plan after the first day of the Performance Cycle or who terminates employment before the last day of the Performance Cycle, multiplied by (d) the Participation Period Factor. For purposes of calculating the LTIP Award Share Payout, if a Participant’s Base Salary is in a currency other than U.S. dollars, his or her Base Salary shall be converted into U.S. dollars at the exchange rate in effect on the first day of the Performance Cycle, as determined in the sole discretion of the Committee.

Section 1.14 – LTIP Award Target. “LTIP Award Target” means an amount equal to (a) the product of (i) the Participant’s Base Salary, multiplied by (ii) the Participant’s Incentive Target, (b) a percentage of a performance incentive pool established by the Committee in accordance with Section 2.1 hereof or (c) a combination of the formulations set forth in subsections (a) and (b).

Section 1.15 – Maximum Goal Factor. “Maximum Goal Factor” means a percentage established by the Committee with respect to an LTIP Award and Performance Cycle, and representing the maximum percentage that may be determined to have been attained as a Performance Goal Attainment Factor. In the case of LTIP Awards that are intended to constitute Qualified Performance-Based Compensation, the Maximum Goal Factor shall be established at the same time the related Performance Goals are established.

Section 1.16 – Normal Retirement. "Normal Retirement" means retirement from active employment under (a) a pension plan of the Kraft Foods Group, (b) an employment contract with any member of the Kraft Foods Group, or (c) a local labor contract, on or after the date specified as normal retirement age in the pension plan, employment contract or local contract, if any, under which the Participant is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or such contracts become payable without reduction for early commencement and without any requirement of a particular period of prior service).

Section 1.17 – Participant. "Participant" means any Eligible Employee selected by the Committee, in its sole discretion, who has been granted an LTIP Award.

Section 1.18 – Participant's Incentive Target. "Participant's Incentive Target" means a percentage of a Participant's Base Salary established by the Company.

Section 1.19 – Participation Period Factor. "Participation Period Factor" means a fraction, the numerator of which is the number of months (including partial months, rounded up to the next whole month) the Participant was actively employed with the Company (or Affiliate) during the Performance Cycle and the denominator of which is the number of months (including partial months, rounded up to the next whole month) in the Performance Cycle. The Committee, in its sole discretion, may adjust the Participation Period Factor.

Section 1.20 Performance Criteria. "Performance Criteria" means, with respect to the Company, a subsidiary, an Affiliate, or any business unit thereof, any one or more or any combination of the following, net earnings or net income (before or after taxes), operating income, earnings per share, net sales or revenue growth, adjusted net income, net operating profit or income, return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue), cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment), earnings before or after taxes, interest, depreciation, and/or amortization, gross or operating margins, productivity ratios, share price (including, but not limited to, growth measures and total shareholder return), cost control, margins, operating efficiency, market share, customer satisfaction or employee satisfaction, working capital, management development, succession planning, taxes, depreciation and amortization or economic value added. The Performance Criteria applicable to any Performance Cycle shall be selected by the Committee, in its sole discretion, at the beginning of the applicable Performance Cycle.

Section 1.21 – Performance Cycle. "Performance Cycle" means a three-year period commencing on the first day of the first calendar year of the three-year period, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and payment of, an LTIP Award. A Performance Cycle may overlap with any other Performance Cycles under LTI Plan. The first Performance Cycle under the LTI Plan shall commence on January 1, 2011 and end on December 31, 2013. Alternatively, the Committee may establish a Performance Cycle having a duration that is different than the three-year period set forth above. In the case of an LTIP Award that is not intended to constitute Qualified Performance-Based Compensation, the Committee, in its sole discretion, may adjust the duration of the Performance Cycle at any time before the term of the originally established Performance Cycle has expired.

Section 1.22 – Performance Goal Attainment Factor. "Performance Goal Attainment Factor" means a percentage ranging from 0% to the Maximum Goal Factor representing the rate at which the Performance Goals have been attained as determined by the Committee.

Section 1.23 – Performance Goals. "Performance Goals" have the meaning set forth in Section 2.2 hereof.

Section 1.24 – Qualified Performance-Based Compensation. "Qualified Performance-Based Compensation" means any compensation awarded to a Covered Employee that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

ARTICLE II.

LTIP AWARDS

Section 2.1 – Participants; LTIP Awards. The Committee, in its sole discretion, may grant LTIP Awards with regard to any Performance Cycle (and with respect to multiple Performance Cycles) to one or more Eligible Employees, as the Committee selects. At the time an LTIP Award is granted pursuant to this Section 2.1, the Committee shall specify (a) whether the LTIP Award will be an LTIP Award Cash Payout or LTIP Award Share Payout, or a combination thereof, (b) the Maximum Goal Factor that may be attained upon the achievement of the Performance Goals established in accordance Section 2.2 hereof, and subject to Section 2.4 hereof, and (c) a performance incentive pool amount, if any.

Section 2.2 – Performance Goals. For each Performance Cycle in which one or more Eligible Employees is granted an LTIP Award, the Committee shall establish in writing one or more objectively determinable Performance Goals based on Performance Criteria for such LTIP Award. Performance Goals may be determined on an absolute basis or relative to internal goals or relative to levels attained in prior years or related to other companies or indicies or as ratios expressing relationships between two or more Performance Goals. In addition, Performance Goals may be based upon the attainment of specified levels of Company performance under one or more Performance Criteria relative to the performance of other corporations.

In addition, for LTIP Awards not intended to qualify as Qualified Performance-Based Compensation, the Committee may establish Performance Goals based on Performance Criteria as it deems appropriate in its sole discretion. For LTIP Awards that are intended to constitute Qualified Performance-Based Compensation, to the extent the Committee elects not to determine achievement of the Performance Goal in accordance with GAAP, or to the extent that determination of achievement in accordance with GAAP would not satisfy the requirements of Section 162(m) of the Code, the Committee shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of determining whether and to what extent any specified Performance Goal has been achieved for the Performance Cycle.

The Performance Goals applicable to LTIP Awards granted in connection with a given Performance Cycle shall be set forth in the LTIP Award Agreement applicable to such Performance Cycle.

Section 2.3 – Adjustments to Performance Goals. For each LTIP Award that is intended to constitute Qualified Performance-Based Compensation, the Committee, in its sole discretion, may, at the time of grant, specify in the LTIP Award Agreement that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals established under Section 2.2 hereof. For example (without limiting the adjustments to any of the following), the Committee may specify, in its sole discretion, at the time of grant, the manner of adjustment of any Performance Goal to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction but only to the extent such adjustments would be permitted under Section 162(m) of the Code. For LTIP Awards not intended to constitute Qualified Performance-Based Compensation, the Committee may make such adjustments to one or more of the Performance Goals as the Committee in its sole discretion deems appropriate.

Section 2.4 – 162(m) Award Limit. The maximum aggregate number of shares of Common Stock that may be awarded under an LTIP Award Share Payout that is intended to constitute Qualified Performance-Based Compensation granted to any one Participant shall not exceed a number of shares of Common Stock specified in Section 5(b)(iii) of the 2005 Plan. The maximum dollar amount that may be awarded under an LTIP Award Cash Payout that is intended to constitute Qualified Performance-Based Compensation granted to any one Participant shall not exceed a dollar amount specified in Section 5(b)(iii) of the 2005 Plan.

ARTICLE III.

PAYMENT OF LTIP AWARDS

Section 3.1 – Form of Payment. Each Participant's LTIP Award shall be paid as an LTIP Award Cash Payout or an LTIP Award Share Payout, or a combination thereof, as determined in accordance with Section 2.1 above. Any LTIP Award that is paid, in whole or in part, in the form of an LTIP Award Share Payout, and that results in less than a whole number of shares of Common Stock shall be rounded up to the next whole share of Common Stock (no fractional shares of Common Stock shall be issued in payment of an LTIP Award). Any shares of Common Stock issued in respect of an LTIP Award Share Payout shall be issued pursuant to the terms and conditions of the 2005 Plan and shall reduce the number of shares available for issuance thereunder.

Section 3.2 – Certification; Performance Goal Attainment Factor Determination. Following the completion of each Performance Cycle and, subject to Section 3.4, prior to the distribution of any payment of an LTIP Award intended to constitute Qualified Performance-Based Compensation, the Committee shall certify in writing whether the applicable Performance Goals were achieved for the Performance Cycle to which the LTIP Award relates and shall determine the Performance Goal Attainment Factor with respect to such LTIP Award.

Section 3.3 – Performance Goal Attainment Factor Modifications. In determining the amount payable to a Participant with respect to the Participant's LTIP Award that is intended to constitute Qualified Performance-Based Compensation, the Committee shall have the right, in its sole discretion, to reduce the Performance Goal Attainment Factor (resulting in the reduction or elimination (including to zero), but not an increase, in the amount otherwise payable under the LTIP Award) to take into account recommendations of the Chief Executive Officer of the Company and/or such additional factors including qualitative factors, if any, that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Cycle. In the case of LTIP Awards that are not intended to qualify as Qualified Performance-Based Compensation, the Committee shall retain the right, in its sole discretion, to modify the Performance Goal Attainment Factors (resulting in a reduction, an increase or elimination (including to zero) of, the amount otherwise payable under the under the LTIP Award) to take into account recommendations of the Chief Executive Officer of the Company and/or such additional factors including qualitative factors, if any, that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Cycle. Anything to the contrary in the foregoing notwithstanding, in no event shall any such reduction or elimination of the amount payable under an LTIP Award contemplated in the foregoing sentences increase the amount payable under an LTIP Award that is intended to qualify as a Qualified Performance-Based Compensation.

Section 3.4 – Timing of Payment. Unless otherwise determined by the Committee, each LTIP Award shall be paid as soon as practicable after the Committee certifies in writing that the Performance Goals specified for such LTIP Award were in fact satisfied.

Section 3.5 – Employment Termination. Except as provided in Section 3.5(a) or Section 3.5(b) below, a Participant must be continuously and actively employed through the last date of the applicable Performance Cycle in order to be eligible to receive payment of the LTIP Award. A Participant also must be an employee in good standing of the Company or an Affiliate on the date of payment; receipt of salary continuation, notice payments, severance pay or any similar payment shall not constitute good standing for purposes of this Plan. For Participants residing outside the United States, and unless otherwise required by local law as determined by the Company on a country-by-country basis, in the event of termination of the Participant's employment (whether or not in breach of local labor laws), the Participant's right to be eligible to receive payment of the LTIP Award will terminate effective as of the date that the Participant is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law).

(a) Death; Disability. In the event of a Participant's death or termination of the Participant's active employment with the Company (or an Affiliate) as a result of the Participant's Disability, in each case, during the first year following the commencement of a Performance Cycle, the Participant shall forfeit any rights under the LTIP Award to which the Performance Cycle relates. In the event of a Participant's death or termination of the Participant's active employment with the Company (or an Affiliate) as a result of the Participant's Disability, in each case, after the first year following the commencement of a Performance Cycle, the LTIP Award shall become payable calculated based on a Performance Goal Attainment Factor equal to 100%, pro rated by applying the Participation Period Factor. Except as otherwise determined by the Committee, in its sole discretion, and provided in an LTIP Award Agreement, any LTIP Award that becomes payable in connection with a Participant's death or active employment termination resulting from a Participant's Disability as contemplated in this Section 3.5(a) shall be paid at the time of such employment termination, and in any event within 90 days following the Participant's termination of employment.

(b) Retirement. In the event a Participant's active employment with the Company (or an Affiliate) terminates prior to the last date of the applicable Performance Cycle as a result of the Participant's Early or Normal Retirement, the Participant shall, as determined by the Committee in its sole discretion, forfeit the right to any outstanding LTIP Awards or have the right to receive a pro rated portion of the LTIP Award that becomes payable in accordance with the provisions of the Plan by applying the Participation Period Factor. Except as otherwise determined by the Committee, in its sole discretion, and provided in an LTIP Award Agreement, any LTIP Award that becomes payable in connection with a Participant's Early or Normal Retirement as contemplated in this Section 3.5(b) shall be paid at the same time that all other Participants are paid the LTIP Award in accordance with Section 3.4 hereof, and in any event within 90 days following the end of the applicable Performance Cycle. If the Company determines that there has been a legal judgment and/or legal development in the jurisdiction where the Participant resides that results in the favorable treatment on Early or Normal Retirement described in this section being deemed unlawful and/or discriminatory, then the Company will not apply such favorable treatment, and the Participant's right to the LTIP Award will be treated as it would under Section 3.5(c) hereof.

(c) Other Employment Terminations. In the event of a termination of the Participant's active employment with the Company (or an Affiliate) prior to the last day of the applicable Performance Cycle for any reason not described in Section 3.5(a) or 3.5(b), including, without limitation, the Participant's voluntary or involuntary termination (whether with or without cause) or a termination in connection with a divestiture of the Company, the Participant shall forfeit as of the date of the termination any rights under all outstanding LTIP Awards held by the Participant.

Anything to the contrary in this Section 3.5 notwithstanding, the Committee may, in its sole discretion, provide for full or partial payment of the LTIP Award upon termination of a Participant's active employment for any reason prior to the completion of a Performance Cycle to which an LTIP Award relates provided that the Committee shall not exercise such discretion if doing so would cause an LTIP Award that is intended to qualify as Qualified Performance-Based Compensation not to qualify.

ARTICLE IV.

SECTION 162(M) OF THE CODE

Section 4.1 – Qualified Performance-Based Compensation. The Committee, in its discretion, may determine whether an LTIP Award is intended to qualify as Qualified Performance-Based Compensation, and may take such actions as it may deem necessary to ensure that such LTIP Award will so qualify. Any such LTIP Award shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) and any Treasury Regulations or rulings issued thereunder that are requirements for qualifications as Qualified Performance-Based Compensation, and the LTI Plan shall be deemed amended to the extent necessary to conform to such requirements.

Section 4.2 – Performance Goals.

(a) The Committee may, in its discretion, establish the specific Performance Goal or Goals under Section 2.2 hereof that must be achieved in order for a Participant to become eligible to receive an LTIP Award Cash Payout or LTIP Award Share Payout (including any specific adjustments to be made under Section 2.3 hereof). The Performance Goals (including any adjustments resulting in an increase to the amount payable under the LTIP Award) shall be established in writing by the Committee; provided, however, that the achievement of such Performance Goals shall be substantially uncertain at the time such Performance Goals are established in writing.

(b) With respect to any LTIP Award that is intended to constitute Qualified Performance-Based Compensation, the applicable Performance Goals described in Section 2.2 hereof (including any adjustments to be made under Section 2.3 hereof) shall be established in writing no later than the 90^{th} day following the commencement of the Performance Cycle to which the Performance Goals relate; provided, however, that in no event shall the Performance Goals be established after 25% of the Performance Cycle has elapsed.

ARTICLE V.

ADMINISTRATION

Section 5.1 – Committee. For LTIP Awards that are intended to qualify as Qualified Performance-Based Compensation, the Committee shall consist solely of two or more Directors appointed by and holding office at the pleasure of the Board, each of whom constitutes an "outside director" within the meaning of Section 162(m)(4)(C) of the Code and the Treasury Regulations thereunder. In the case of LTIP Awards that are not intended to constitute Qualified Performance-Based Compensation, the Committee may consist of two or more Directors appointed by and holding office at the pleasure of the Board; provided, that, to the extent permitted by applicable law, the Committee may also consist of one or more officers of the Company in the case of LTIP Awards not intended to constitute Qualified Performance-Based Compensation granted to Eligible Employees who are not (i) subject to Section 16 of the Exchange Act of 1934, as amended, or (ii) officers of the Company who have been appointed to serve on the Committee as contemplated hereunder.

Section 5.2 – Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the LTI Plan in accordance with its provisions. The Committee shall have the power to interpret the LTI Plan, and to adopt such rules for the administration, interpretation and application of the LTI Plan as are consistent therewith and to interpret, amend or revoke any such rules. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the LTI Plan except with respect to matters which under Section 162(m) of the Code are required to be determined in the sole and absolute discretion of the Committee.

Section 5.3 – Determinations of the Committee or the Board. All actions taken and all interpretations and determinations made by the Committee or the Board shall be final and binding upon all Participants, the Company and all other interested persons. No members (or former members) of the Committee or the Board shall be personally liable for any action, inaction, determination or interpretation made in good faith with respect to the LTI Plan or any LTIP Award, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

ARTICLE VI.

OTHER PROVISIONS

Section 6.1 – Amendment, Suspension or Termination of the LTI Plan. This LTI Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, with respect to LTIP Awards granted under the LTI Plan which the Committee determines should constitute Qualified Performance-Based Compensation, no action of the Board or the Committee may modify the Performance Goals (or adjustments) applicable to any outstanding LTIP Award, to the extent such modification would cause the LTIP Award to fail to constitute Qualified Performance-Based Compensation.

Section 6.2 – Effective Date. This LTI Plan shall be effective with respect to the Company's calendar year beginning January 1, 2011.

Section 6.3 – No Fiduciary Relationship. The Board and the officers of the Company shall have no duty to manage or operate the LTI Plan in order to maximize the benefits granted to the Participants hereunder, but rather shall have full discretionary power to make all management and operational decisions based on their determination of the respective best interests of the Company, its shareholders and the Participants. This LTI Plan shall not be construed to create a fiduciary relationship between the Board or the Committee and the Participants.

Section 6.4 – Governing Law. This LTI Plan and all LTIP Awards made and actions taken hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the LTI Plan to the substantive law of another jurisdiction. Unless otherwise provided in an LTIP Award, recipients of an LTIP Award under the LTI Plan are deemed to submit to the exclusive jurisdiction and venue of the Federal or state courts of the Commonwealth of Virginia, to resolve any and all issues that may arise out of or relate to the LTI Plan or any related LTIP Award.

Section 6.5 – No Employment Guarantee. Nothing in this LTI Plan shall be construed as an employment contract or a guarantee of continued employment. The rights of any Participant shall only be those as are expressly set forth in this LTI Plan.

Section 6.6 – General Creditor Status. The Participants shall, in no event, be regarded as standing in any position, if at all, other than as a general creditor of the Company with respect to any rights derived from the existence of the LTI Plan and shall receive only the Company's unfunded and unsecured promise to pay benefits under the LTI Plan.

Section 6.7 – Nonalienation of Benefits. Except as expressly provided herein, no Participant or his beneficiaries shall have the power or right to transfer, anticipate, or otherwise encumber the Participant's interest under the LTI Plan. The provisions of the LTI Plan shall inure to the benefit of each Participant and his beneficiaries, heirs, executors, administrators or successors in interest.

Section 6.8 – Severability. If any provision of this LTI Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the LTI Plan, and the LTI Plan shall be enforced and construed as if such provision had not been included.

Section 6.9 – Code Section 409A. Anything in this LTI Plan to the contrary notwithstanding, no payment of an LTIP Award that constitutes an item of deferred compensation under Section 409A of the Code and becomes payable by reason of a Participant's termination of employment with the Company shall be made to the Participant unless the Participant's termination of employment constitutes a "separation from service" (within the meaning of Section 409A of the Code and any the regulations or other guidance thereunder). In addition, no such payment or distribution shall be made to the Participant prior to the earlier of

(a) the expiration of the six-month period measured from the date of the Participant's separation from service or (b) the date of the Participant's death, if the Participant is deemed at the time of such separation from service to be a "specified employee" (within the meaning of Section 409A of the Code and any the regulations or other guidance thereunder) and to the extent such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A of the Code and any the regulations or other guidance thereunder. All payments which had been delayed pursuant to the immediately preceding sentence shall be paid to the Participant in a lump sum upon expiration of such six-month period (or, if earlier, upon the Participant's death). The LTI Plan and all LTIP Awards made hereunder shall be interpreted, construed and operated to reflect the intent of the Company that all aspects of the LTI Plan and the LTIP Awards shall be interpreted either to be exempt from the provisions of Section 409A of the Code or, to the extent subject to Section 409A of the Code, comply with Section 409A of the Code and any regulations and other guidance thereunder. This LTI Plan may be amended at any time, without the consent of any party, to avoid the application of Section 409A of the Code in a particular circumstance or that is necessary or desirable to satisfy any of the requirements under Section 409A of the Code, but the Company shall not be under any obligation to make any such amendment. Nothing in the LTI Plan shall provide a basis for any person to take action against the Company or any affiliate based on matters covered by Section 409A of the Code, including the tax treatment of any amount paid or LTIP Award made under the LTI Plan, and neither the Company nor any of its affiliates shall under any circumstances have any liability to any participant or his estate or any other party for any taxes, penalties or interest due on amounts paid or payable under the LTI Plan, including taxes, penalties or interest imposed under Section 409A of the Code.

Section 6.10 – Tax Withholding. The Company shall have the authority and the right to deduct or withhold, report or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including any social insurance, payroll tax, or payment on account) required by law to be withheld with respect to any taxable event concerning a Participant arising in connection with an LTIP Award.

Exhibit 10.14

KRAFT EXECUTIVE DEFERRED COMPENSATION PLAN

- PLAN DOCUMENT - -

SECTION 1. INTRODUCTION

1.1 Adoption of Plan and Purpose

This Plan is an unfunded, nonqualified deferred compensation plan. With the consent of the Employer (as defined in subsection 2.16) the plan may be adopted by executing the Adoption Agreement (as defined in subsection 2.3) in the form attached hereto. The Plan contains certain variable features which the Employer has specified in the Adoption Agreement. Only those variable features specified by the Employer in the Adoption Agreement will be applicable to the Employer.

The purpose of the Plan is to provide certain supplemental benefits under the Plan to a select group of management or highly compensated Employees of the Employer within the meaning of Sections 201, 301, and 401 of Title I of ERISA, or Other Service Providers to the Employer (as defined below), and to allow such Employees or Other Service Providers the opportunity to defer a portion of their current salaries, bonuses and other compensation, subject to the terms of the Plan. Participants (and their Beneficiaries) shall have only those rights to payments as set forth in the Plan and shall be considered general, unsecured creditors of the Employer with respect to any such rights. The Plan is designed to comply with Code Section 409A. It is intended that the Plan be interpreted according to a good faith interpretation of Code Section 409A, and in the event of any inconsistency between the terms of the Plan and Code Section 409A, the terms of Code Section 409A shall control. The Plan is intended to constitute an account balance plan (as defined in Treas. Reg. §1.409A-6(a)(3)(ii)).

By becoming a Participant and making deferrals under this Plan, each Participant agrees to be bound by the provisions of the Plan and the determinations of the Employer and the Administrator hereunder.

1.2 Adoption of the Plan

The Employer adopted the Plan effective June 1, 2008 by completing and signing the Adoption Agreement in the form attached hereto.

1.3 Plan Year

The Plan is administered on the basis of a Plan Year, as defined in subsection 2.26.

1.4 Plan Administration

The plan shall be administered by one or more plan administrators (the “Administrator,” as that term is defined in Section 3(16)(A) of ERISA) designated by the Employer in the Adoption Agreement. The Administrator has full discretionary authority to construe and interpret the provisions of the Plan and make factual determinations thereunder, including the power to determine the rights or eligibility of employees or participants and any other persons, and the amounts of their benefits under the Plan, and to remedy ambiguities, inconsistencies or omissions, and such determinations shall be binding on all parties. The Administrator, from time to time, may adopt such rules and regulations as may be necessary or desirable for the proper and efficient administration of the Plan and as are consistent with the terms of the Plan. The administrator may delegate all or any part of its powers, rights, and duties under the Plan to such person or persons as it may deem advisable, and may engage agents to provide certain administrative services with respect to the Plan. Any notice or document relating to the Plan which is to be filed with the Administrator may be delivered, or mailed by registered or certified mail, postage pre-paid, to the Administrator, or to any designated representative of the Administrator, in care of the Employer, at its principal office.

SECTION 2. DEFINITIONS

Capitalized terms not defined in this Section 2 shall have the meaning given such terms elsewhere in the Plan.

2.1 Account

"Account" means all unfunded notional accounts or subaccounts maintained for a Participant in order to reflect his interest under the Plan, as described in Section 6.

2.2 Administrator

"Administrator" means the individual or individuals (if any) delegated authority by the Employer to administer the Plan, as defined in subsection 1.4. If two or more individuals have delegated authority to administer the Plan, each Administrator is authorized to independently take any action required or permitted to be taken by the Administrator under the Plan.

2.3 Adoption Agreement

"Adoption Agreement" shall mean the form executed by the Employer and attached hereto, which Agreement shall constitute a part of the Plan.

2.4 Beneficiary

"Beneficiary" means the person or persons to whom a deceased Participant's benefits are payable under subsection 9.5.

2.5 Board

"Board" means the Board of Directors of the Employer (if applicable), as from time to time constituted.

2.6 Board Member

"Board Member" means a member of the Board.

2.7 Code

"Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section and any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.8 Compensation

"Compensation" shall mean the amount of a Participant's remuneration from the Employer designated in the Adoption Agreement. Notwithstanding the foregoing, the Compensation of an Other Service Provider (as defined in subsection 2.21) shall mean his remuneration from the Employer pursuant to an agreement to provide services to the Employer.

Notwithstanding the foregoing, the definition of compensation for purposes of determining key employees under subsection 9.3 of the Plan shall be determined solely in accordance with subsection 9.3. To the extent not otherwise designated by the Employer in a separate document forming part of the Plan, Compensation payable after December 31 of a given year solely for services performed during the Employer’s final payroll period containing December 31 is treated as Compensation payable for services performed in the subsequent year in which the non-deferred portion of the payroll payment is actually made.

2.9 Compensation Deferrals

“Compensation Deferrals” means the amounts credited to a Participant’s Compensation Deferral Account pursuant to the Participant’s election made in accordance with subsection 4.1.

2.10 Deferral Election

“Deferral Election” means an election by a Participant to make Compensation Deferrals or Performance-Based Bonus Deferrals in accordance with Section 4.

2.11 Disability

“Disability” for purposes of this Plan shall mean the occurrence of an event as a result of which the Participant is considered disabled, as designated by the Employer in the Adoption Agreement.

2.12 Effective Date

“Effective Date” means the Effective Date of the Plan, as indicated in the Adoption Agreement.

2.13 Eligible Individual

“Eligible Individual” means each Employee or Other Service Provider who satisfies the eligibility requirements set forth in the Adoption Agreement (as determined by the Administrator) for the period during which he is determined by the Administrator to satisfy such requirements.

2.14 Employee

“Employee” means a person who is employed by an Employer and is treated and/or classified by the Employer as a common law employee for purposes of wage withholding for Federal income taxes. If a person is not considered to be an Employee of the Employer in accordance with the preceding sentence, a subsequent determination by the Employer, any governmental agency, or a court that the person is a common law employee of the Employer, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.15 Employer

“Employer” means the business entity designated in the Adoption Agreement, and its successors and assigns unless otherwise herein provided, or any other corporation or business organization which, with the consent of the Employer, or its successors or assigns, assumes the Employer’s obligations hereunder, and any affiliate or subsidiary of the Employer, as defined in Subsections 414(b) and (c) of the Code, or other corporation or business organization that has adopted the Plan on behalf of its Eligible Individuals with the consent of the Employer.

2.16 Employer Contributions

“Employer Contributions” means the amounts other than Matching Contributions that are credited to a Participant’s Employer Contributions Account under the Plan by the Employer in accordance with subsection 4.3.

2.17 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, and any valid regulation promulgated thereunder and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.18 Fiscal Year Compensation

“Fiscal Year Compensation” means Compensation relating to a period of service coextensive with one or more consecutive non-calendar-year fiscal years of the Employer, where no amount of such Compensation is paid or payable during the service period. For example, a Non-Performance Based Bonus based upon a service period of two consecutive fiscal years payable after the completion of the second fiscal year would be “Fiscal Year Compensation,” but periodic salary payments or Non-Performance Based Bonuses based on service periods other than the Employer’s fiscal year would not be Fiscal Year Compensation.

2.19 Investment Funds

“Investment Funds” means the notional funds or other investment vehicles designated by the Administrator from time to time pursuant to subsection 5.1 for purposes of determining gains or losses to be assigned to the Accounts.

2.20 Matching Contributions

“Matching Contributions” means amounts credited to a Participant’s Employer Contributions Account under the Plan by the Employer in accordance with section 4.3 and the matching contribution formula selected by the Employer in section 11 of the Adoption Agreement.

2.21 Non-Performance Based Bonus

“Non-Performance-Based Bonus” means an award of cash that is not a Performance-Based Bonus (as defined in subsection 2.25) that is payable to an Employee (or Other Service Provider, as applicable) in a given year, with respect to the immediately preceding Non-

Performance Based Bonus performance period, which may or may not be contingent upon the achievement of specified performance goals.

2.22 Other Service Providers

"Other Service Providers" shall mean independent contractors, consultants, or other similar providers of services to the Employer, other than Employees and Board Members. To the extent that the services provided by an unrelated Other Service Provider meet the requirements for exemption from coverage under Code Section 409A as described in Treasury Regulation §1.409A-1(f)(2)(i), the provisions of Code Section 409A shall not apply. To the extent that an Other Service Provider uses an accrual method of accounting for a given taxable year, amounts deferred under the Plan in such taxable year shall not be subject to Code Section 409A and other applicable guidance thereunder, notwithstanding any provision of the Plan to the contrary.

2.23 Participant

"Participant" means an Eligible Individual who meets the requirements of Section 3 and elects to make Compensation Deferrals pursuant to Section 4, or who receives Employer Contributions pursuant to subsection 4.3.

2.24 Participant Deferrals

"Participant Deferrals" means all amounts deferred by a Participant under this Plan, including Participant Compensation Deferrals, Participant Non-Performance Based Bonus, Deferrals, and Participant Performance-Based Bonus Deferrals.

2.25 Performance-Based Bonus

"Performance-Based Bonus" generally means Compensation where the amount of, or entitlement to, the compensation is contingent on the satisfaction of previously established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months in which the Eligible Individual performs services, pursuant to rules described in Treas. Reg. § 1.409A-1(e).

2.26 Performance-Based Bonus Deferrals

"Performance-Based Bonus Deferrals" means the amounts credited to a Participant's Compensation Deferral Account from the Participant's Performance-Based Bonus pursuant to the Participant's election made in accordance with subsection 4.2.

2.27 Plan Year

"Plan Year" means each 12-month period specified in the Adoption Agreement, on the basis of which the Plan is administered.

2.28 Retirement

"Retirement" for purposes of this Plan, means the Participant's Termination Date, as defined in subsection 2.30, after attaining the age and/or service minimums with respect to Retirement or Early Retirement as designated by the Employer in the Adoption Agreement.

2.29 Spouse

"Spouse" means the person to whom a Participant is legally married under applicable state law at the earlier of the date of the Participant's death or the date payment of the Participant's benefits commenced.

2.30 Termination Date

"Termination Date" means the first day on which a Termination of Employment occurs.

2.31 Termination of Employment

"Termination of Employment" means (i) with respect to an Employee Participant, the Participant's separation from service (within the meaning of Section 409A of the Code and the regulations, notices and other guidance thereunder, including death or Disability) from the Employer, and any subsidiary or affiliate of the Employer as defined in Sections 414(b) and (c) of the Code; and (ii) with respect to any Other Service Provider, the expiration of all agreements to provide services to the Employer (for any reason, including death or Disability). A Termination of Employment shall occur as of the date that an Employee's or Other Service Provider's performance of bona-fide services for all related Employers is permanently reduced to a level less than 20% of the average level of services performed in the preceding 36-month period. However, the performance of bona-fide services at a level of 50% or more of the average level of services performed in the preceding 36-month period shall not be considered a Termination of Employment.

2.32 Valuation Date

"Valuation Date" means the last day of each Plan Year and any other date that the Employer, in its sole discretion, designates as a Valuation Date, as of which the value of an Investment Fund is adjusted for notional deferrals, contributions, distributions, gains, losses, or expenses.

SECTION 3. ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

As of the Effective Date, each Eligible Individual shall be eligible to become a Participant by properly making a Deferral Election on a timely basis as described in Section 4, or, if applicable, by receiving an Employer Contribution under the Plan. A person who is subsequently determined to be an Eligible Individual may become a Participant by making a Deferral Election on a timely basis as described in Section 4 or, if applicable, by receiving an Employer Contribution under the Plan. Each Eligible Individual's decision to become a Participant by making a Deferral Election shall be entirely voluntary. The Employer may require the Participant to complete any necessary forms or other information as it deems necessary or advisable prior to permitting the Eligible Individual to commence participation in the Plan. Eligibility to defer amounts under the Plan in any one calendar year shall not confer the right to defer amounts for any subsequent year.

3.2 Cessation of Deferrals

If a Participant ceases to be an Eligible Individual, due to a Termination of Employment or for any other reason, no further Compensation Deferrals, Non-Performance-Based Bonus Deferrals, Performance-Based Bonus Deferrals, or other Employer Contributions shall be credited to the Participant's Accounts after the Participant's Termination Date or date the Participant ceases to be an Eligible Individual (or as soon as administratively feasible after the date the Participant ceases to be an Eligible Individual), unless he is subsequently determined to be an Eligible Individual by the Administrator. However, the balance credited to the Participant's Accounts shall continue to be adjusted for notional investment gains, losses, and expenses under the terms of the Plan and shall be distributed to him at the time and manner set forth in Section 9.

3.3 Eligibility for Employer Contributions

An Eligible Individual who has satisfied the requirements necessary to become a Participant with respect to Employer Contributions other than Matching Contributions as specified in the Adoption Agreement, shall be eligible to receive Employer Contributions described in subsection 4.3, if applicable.

SECTION 4. DEFERRALS AND CONTRIBUTIONS

4.1 Compensation Deferrals Other Than Performance-Based Bonus Deferrals

Each Plan Year, an Eligible Individual may elect to defer receipt of no less than the minimum and no greater than the maximum percentage or amount selected by the Employer in the Adoption Agreement with respect to each type of Compensation (other than Performance-Based Bonuses) earned with respect to pay periods beginning on and after the effective date of the election; provided, however, that Compensation earned prior to the date the Participant satisfies the eligibility requirements of Section 3 shall not be eligible for deferral under this Plan. Except as otherwise provided in this subsection, a Participant's Deferral Election for a Plan Year under this subsection must be made not later than December 31 of the preceding Plan Year (or such earlier date as determined by the Administrator) with respect to Compensation (other than Performance-Based Bonuses) earned in pay periods beginning on or after the following January 1 in accordance with rules established by the Administrator.

An Employee or Other Service Provider who first becomes an Eligible Individual with respect to this Plan or any other plan required to be aggregated with this Plan pursuant to Code Section 409A during a Plan Year (by virtue of a promotion, Compensation increase, commencement of employment with the Employer, execution of an agreement to provide services to an Employer, or any other reason) shall be provided enrollment documents (including Deferral Election forms) as soon as administratively feasible following such initial notification of eligibility. Such Eligible Individual must make his Deferral Elections within 30 days after first becoming an Eligible Individual, with respect to his Compensation earned on or after the effective date of the Deferral Election (provided, however, that if such Eligible Individual is participating in any other account balance plan maintained by the Employer or any member of the Employer's "controlled group" (as defined in subsections 414(b) and (c) of the Code), such Eligible Individual must make his Compensation Deferral Election no later than December 31 of the preceding Plan Year (or such earlier date as determined by the Administrator), or he may not elect to make Compensation Deferrals for that initial Plan Year). If an Eligible Individual does not elect to make Compensation Deferrals during that initial 30-day period, he may not later elect to make Compensation Deferrals for that year under this subsection. The Eligible Individual's Deferral Election shall become irrevocable with respect to the current Plan Year after the 30-day period, except as otherwise provided in the Plan. In the event that an Eligible Individual first becomes eligible during a Plan Year with respect to which Fiscal Year Compensation is payable, such Eligible Individual must make his Fiscal Year Compensation Deferral Election on or before the end of the fiscal year of the Employer immediately preceding the first fiscal year in which any services are performed for which the Fiscal Year Compensation is payable. With regard to elections relating to Non-Performance Based Bonus Deferrals in which the initial deferral election is made in the first year of eligibility but after the beginning of the performance period, such election will apply only to Compensation paid for services performed after the election determined on a pro-rata basis in accordance with Treas. Reg. § 1.409A-2(a)(7)(i).

In the case of an Employee or Other Service Provider who is rehired (or who recommences providing services to an Employer as an Other Service Provider) after having previously been an Eligible Individual, the phrase "first becomes an Eligible Individual" in the first sentence of the preceding paragraph shall be interpreted to apply only where the Eligible

Individual either (i) previously received payment of his total Account balances under the Plan, and on or before the date of the last payment was not eligible to participate in this Plan or (ii) did not previously receive payment of his total Account balances under the Plan, but is rehired (or recommences providing services to an Employer as an Other Service Provider) at least 24 months after his last day as a previously Eligible Individual prior to again becoming such an Eligible Individual. In all other cases such rehired Employee or Other Service Provider may not elect to make Compensation Deferrals until the next date determined by the Administrator with respect to Compensation earned after the following January 1. Similarly, in the case of an Employee who recommences status as an Eligible Individual for any other reason after having previously lost his status as an Eligible Individual (due to Compensation fluctuations, transfer from an ineligible location or job classification, or otherwise), the phrase "first becomes an Eligible Individual" shall be interpreted to apply only where the Eligible Individual either: (i) previously received payment of his total Account balances under the Plan, and on or before the date of the last payment was not eligible to participate in this Plan, or (ii) did not previously receive payment of his total Account balances under the Plan, but regains his status as an Eligible Individual at least 24 months after his last day as a previously Eligible Individual prior to again becoming such an Eligible Individual. In all other cases such Re-Eligible Participant may not elect to make Compensation Deferrals until the next date determined by the Administrator with respect to Compensation earned after the following January 1.

An election to make Compensation Deferrals under this subsection 4.1 shall remain in effect through the last pay period commencing in the calendar year to which the election applies (except as provided in subsection 4.4), shall apply with respect to the applicable type of Compensation (other than Performance-Based Bonuses) to which the Deferral Election relates earned for pay periods commencing in the applicable calendar year to which the election applies while the Participant remains an Eligible Individual, and shall be irrevocable (provided, however, that a Participant making a Deferral Election under this subsection may change his election at any time prior to December 31 of the year preceding the year for which the Deferral Election is applicable, subject to rules established by the Administrator). If a Participant fails to make a Compensation Deferral election for a given Plan Year, such Participant's Compensation Deferral Election for that Plan Year shall be deemed to be zero; provided, however, that if the Employer has elected in the Adoption Agreement that a Participant's Compensation Deferral Election shall be "evergreen", then such Participant's Compensation Deferral Election shall be deemed to be identical to the most recent applicable Deferral Election on file with the Administrator with respect to the applicable type of Compensation; provided further that no In-Service Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

Compensation Deferrals shall be credited to the Participant's Compensation Deferral Account as soon as administratively feasible after such amounts would have been payable to the Participant.

4.2 Performance-Based Bonus Deferrals

Each Plan Year, including the year of initial eligibility, an Eligible Individual may elect to defer receipt of no less than the minimum and no greater than the maximum percentage or amount selected by the Employer in the Adoption Agreement with respect to Performance-Based Bonuses earned with respect to the performance period for which the Performance-Based Bonus is earned. Except as otherwise provided in this subsection, a Participant’s Performance-Based Bonus Deferral Election under this subsection must be made not later than six months (or such earlier date as determined by the Administrator) prior to the end of the performance period, provided such performance period is at least 12 months long, and provided that the Eligible Individual performed services continuously from a date no later than the date upon which the performance criteria are established through a date no earlier than the date upon which the Eligible Individual makes a Performance-Based Bonus Deferral Election; and further provided that in no event may an election to defer Performance-Based Bonuses be made after such Performance-Based Bonuses have become readily ascertainable as determined pursuant to Treasury Regulations §1.409A-2(a)(8).

An Employee or Other Service Provider who first becomes an Eligible Individual during a Plan Year (by virtue of a promotion, Compensation increase, commencement of employment with the Employer, execution of an agreement to provide services to an Employer, or any other reason) shall be provided enrollment documents (including Deferral Election forms) as soon as administratively feasible following such initial notification of eligibility. Such Eligible Individual must make his Performance-Based Bonus Deferral Election within 30 days after first becoming an Eligible Individual; provided, however, that if such Eligible Individual is participating in any other account balance plan maintained by the Employer or any member of the Employer’s “controlled group” (as defined in subsections 414(b) and (c) of the Code), such Eligible Individual must make his Performance-Based Bonus Deferral Election no later than six months (or such earlier date as determined by the Administrator) prior to the end of the performance period, or he may not elect to make Performance-Based Bonus Deferrals for such initial Plan Year. In the case of a Deferral Election in the first year of eligibility that is made after the beginning of the Performance-Based Bonus performance period, the Deferral Election will apply to the portion of the Performance-Based Bonus equal to the total amount of the Performance-Based Bonus for the performance period multiplied by the ratio of the number of days remaining in the performance period after the effective date of the Deferral Election over the total number of days in the Performance Period. If an Eligible Individual does not elect to make a Performance-Based Bonus Deferral during that initial 30-day period, he may not later elect to make a Performance-Based Bonus Deferral for that performance period under this subsection. Rules relating to the timing of elections to make a Performance-Based Bonus Deferral with respect to an Employee or Other Service Provider who becomes an Eligible Individual (due to rehire or other similar event) after having previously been an Eligible Individual shall be applied in the same manner as the rules described applicable to rehired and other Re-Eligible Participants in subsection 4.1 above.

An election to make Performance-Based Bonus Deferrals under this subsection 4.2 shall remain in effect through the end of the performance period to which the election applies (except as provided in subsection 4.4), and shall be irrevocable (provided, however, that a Participant making a Performance-Based Bonus Deferral Election under this subsection may change his election at any time prior to the first day of the six-month period ending on the last day of the performance period for which the Performance-Based Bonus Deferral Election is applicable, subject to rules established by the Administrator). If a Participant fails to make a Performance-Based Bonus Deferral Election for a given performance period, such Participant's Performance-Based Bonus Deferral Election for that performance period shall be deemed to be zero; provided, however, that if the Employer has elected in the Adoption Agreement that a Participant's Performance-Based Deferral Election shall be "evergreen", then such Participant's Performance-Based Bonus Deferral Election shall be deemed to be identical to the most recent applicable Performance-Based Bonus Deferral Election on file with the Administrator; provided, however, that no In-Service Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

Performance-Based Bonus Deferrals shall be credited to the Participant's Compensation Deferral Account as soon as administratively feasible after such amounts would have been payable to the Participant.

4.3 Other Employer Contributions

To the extent that the Employer has elected, pursuant to the Adoption Agreement, to make Employer Contributions such contributions shall be credited to such Participants' Employer Contributions Accounts as of a date determined to be administratively feasible by the Administrator.

4.4 No Election Changes during Plan Year

A Participant shall not be permitted to change or revoke his Deferral Elections (except as otherwise described in subsections 4.1 and 4.2), except that, if a Participant's status changes such that he becomes ineligible for the Plan, the Participant's Deferrals under the Plan shall cease as described in subsection 3.2. Notwithstanding the foregoing, in the event the Employer maintains a qualified plan designed to comply with the requirements of Code Section 401(k) that requires the cessation of all deferrals in the event of a hardship withdrawal under such plan, the Participant's Deferrals under this Plan shall cease as soon as administratively feasible upon notification to the Administrator that the participant has taken such a hardship withdrawal. Notwithstanding the foregoing, if the Employer has elected in the Adoption Agreement to permit unforeseeable emergency withdrawals pursuant to subsection 9.8, the Participant's Deferrals under this Plan shall cease as soon as administratively feasible upon approval by the Administrator of a Participant's properly submitted request for an unforeseeable emergency withdrawal under subsection 9.8.

4.5 Crediting of Deferrals

The amount of deferrals pursuant to subsections 4.1 and 4.2 shall be credited to the Participant's Accounts as of a date determined to be administratively feasible by the Administrator.

4.6 Reduction of Deferrals or Contributions

Any Participant Deferrals or Employer Contributions to be credited to a Participant's Account under this Section may be reduced by an amount equal to the Federal or state income, payroll, or other taxes required to be withheld on such deferrals or contributions or to satisfy any necessary employee welfare plan contributions. A Participant shall be entitled only to the net amount of such deferral or contribution (as adjusted from time to time pursuant to the terms of the Plan). The Administrator may limit a Participant's Deferral Election if, as a result of any election, a Participant's Compensation from the Employer would be insufficient to cover taxes, withholding, and other required deductions applicable to the Participant.

SECTION 5. NOTIONAL INVESTMENTS

5.1 Investment Funds

The Employer may designate, in its discretion, one or more Investment Funds for the notional investment of Participants' Accounts. The Employer, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. The Investment Funds are for recordkeeping purposes only and do not allow Participants to direct any Employer assets (including, if applicable, the assets of any trust related to the Plan). Each Participant's Accounts shall be adjusted pursuant to the gains, losses and expenses experienced by the Participant's notional investment elections made in accordance with this Section 5, except as otherwise determined by the Employer or Administrator in their sole discretion. The availability of an Investment Fund shall not give, or be deemed for any purpose to give, a Participant an interest in any asset or investment held by the Employer for any purpose.

5.2 Investment Fund Elections

The Employer shall have full discretion in the direction of notional investments of Participants' Accounts under the Plan; provided, however, that if the Employer so elects in the Adoption Agreement, each Participant may elect from among the Investment Funds for the notional investment of such of his Accounts as are permitted under the Adoption Agreement from time to time in accordance with procedures established by the Employer. The Administrator, in its discretion, may adopt (and may modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the notional investment of the Participant's Accounts. Such procedures may differ among Participants or classes of Participants, as determined by the Employer or the Administrator in its discretion. The Employer or Administrator may limit, delay or restrict the notional investment of certain Participants' Accounts, or restrict allocation or reallocation into specified notional investment options, in accordance with rules established in order to comply with Employer policy and applicable law, to minimize regulated filings and disclosures, or under any other circumstances in the discretion of the Employer. Any deferred amounts subject to a Participant's investment election that must be so limited, delayed or restricted under such circumstances may be notionally invested in an Investment Fund designated by the Administrator, or may be credited with earnings at a rate determined by the Administrator, which rate may be zero. A Participant's notional investment election shall remain in effect until later changed in accordance with the rules of the Administrator. If a Participant does not make a notional investment election, all deferrals by the Participant and contributions on his behalf will be deemed to be notionally invested in the Investment Fund designated by the Employer for such purpose, or, at the Employer's election, may remain uninvested until such time as the Administrator receives proper direction, or may be credited with earnings at a rate determined by the Administrator or Employer, which rate may be zero.

5.3 Investment Fund Transfers

A Participant may elect that all or a part of his notional interest in an Investment Fund shall be transferred to one or more of the other Investment Funds. A Participant may make such notional Investment Fund transfers in accordance with rules established from time to time by the Employer or the Administrator, and in accordance with subsection 5.2.

SECTION 6. ACCOUNTING

6.1 Individual Accounts

Bookkeeping Accounts shall be maintained under the Plan in the name of each Participant, as applicable, along with any subaccounts under such Accounts deemed necessary or advisable from time to time, including a subaccount for each Plan Year that a Participant's Deferral Election is in effect. Each such subaccount shall reflect the amount of the Participant's Deferral during that year, any Employer Contributions credited during that year, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.

Rules and procedures may be established by the Administrator relating to the maintenance, adjustment, and liquidation of Participants' Accounts, the crediting of deferrals and contributions and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as are considered necessary or advisable.

6.2 Adjustment of Accounts

Pursuant to rules established by the Employer, Participants' Accounts will be adjusted on each Valuation Date, except as provided in Section 9, to reflect the notional value of the various Investment Funds as of such date, including adjustments to reflect any deferrals and contributions, notional transfers between Investment Funds, and notional gains, losses, expenses, appreciation, or depreciation with respect to such Accounts since the previous Valuation Date. The "value" of an Investment Fund at any Valuation Date may be based on the fair market value of the Investment Fund, as determined by the Administrator in its sole discretion.

6.3 Accounting Methods

The accounting methods or formulae to be used under the Plan for purposes of monitoring Participants' Accounts, including the calculation and crediting of notional gains, losses, expenses, appreciation, or depreciation, shall be determined by the Administrator in its sole discretion. The accounting methods or formulae selected by the Administrator may be revised from time to time.

6.4 Statement of Account

At such times and in such manner as determined by the Administrator, but at least annually, each Participant will be furnished with a statement reflecting the condition of his Accounts.

SECTION 7. VESTING

A Participant shall be fully vested at all times in his Compensation Deferral Account. A Participant shall be vested in his Employer Contributions in accordance with the vesting schedule elected by the Employer under the Adoption Agreement. Vesting Years of Service shall be determined in accordance with the election made by the Employer in the Adoption Agreement. Amounts in a Participant’s Accounts that are not vested upon the Participant’s Termination Date (“forfeitures”) shall be used to reinstate amounts previously forfeited by other Participants who are subsequently rehired, or shall be returned to the Employer, in the discretion of the Employer or the Administrator.

If a Participant has a Termination Date with the Employer as a result of the Participant’s Misconduct (as defined by the Employer in the Adoption Agreement), or if the Participant engages in Competition with the Employer (as defined by the Employer in the Adoption Agreement), and the Employer has so elected in the Adoption Agreement, the Participant shall forfeit all amounts allocated to his or her Employer Contribution Accounts (if applicable) regardless of whether the Participant was vested in the amounts being forfeited, the Administrator shall determine whether a Participant has been terminated as a result of Misconduct or has engaged in Competition, at the Administrator’s sole discretion. Such forfeitures shall be returned to the Employer.

Neither the Administrator nor the Employer guarantee the Participant’s Account balance from loss or depreciation. Notwithstanding any provision of the Plan to the contrary, the Participant’s Account balance is subject to Section 8.

Vesting Years of Service in the event of the rehire of a Participant shall be reinstated, and amounts previously forfeited by such Participants shall be reinstated from forfeitures made by other Participants, or shall be reinstated by the Employer.

SECTION 8. FUNDING

No Participant or other person shall acquire by reason of the Plan any right in or title to any assets, funds, or property of the Employer whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property of the Employer. Benefits under the Plan are unfunded and unsecured. A Participant shall have only an unfunded, unsecured right to the amounts, if any, payable hereunder to that Participant. The Employer's obligations under this Plan are not secured or funded in any manner, even if the Employer elects to establish a trust with respect to the Plan. Even though benefits provided under the Plan are not funded, the Employer may establish a trust to assist in the payment of benefits. All investments under this Plan are notional and do not obligate the Employer (or its delegates) to invest the assets of the Employer or of any such trust in a similar manner.

SECTION 9. DISTRIBUTION OF ACCOUNTS

9.1 Distribution of Accounts

With respect to any Participant who has a Termination Date that precedes his Retirement date, an amount equal to the Participant's vested Account balances shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary), in the form of a single lump sum payment. With respect to any Participant who has a Termination Date on or after his Retirement date, an amount equal to the Participant's Employer Contribution Account shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary) in the form of a single lump sum payment; in addition, an amount equal to such Participant's vested Accounts other than his Employer Contributions Account shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary) in the form of a single lump sum payment or in the form of installment payments as designated by the Employer in the Adoption Agreement and elected by the Participant in accordance with subsection 9.2. Subject to subsection 9.3 hereof, distribution of a Participant's Accounts in a lump sum shall be made within the 90-day period following the Participant's Termination Date (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Administrator to make such payment). Notwithstanding any provision of the Plan to the contrary, for purposes of this subsection, a Participant's Accounts shall be valued as of a Valuation Date as soon as administratively feasible preceding the date such distribution is made, in accordance with rules established by the Administrator. A Participant's Accounts may be offset by any amounts owed by the Participant to the Employer, but such offset shall not occur in excess of or prior to the date distribution of the amount would otherwise be made to the Participant and shall otherwise meet the offset requirements of Treas. Reg. § 1.409A-3(j)(4)(xiii).

Notwithstanding the foregoing, to the extent designated by the Employer in the Adoption Agreement, a Participant may elect, in accordance with this subsection, a distribution date for his Compensation Deferral Accounts that is prior to his Termination Date (an "In-Service Distribution"). A Participant's election of an In-Service Distribution date must: (i) be made at the time of his Deferral Election for a Plan Year; and (ii) apply only to amounts deferred pursuant to that election, and any earnings, gains, losses, appreciation, and depreciation credited thereto or debited therefrom with respect to such amounts. To the extent permitted by the Employer, a Participant may elect an In-Service Distribution date with respect to Performance-Based Bonus Deferrals that is separate from an In-Service Distribution date with respect to Compensation Deferrals other than Performance-Based Bonus Deferrals for the same year, provided that the applicable In-Service Distribution date may not be earlier than the number of years designated by the Employer in the Adoption Agreement following the year in which the applicable Compensation would have been paid absent the deferral, or as further determined or limited in accordance with rules established by the Administrator. Payments made pursuant to an In-Service Distribution election shall be made in a lump sum or installments, to the extent permitted by the Employer and elected by the Participant in accordance with the terms of the Plan. Each such payment shall be made as soon as administratively feasible following January 1 of the calendar year in which the payment was elected to be made, but in no event later than the end of the calendar year in which the payment was elected to be made (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Administrator to make such payment). For purposes of such payment, the value of the Participant's Accounts for the applicable Plan Year shall be determined as of a Valuation Date preceding the date that such distribution is made, in accordance with rules established by the Administrator. In the event a Participant's Termination Date occurs (or, if elected by the Employer in the Adoption Agreement, in the event a Change in Control of the Employer occurs) prior to the date the Participant had previously elected to have an In-Service Distribution payment made to him, such amount shall be paid to the Participant under the rules applicable for payment on Termination of Employment in accordance with this subsection 9.1 and subsection 9.2. No In-Service Distribution shall be applicable to any amounts deferred in a year in which the Participant fails to make an affirmative election, and payment of such amounts for such year shall be made in accordance with his most recent election on file with the Administrator (if no election is on file, then such amounts shall be paid to him in a single lump sum).

To the extent elected by the Employer in the Adoption Agreement, Participants whose Termination Date has not yet occurred may elect to defer payment of any In-Service Distribution, provided that such election is made in accordance with procedures established by the Administrator, and further provided that any such election must be made no later than 12 calendar months prior to the originally elected In-Service Distribution Date. Participants may elect any deferred payment date, but such date must be no fewer than five years from the original In-Service Distribution Date.

9.2 Installment Distributions

A Participant who has a Termination Date on or after his Retirement date may, to the extent elected by the Participant in accordance with this subsection 9.2, receive payments from his Accounts other than his Employer Contribution Account in the form of a single lump sum, as described in Section 9.1, or in annual installments over a period permitted under the Adoption Agreement. To the extent a Participant fails to make an election, the Participant shall be deemed to have elected to receive his distribution for that Plan Year in the form of a single lump sum. To the extent permitted by the Employer in the Adoption Agreement, a Participant may make a separate election with respect to his Performance-Based Bonus Deferrals for each year (as adjusted for gains and losses thereon) that provides for a different method of distribution from the method of distribution he elects with respect to his Compensation Deferrals (as adjusted for gains and losses thereon) for that year.

(a) Installment Elections. A Participant will be required to make his distribution election prior to the commencement of each calendar year (or, in the event of an election with respect to Performance-Based Bonuses, prior to six months before the end of the applicable performance period), or such earlier date as determined by the Administrator.

(b) Installment Payments. The first installment payment shall generally be made within the 90-day period following the Participant's Termination Date (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Administrator to make such payment). Succeeding payments shall generally be made by January 1 of each succeeding calendar year, but in no event later than the end of each succeeding calendar year (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Administrator to make such payment). The amount to be distributed in each installment payment shall be determined by dividing the value of the Participant's Accounts as of a Valuation Date preceding the date of each distribution by the number of installment payments remaining to be made, in accordance with rules established by the Administrator. In the event of the death of the Participant prior to the full payment of his Accounts, payments will continue to be made to his Beneficiary in the same manner and at the same time as would have been payable to the Participant, but substituting the Participant's date of death for the Participant's Retirement Date.

To the extent elected by the Employer in the Adoption Agreement, Participants who have elected payment in installments may make a subsequent election to elect payment of that amount in the form of a lump sum, if payment of installments with respect to that year's deferrals has not yet commenced. Such election must be made in accordance with procedures established by the Administrator, and any such election must be made to take effect no later than 12 calendar months prior to the originally elected payment date of the first installment. The new payment date for the installment with respect to which such election is made must be deferred to the later of: (i) five years from the date such payment would otherwise have been made, or (ii) the last payment date of the last installment with respect to that year's deferrals. To the extent elected by the Employer in the Adoption Agreement, Participants who have elected payment in installments may make a subsequent election to change the number of such installment payments so long as no acceleration of distribution payments (within the meaning of Code Section 409A) occurs (but no fewer than the minimum number, and not to exceed the maximum number of installments elected by the Employer in the Adoption Agreement), if payment of installments with respect to that year's Deferral Elections has not yet commenced. Such election must be made in accordance with procedures established by the Administrator, and any such election must be made and take effect no later than 12 calendar months prior to the originally elected payment date of the first installment. The new payment date for any installment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been made. In the event payment has been elected by the Participant in the form of installments (to the extent elected by the Employer in the Adoption Agreement), each installment payment shall be considered a separately identifiable payment. In the event payment has been elected by the Participant in the form of a lump sum (or in the event payment shall be made to the Participant in the form of a lump sum under the terms of the Plan in the absence of or in lieu of the Participant's election), then the lump sum form shall be deemed to be a separately identifiable form of payment, and the Participant may make a subsequent deferral election to elect payment of that amount in the form of installments (to the extent elected by the Employer in the Adoption Agreement) in accordance with the procedures described above for changing installment payment elections. Participants will be permitted to make such a change only once with respect to any year's Deferral Elections.

9.3 Key Employees

Notwithstanding anything herein to the contrary, and subject to Code Section 409A, distribution under this Section 9 shall not be made or commence as a result of the Participant's Termination Date to any Participant who is a key employee (defined below) before the date that is not less than six months after the Participant's Termination Date (or, if earlier, the date of death of the Employee). For this purpose, a key employee includes a "specified employee" (as defined in Treas. Reg. § 1.409A-1(i)) during the entire 12-month period determined by the Administrator ending with the annual date upon which key employees are identified by the Administrator, and also including any Employee identified by the Administrator in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of whether such Employee is subsequently determined by the Employer, any governmental agency, or a court not to be a key employee. In the event amounts are payable to a key employee in installments in accordance with subsection 9.2, the first installment shall be delayed by six months, with all other installment payments payable as originally scheduled. To the extent not otherwise designated by the Employer in a separate document forming a part of the Plan applicable to all its nonqualified deferred compensation plans, the identification date for determining the Employer's key employees is each December 31 (and the new key employee list is updated and effective each subsequent April 1). To the extent not otherwise designated by the Employer in a separate document forming a part of the Plan, the definition of compensation used to determine key employee status shall be determined under Treas. Reg. § 1.415(c)-2(a). This subsection 9.3 is applicable only with respect to companies whose stock is publicly traded on an "established securities market" (as defined in Treas. Reg. § 1.409A-1(k)), and is not applicable to privately held companies unless and until such companies become publicly traded pursuant to the provisions of Code Section 409A.

9.4 Mandatory Cash-Outs of Small Amounts

If the value of a Participant's total Accounts, (when combined with the account balances of all plans required to be aggregated with the Plan under Code Section 409A) at his Termination Date (or his death), or at any time thereafter, is equal to or less than such amount as stated in the Adoption Agreement (which amount shall not exceed the limit described in Section 402(g)(1)(B) of the Code), the Accounts will be paid to the Participant (or, in the event of his death, his Beneficiary) in a single lump sum, notwithstanding any election by the Participant otherwise. Payments made under this subsection 9.4 on account of the Participant's Termination Date shall be made within the 90-day period following the Participant's Termination Date (provided, however, that if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant, the payment will be made as soon as administratively practicable for the Administrator to make such payment) and shall result in the termination and liquidation of the entirety of the Participant's interest in the Plan.

9.5 Designation of Beneficiary

Each Participant from time to time may designate any individual, trust, charity or other person or persons to whom the value of the Participant's Accounts (plus any applicable Survivor Benefit, if elected by the Employer in the Adoption Agreement) will be paid in the event the

Participant dies before receiving the value of all of his Accounts. A Beneficiary designation must be made in the manner required by the Administrator for this purpose. Primary and secondary Beneficiaries are permitted. A married participant designating a Beneficiary other than his Spouse must obtain the consent of his Spouse to such designation (in accordance with rules determined by the Administrator). Payments to the Participant's Beneficiary(ies) shall be made in accordance with subsection 9.1, 9.2 or 9.4, as applicable, after the Administrator has received proper notification of the Participant's death.

A Beneficiary designation will be effective only when the Beneficiary designation is received by the Administrator while the Participant is alive, and a subsequent Beneficiary designation will cancel all of the Participant's Beneficiary designations previously filed with the Administrator. Any designation or revocation of a Beneficiary shall be effective when it is received by the Administrator. Once received, such designation shall be effective as of the date the designation was executed, but without prejudice to the Administrator on account of any payment made before the change is recorded by the Administrator. If a Beneficiary dies before the entire payment of the Participant's Accounts have been made, the Participant's Accounts shall be distributed in accordance with the Participant's Beneficiary designation or pursuant to rules established by the Administrator. If a deceased Participant failed to designate a Beneficiary, or if the designated Beneficiary predeceases the Participant, the value of the Participant's Accounts shall be payable to the Participant's Spouse or, if there is none, to the Participant's estate, or in accordance with such other equitable procedures as determined by the Administrator.

9.6 Reemployment

If a former Participant is rehired by an Employer, the Employer or any affiliate or subsidiary of the Employer described in Section 414(b) and (c) of the Code, regardless of whether he is rehired as an Eligible Individual (with respect to an Employee Participant), any payments being made to such Participant hereunder by virtue of his previous Termination Date shall continue to be made to him without regard to such rehire. If a former Participant is rehired by the Employer (with respect to an Employee Participant), and any payments to be made to the Participant by virtue of his previous Termination Date have not been made or commenced, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall continue to be made to him without regard to such rehire or return to service. See subsections 4.1 and 4.2 of the Plan for special rules applicable to deferral elections for rehired or Re-Eligible Participants.

9.7 Special Distribution Rules

Except as otherwise provided herein and in Section 12, Account balances of Participants in this Plan shall not be distributed earlier than the applicable date or dates described in this Section 9. Notwithstanding the foregoing, in the case of payments: (i) the deduction for which would be limited or eliminated by the application of Section 162(m) of the Code; (ii) that would violate securities or other applicable laws; (iii) that would violate loan covenants or other contractual terms to which an Employer is a party, but only where such a violation would result in jeopardizing the ability of the Employer to continue as a going concern, deferral of such payments may be made by the Employer at the Employer's discretion. In the case of a payment described in (i) above, the payment must be deferred either to a date in the first year in which the Employer or Administrator reasonably anticipates that a payment of such amount would not result in a limitation of a deduction with respect to the payment of such amount under Section 162(m), or, if later, the period which begins on the Participant's Termination Date and ends on the 15th day of the third month following the Termination Date. In the case of a payment described in (ii) or (iii) above, payment will be made in the first calendar year in which the Employer or Administrator reasonably anticipates that the violation would not result in material harm to an Employer, or the payment would not result in a violation of securities or other applicable laws. Payments intended to pay employment taxes or payments made as a result of income inclusion of an amount in a Participant's Accounts as a result of a failure to satisfy Section 409A of the Code shall be permitted at the Employer or Administrator's discretion at any time and to the extent provided in Treasury Regulations under Section 409A of the Code and IRS Notice 2005-1, Q&A-15, and any applicable subsequent guidance. "Employment taxes" shall include Federal Income Contributions Act (FICA) tax imposed under Sections 3101 and 3121(v)(2) of the Code on compensation deferred under the Plan (the "FICA Amount"), the income tax imposed under Section 3401 of the Code on the FICA Amount, and to pay the additional income tax under Section 3401 of the Code attributable to the pyramiding Section 3401 wages and taxes. A distribution may be accelerated as may be necessary to comply with certain federal, state, local, or foreign conflict of interest rules. With respect to a subchapter S corporation, a distribution may be accelerated to avoid a nonallocation year under Code Section 409(p) with respect to a subchapter S corporation in the discretion of the Employer or Administrator, provided that the amount distributed does not exceed 125 percent of the minimum amount of distribution necessary to avoid the occurrence of a nonallocation year, in accordance with Treas. Reg. §1.409A-3(j)(4)(x).

9.8 Distribution on Account of Unforeseeable Emergency

If elected by the Employer in the Adoption Agreement, if a Participant or Beneficiary incurs a severe financial hardship of the type described below, he may request an unforeseeable emergency distribution, provided that the withdrawal is necessary to satisfy the emergency needs of the Participant or Beneficiary. To the extent elected by the Employer in the Adoption Agreement, the ability to apply for an unforeseeable emergency distribution may be restricted to Participants whose Termination Date has not yet occurred. Such a distribution shall not exceed the amount required (including anticipated taxes on the distribution) to meet the emergency financial need and not reasonably available from other resources of the Participant (including reimbursement or compensation by insurance, cessation of deferrals under this Plan for the remainder of the Plan Year, and liquidation of the Participant's assets, to the extent liquidation itself would not cause severe financial hardship). Each such request for distribution due to an unforeseen emergency shall be made at such time and in such manner as the Administrator shall determine, and shall be effective in accordance with such rules as the Administrator shall establish and publish from time to time. An unforeseeable emergency is a severe financial hardship to the Participant resulting from:

(a) Medical expenses resulting from a sudden unexpected illness or accident incurred by the Participant, his Spouse, his Beneficiary, or his dependents (as defined in Code Section 152(a) without regard to section 152(b)(1), (b)(2), and (d)(1)(B));

(b) Uninsured casualty loss pertaining to property owned by the Participant.

(c) Other similar extraordinary and unforeseeable circumstances involving an uninsured loss arising from an event beyond the control of the Participant.

Withdrawals of amounts under this subsection shall be paid to the Participant in a lump sum as soon as administratively feasible following receipt of the appropriate forms and information required by and acceptable to the Administrator.

9.9 Distribution upon Change in Control

In the event of the occurrence of a Change in Control of the Employer or a member of the Employer's controlled group (as designated by the Employer in the Adoption Agreement, and to the extent certified by the Administrator that a Change in Control has occurred), distributions shall be made to Participants to the extent elected by the Employer in the Adoption Agreement, in the form elected by the Participants as if a Termination Date had occurred with respect to each Participant, or as otherwise specified by the Employer in the Adoption Agreement. The Change in Control must relate to either: (i) the corporation for whom the Participant is performing services at the time of the Change in Control event; (ii) the corporation that is liable for the payment from the Plan to the Participant (or all corporations so liable if more than one corporation is liable), if the compensation provided hereunder is attributable to the performance of services for the corporation or there is a bona-fide business purpose for such corporation to be liable for payment hereunder, other than the avoidance of Federal income tax; (iii) a corporation that is a majority shareholder of a corporation described in (i) or (ii) above; or (iv) any corporation in a chain of corporations in which each such corporation is a majority shareholder of another corporation in the chain, ending in a corporation described in (i) or (ii) above, as elected by the Employer in the Adoption Agreement. A "majority shareholder" for these purposes is a shareholder owning more than 50% of the total fair market value and total voting power of such corporation. The attribution rules described in section 318(a) of the Code and Treasury Regulations §1.409A-3(i)(5)(iii) apply to determine stock ownership for purposes of this Section 9.9. If plan payments are made on account of a Change in Control and are calculated by reference to the value of the Employer's stock, such payments shall be completed not later than 5 years after the Change in Control event. To the extent designated by the Employer in the Adoption Agreement, the Change in Control shall occur upon: (i) the acquisition of 20% or more of the outstanding voting securities of the Employer by another entity or group; excluding, however, the following: (1) any acquisition by the Employer or any of its affiliates; (2) any acquisition by an employee benefit plan or related trust sponsored or maintained by the Employer or any of its affiliates; or (3) any acquisition pursuant to a merger or consolidation described in clause (iii) of this definition; (ii) during any consecutive 24 month period, persons who constitute the Board at the beginning of such period cease to constitute at least 50% of the Board; provided that each new Board member who is approved by a majority of the directors who began such 24 month period shall be deemed to have been a member of the Board at the beginning of such 24 month period; (iii) the consummation of a merger or consolidation of the Employer with another company, and the Employer is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of the Employer; excluding, however, a transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Employer immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Employer either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of the Employer; or (iv) the consummation of a plan of complete liquidation of the Employer or the sale or disposition of all or substantially all of the Employer's assets, other than a sale or disposition pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Employer immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity purchasing or acquiring the Employer's assets in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of the Employer.

9.10 Supplemental Survivor Death Benefit

A supplemental survivor death benefit shall be paid to the Beneficiary of an eligible Participant who has satisfied the following criteria prior to his death:

(a) The Participant is eligible to participate in the Plan and, at the time of his death, had a current Account balance (regardless of whether or not the Participant actually was making Compensation Deferrals at the time of his death);

(b) The Participant was an active Employee with the Employer at the time of his death;

(c) The Participant completed and submitted an insurance application to the Administrator; and

(d) The Employer subsequently purchased an insurance policy on the life of the Participant, with a death benefit payable, which policy is in effect at the time of the Participant's death.

Notwithstanding any provision of this Plan or any other document to the contrary, the supplemental survivor death benefit payable pursuant to this Subsection 9.10 shall be paid only if an insurance policy has been issued on the Participant's life and such policy is in force at the time of the Participant's death and the Employer shall have no obligation with respect to the payment of the supplemental survivor death benefit, or to maintain an insurance policy for any Participants.

SECTION 10. GENERAL PROVISIONS

10.1 Interests Not Transferable

The interests of persons entitled to benefits under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered; provided, however, that a Participant's interest in the Plan may be transferable pursuant to a qualified domestic relations order, as defined in Section 414(p) of the Code, to the extent designated by the Employer in the Adoption Agreement.

10.2 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee neither the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The Employer expressly reserves the right to discharge any Employee at any time.

10.3 Litigation by Participants or Other Persons

If a legal action begun against the Administrator or a former Administrator, an Employer, or any person or persons to whom an Employer or the Administrator has delegated all or part of its duties hereunder, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Administrator or former Administrator, the Employer or any person or persons to whom the Employer or the Administrator has delegated all or part of its duties hereunder of defending the action shall be charged to the extent permitted by law to the sums, if any, which were involved in the action or were payable to the Participant or other person concerned.

10.4 Indemnification

To the extent permitted by law, the Employer shall indemnify the Administrators, and any other Employee or member of the Board with duties under the Plan, against losses and expenses (including any amount paid in settlement) reasonably incurred by such person in connection with any claims against such person by reason of such person's conduct in the performance of duties under the Plan, except in relation to matters as to which such person has acted fraudulently or in bad faith in the performance of duties. Notwithstanding the foregoing, the Employer shall not indemnify any person for any expense incurred through any settlement or compromise of any action unless the Employer consents in writing to the settlement or compromise.

10.5 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

10.6 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

10.7 Controlling Law

Except to the extent superseded by laws of the United States, the laws of the state indicated by the Employer in the Adoption Agreement shall be controlling in all matters relating to the Plan.

10.8 Severability

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.9 Action by the Employer or the Administrator

Any action required or permitted to be taken by the Employer under the Plan shall be by resolution of its Board of Directors (which term shall include any similar governing body for any Employer that is not a corporation), by resolution or other action of a duly authorized committee of its Board of Directors, or by action of a person or persons authorized by resolution of its Board of Directors or such committee. Any action required or permitted to be taken by the Administrator under the Plan shall be by resolution or other action of the Administrator or by a person or persons duly authorized by the Administrator.

Headings and Captions

The headings and captions contained in this Plan are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the construction of any provision of the Plan.

10.10 Gender and Number

Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

10.11 Examination of Documents

Copies of the Plan and any amendments thereto are on file at the office of the Employer where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

10.12 Elections

Each election or request required or permitted to be made by a Participant (or a Participant’s Spouse or Beneficiary) shall be made in accordance with the rules and procedures established by the Employer or Administrator and shall be effective as determined by the Administrator. The Administrator's rules and procedures may address, among other things, the method and timing of any elections or requests required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary). All elections under the Plan shall comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended ("USERRA").

10.13 Manner of Delivery

Each notice or statement provided to a Participant shall be delivered in any manner established by the Administrator and in accordance with applicable law, including, but not limited to, electronic delivery.

10.14 Facility of Payment

When a person entitled to benefits under the Plan is a minor, under legal disability, or is in any way incapacitated so as to be unable to manage his financial affairs, the Administrator may cause the benefits to be paid to such person's guardian or legal representative. If no guardian or legal representative has been appointed, or if the Administrator so determines in its sole discretion, payment may be made to any person as custodian for such individual under any applicable state law, or to the legal representative of such person for such person's benefit, or the Administrator may direct the application of such benefits for the benefit of such person. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

10.15 Missing Persons

The Employer and the Administrator shall not be required to search for or locate a Participant, Spouse, or Beneficiary. Each Participant, Spouse, and Beneficiary must file with the Administrator, from time to time, in writing the Participant's, Spouse's, or Beneficiary's post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant, Spouse, or Beneficiary at the last post office address filed with the Administrator, or if no address is filed with the Administrator, then in the case of a Participant, at the Participant's last post office address as shown on the Employer's records, shall be considered a notification for purposes of the Plan and shall be binding on the Participant and the Participant's Spouse and Beneficiary for all purposes of the Plan.

If the Administrator is unable to locate the Participant, Spouse, or Beneficiary to whom a Participant's Accounts are payable, the Participant's Accounts shall be frozen as of the date on which distribution would have been completed under the terms of the Plan, and no further notional investment returns shall be credited thereto.

If a Participant whose Accounts were frozen (or his Beneficiary) files a claim with the Administrator for distribution of the Accounts within 7 years after the date the Accounts are frozen, and if the Administrator or Employer determines that such claim is valid, then the frozen balance shall be paid by the Employer to the Participant or Beneficiary in a lump sum cash payment as soon as practicable thereafter. If the Administrator notifies a Participant, Spouse, or Beneficiary of the provisions of this Subsection, and the Participant, Spouse, or Beneficiary fails to claim the Participant's, Spouse's, or Beneficiary's benefits or make such person's whereabouts known to the Administrator within 7 years after the date the Accounts are frozen, the benefits of the Participant, Spouse, or Beneficiary may be disposed of, to the extent permitted by applicable law, by one or more of the following methods:

(a) By retaining such benefits in the Plan.

(b) By paying such benefits to a court of competent jurisdiction for judicial determination of the right thereto.

(c) By forfeiting such benefits in accordance with procedures established by the Administrator. If a Participant, Spouse, or Beneficiary is subsequently located, such benefits shall be restored (without adjustment) to the Participant, Spouse, or Beneficiary under the Plan.

(d) By any equitable manner permitted by law under rules adopted by the Administrator.

10.16 Recovery of Benefits

In the event a Participant, Spouse, or Beneficiary receives a benefit payment from the Plan that is in excess of the benefit payment that should have been made to such Participant, Spouse, or Beneficiary, or in the event a person other than a Participant, Spouse, or Beneficiary receives an erroneous payment from the Plan, the Administrator or Employer shall have the right, on behalf of the Plan, to recover the amount of the excess or erroneous payment from the recipient. To the extent permitted under applicable law, the Administrator or Employer may, at its option, deduct the amount of such excess or erroneous payment from any future benefits payable to the applicable Participant, Spouse, or Beneficiary.

10.17 Effect on Other Benefits

Except as otherwise specifically provided under the terms of any other employee benefit plan of the Employer, a Participant's participation in this Plan shall not affect the benefits provided under such other employee benefit plan.

10.18 Tax and Legal Effects

The Employer, the Administrator, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any Participant, Spouse, or Beneficiary, and the Employer, the Administrator, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Employer may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 11. THE ADMINISTRATOR

11.1 Information Required by Administrator

Each person entitled to benefits under the Plan must file with the Administrator from time to time in writing such person's mailing address and each change of mailing address. Any communication, statement, or notice addressed to any person at the last address filed with the Administrator will be binding upon such person for all purposes of the Plan. Each person entitled to benefits under the Plan also shall furnish the Administrator with such documents, evidence, data, or information as the Administrator considers necessary or desirable for the purposes of administering the Plan. The Employer shall furnish the Administrator with such data and information as the Administrator may deem necessary or desirable in order to administer the Plan. The records of the Employer as to an Employee's or Participant's period of employment or termination of employment or membership and the reason therefore, leave of absence, reemployment, and Compensation will be conclusive on all persons unless determined to the Administrator's or Employer's satisfaction to be incorrect.

11.2 Uniform Application of Rules

The Administrator shall administer the Plan on a reasonable basis. Any rules, procedures, or regulations established by the Administrator shall be applied uniformly to all persons similarly situated.

11.3 Review of Benefit Determinations

Benefits will be paid to Participants and their beneficiaries without the necessity of formal claims. Participants or their beneficiaries, however, may make a written request to the Administrator for any Plan benefits to which they may be entitled. Participants' written request for Plan benefits will be considered a claim for Plan benefits, and will be subject to a full and fair review. If the claim is wholly or partially denied, the Administrator will furnish the claimant with a written notice of this denial. This written notice will be provided to the claimant within 90 days after the receipt of the claim by the Administrator. If notice of the denial of a claim is not furnished to the claimant in accordance with the above within 90 days, the claim will be deemed denied. The claimant will then be permitted to proceed to the review stage described in the following paragraphs.

Upon the denial of the claim for benefits, the claimant may file a claim for review, in writing, with the Administrator. The claim for review must be filed no later than 60 days after the claimant has received written notification of the denial of the claim for benefits or, if no written denial of the claim was provided, no later than 60 days after the deemed denial of the claim. The claimant may review all pertinent documents relating to the denial of the claim and submit any issues and comments, in writing, to the Administrator. If the claim is denied, the Administrator must provide the claimant with written notice of this denial within 60 days after the Administrator's receipt of the claimant's written claim for review. The Administrator's decision on the claim for review will be communicated to the claimant in writing and will include specific references to the pertinent Plan provisions on which the decision was based. If the Administrator's decision on review is not furnished to the claimant within the time limitations described above, the claim will be deemed denied on review. If the claim for Plan benefits is finally denied by the Administrator (or deemed denied), then the claimant may bring suit in federal court. The claimant may not commence a suit in a court of law or equity for benefits under the Plan until the Plan's claim process and appeal rights have been exhausted and the Plan benefits requested in that appeal have been denied in whole or in part. However, the claimant may only bring a suit in court if it is filed within 90 days after the date of the final denial of the claim by the Administrator.

With respect to claims for benefits payable as a result of a Participant being determined to be disabled, the Administrator will provide the claimant with notice of the status of his claim for disability benefits under the Plan within a reasonable period of time after a complete claim has been filed, but no later than 45 days after receipt of the claim for benefits. The Administrator may request an additional 30-day extension if special circumstances warrant by notifying the claimant of the extension before the expiration of the initial 45-day period. If a decision still cannot be made within this 30-day extension period due to circumstances outside the Plan's control, the time period may be extended for an additional 30 days, in which case the claimant will be notified before the expiration of the original 30-day extension.

If the claimant has not submitted sufficient information to the Administrator to process his disability benefit claim, he will be notified of the incomplete claim and given 45 days to submit additional information. This will extend the time in which the Administrator has to respond to the claim from the date the notice of insufficient information is sent to the claimant until the date the claimant responds to the request. If the claimant does not submit the requested missing information to the Administrator within 45 days of the date of the request, the claim will be denied.

If a disability benefit claim is denied, the claimant will receive a notice which will include: (i) the specific reasons for the denial, (ii) reference to the specific Plan provisions upon which the decision is based, (iii) a description of any additional information the claimant might be required to provide with an explanation of why it is needed, and (iv) an explanation of the Plan's claims review and appeal procedures, and (v) a statement regarding the claimant's right to bring a civil action under Section 502(a) of ERISA following a denial on appeal.

The claimant may appeal a denial of a disability benefit claim by filing a written request with the Administrator within 180 days of the claimant's receipt of the initial denial notice. In connection with the appeal, the claimant may request that the Plan provide him, free of charge, copies of all documents, records and other information relevant to the claim. The claimant may also submit written comments, records, documents and other information relevant to his appeal, whether or not such documents were submitted in connection with the initial claim. The Administrator may consult with medical or vocational experts in connection with deciding the claimant's claim for benefits.

The Administrator will conduct a full and fair review of the documents and evidence submitted and will ordinarily render a decision on the disability benefit claim no later than 45 days after receipt of the request for review on appeal. If there are special circumstances, the decision will be made as soon as possible, but not later than 90 days after receipt of the request for review on appeal. If such an extension of time is needed, the claimant will be notified in writing prior to the end of the first 45-day period. The Administrator's final written decision will set forth: (i) the specific reasons for the decision, (ii) references to the specific Plan provisions on which the decision is based, (iii) a statement that the claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the benefit claim, and (iv) a statement regarding the claimant's right to bring a civil action under Section 502(a) of ERISA following a denial on appeal. The Administrator's decision made in good faith will be final and binding.

11.4 Administrator's Decision Final

Benefits under the Plan will be paid only if the Administrator decides in its sole discretion that a Participant or Beneficiary (or other claimant) is entitled to them. Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Administrator made by the Administrator or its delegate in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known to the Administrator and the Administrator shall make such adjustment on account thereof as it considers equitable and practicable.

SECTION 12. AMENDMENT AND TERMINATION

While the Employer expects and intends to continue the Plan, the Employer and the Administrator reserve the right to amend the Plan at any time and for any reason, including the right to amend this Section 12 and the Plan termination rules herein; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such amendment. The Employer's power to amend the Plan includes (without limitation) the power to change the Plan provisions regarding eligibility, contributions, notional investments, vesting, distribution forms, and timing of payments, including changes applicable to benefits accrued prior to the effective date of any such amendment; provided, however, that amendments to the Plan (other than amendments relating to Plan termination) shall not cause the Plan to provide for acceleration of distributions in violation of Section 409A of the Code and applicable regulations thereunder.

The Employer reserves the right to terminate the Plan at any time and for any reason; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such termination (but such Accounts shall not be adjusted for future notional income, losses, expenses, appreciation and depreciation).

In the event that the Plan is terminated pursuant to this Section 12, the balances in affected Participants' Accounts shall be distributed at the time and in the manner set forth in Section 9. Notwithstanding the foregoing, the Employer and the Administrator reserve the right to make all such distributions within the second twelve-month period commencing with the date of termination of the Plan; provided, however, that no such distribution will be made during the first twelve-month period following such date of Plan termination other than those that would otherwise be payable under Section 9 absent the termination of the Plan. In the event of a Plan termination due to a Change in Control of the Employer, distributions shall be made within 12 months of the date of the Change in Control.

KRAFT EXECUTIVE DEFERRED COMPENSATION PLAN

ADOPTION AGREEMENT

This adoption agreement and the accompanying plan document have not been approved by the Department of Labor, Internal Revenue Service, Securities Exchange Commission, or any other governmental entity. Employers may not rely on this document or the accompanying plan document to ensure any particular tax consequences with respect to the Employer’s particular situation, nor do these documents constitute legal or tax advice. Pen-Cal and its employees cannot provide legal or tax advice in connection with these documents. Employers must determine the extent to which the Plan is subject to Federal or state securities laws. You should have your attorney review this document and the accompanying plan document before adopting the documents. This adoption agreement and accompanying plan document cannot be used in order to avoid penalties that may be imposed on the taxpayer.

KRAFT EXECUTIVE DEFERRED COMPENSATION PLAN
ADOPTION AGREEMENT

ADOPTION OF PLAN — *[Select one]*

☐ **Adoption -** The undersigned ____ (the “Employer”) hereby adopts as a Nonqualified Deferred Compensation Plan for the individuals identified in Item 5 herein the form of Plan known as the Nonqualified Supplemental Deferred Compensation Plan.

☐ **Amendment of Previous Nonqualified Deferred Compensation Plan** – With “Grandfathered” Amounts - ______ (the “Employer”) previously has adopted a Nonqualified Deferred Compensation Plan, known as the ____ ***[enter name of previous plan],*** and the execution of this Adoption Agreement constitutes an amendment to that Plan, effective only for Deferrals, Contributions, earnings, gains, losses, depreciation and appreciation vested and credited thereto or debited therefrom on and after the Effective Date listed in Section 2 below, or, if otherwise determined by the Employer, on and after January 1, 2005 with respect to Plan provisions required under Section 409A of the Internal Revenue Code and the regulations thereunder. All other amounts in the plan shall be subject to the provisions of the previous plan document. This option is appropriate if the previous plan contains grandfathered amounts not subject to Section 409A of the Internal Revenue Code. Grandfathered amounts were contributed to the plan prior to January 1, 2005 under the terms of the plan in effect prior to October 4, 2004, and those plan terms have not since been materially modified. Grandfathered amounts and earnings will be administered under the terms of the prior plan document.

☒ **Restatement of Previous Nonqualified Deferred Compensation Plan** – **Kraft Foods Global, Inc.** (the “Employer”) previously has adopted a Nonqualified Deferred Compensation Plan, known as the **Kraft Executive Deferred Compensation Plan,** and the execution of this Adoption Agreement constitutes a restatement of that Plan, effective as of the Effective Date listed in Section 2 below for all funds under the Plan. This option is appropriate if the previous plan does not contain “grandfathered” amounts (see description above), or if Employer wishes to apply Section 409A rules to all amounts in the plan (even pre-2005 amounts), or if previous plan has been materially modified and thus become subject to Section 409A.

NAME OF PLAN

The name of this Plan as adopted by the Employer is the **Kraft Executive Deferred Compensation Plan** (the “Plan”).

INDIVIDUALIZED PLAN INFORMATION

With respect to the variable features contained in the Plan, the Employer hereby makes the following selections granted under the provisions of the Plan:

1. **Adopting Entity.** The Employer adopts the Plan as:

List type of business entity (corporation, partnership, controlled group of corporations, etc.) Corporation

List each Employer adopting the Plan and Employer Identification Number (EIN):

Name of Employer:	Kraft Foods Global, Inc.	EIN:	36-3083135
Name of Employer:		EIN:	
Name of Employer:		EIN:	
Name of Employer:		EIN:	
Name of Employer:		EIN:	

(attach additional lists as necessary)

The adopting Employers and the Employer are referred to herein collectively as the "Employer."

Select state of controlling law (see Section 10.7 of Plan Document):

☐ State of incorporation; ______

☒ State of domicile Illinois

2. **Effective Date**. The "Effective Date" of the adoption of this Plan, this Plan amendment or this Plan restatement is May 1, 2009.

3. **Plan Year**. The "Plan year" of the Plan shall be ***[select one]***:

☒ the calendar year.

☐ the fiscal year or other 12- month period ending on the last day of ***[specify month]***.

☐ a short Plan year beginning on , and ending on , ; and thereafter the Plan year shall be as indicated in (a) or (b) above.

4. **Plan Administrator**. The "Administrator" of the Plan are the Vice President Corporate Compensation and the Executive Vice President, Human Resources ***[fill in the name(s) of the individual(s) or job title(s) or entity (such as a committee) that is (are) responsible for administration of the Plan]***, and such other person(s) or entity as the Employer shall appoint from time to time. Each Administrator is authorized to independently take any action required or permitted to be taken by an Administrator under the Plan.

5. **Eligible Individuals**. The following shall be eligible to participate in the Plan: ***[select all that apply – do not list individual names]:***

☒ A select group of management or highly-compensated Employees as designated by the Employer in the Summary Plan Description;

☐ Employee Board Members;

☐ Non-Employee Board Members;

☐ Other Service Providers (i.e., independent contractors, consultants, etc.)

☐ Employees or other Service Providers above the following Compensation threshold: ***[enter dollar amount]*** $____ ;

☐ Employees with the following job titles: ***[enter job title(s); for example, "Vice President and above"]*** ____

☐ Other: ***[enter description]***_____

6. **Eligibility Timing.** Eligibility timing selected below shall apply uniformly to all Participant Deferrals (including Performance-Based Bonus Deferrals), as well as Employer Matching Contributions and Other Employer Contributions, unless otherwise indicated. If the Employer wishes to provide for separate eligibility rules for different types of Compensation (for example, Salary vs. Bonus), or for types of Contributions (for example, Employer Matching Contributions vs. Participant Deferrals), mark "Other" below and attach exhibits as necessary ***[select one]:***

☐ Eligible immediately upon properly completed designation by the Plan administrator or Employer;

☒ Eligible after the following period of employment, Board service, etc. ***[enter number of days, months or years, for example, 90 days]*** 30 days;

☐ Other ***[enter description]:*** ____

7. **Types and Amounts of Participant Deferrals [*select all that apply and enter minimum and maximum percentages in increments of one percent (for example, Salary minimum 0% maximum 100%). Note that no Deferral election can reduce a Participant's Compensation below the amount necessary to satisfy required withholding for FICA/Medicare/income taxes, required Participant Contributions into another Employer-sponsored benefit plan such as medical insurance, 401(k) loan repayments, etc.]:***

☒ Salary ***[select one]***:

  ☒ percentage ***[minimum*** 0***% and maximum*** 50%, in 10% increments only***]***

  or

  ☐ fixed dollar amount ***[enter minimum $____]***.

☒ Non-Performance-Based Bonus ***[select one]***:

☒ percentage ***[minimum*** 0***% and maximum*** 100%, in 25% increments only***]***

or

☐ fixed dollar amount ***[enter minimum $ ____]***.

☒ Annual Performance-Based Bonus: performance period from 1/1 to 12/31.

☒ percentage ***[minimum*** 0***% and maximum*** 100%, in 25% increments only***]***

or

☐ fixed dollar amount ***[enter minimum $_____]***.

☒ Performance-Based (Long-Term Incentive Plan) Bonus: performance period from 1/1/07 to 12/31/09, and subsequent performance periods as determined under the Long-Term Incentive Plan.

☒ percentage ***[minimum*** 0***% and maximum*** 100%, in 25% increments only***]***

or

☐ fixed dollar amount ***[enter minimum $_____]***.

☐ Commissions ***[select one]***:

☒ percentage [***minimum*** 0***% and, maximum*** 50%, in 10% increments only***]***

or

☐ fixed dollar amount ***[enter minimum $_____]***.

☐ Board of Directors Fees/Retainer (note – should not include expense reimbursements):

☐ percentage ***[enter minimum ____% and, maximum ____%]***

or

☐ fixed dollar amount ***[enter minimum $_____]***.

☐ Other Service Provider Fees or other earned income from the Employer:

☐ percentage ***[enter minimum ____% and, maximum ____%]***

or

☐ fixed dollar amount ***[enter minimum $_____]***.

☐ 401(k) Refund *(amount deferred from Participant's regular Compensation equal in value to any refund paid to Participant in that year resulting from excess deferrals in Employer's 401(k) plan – see Subsection 2.9 of Plan document for definition.)*

☐ Other ***[enter description]: ____***

8. **Definition of Compensation for Purposes of Making Plan Contributions *[select one]:***

☐ Same definition of Compensation as in Employer's 401(k) or other applicable qualified retirement plan, earned while the Participant is an Eligible Individual, as determined by the Employer.

☒ Participant's total wages, salary, commissions, overtime, bonus, etc. for a given year which the Employer is required to report on Form W-2 or other appropriate form, (or, in the case of Other Service Providers, the Participant's total remuneration from the Employer for a given year pursuant to the agreement to provide services to the Employer), earned while the Participant is an Eligible Individual as determined by the Employer.

☐ Other ***[enter description]:* ____**

9. **Expiration of Participant's Deferral Elections *[select all that apply]:***

☒ **Renewed Each Year:** Participant's Deferral Elections must be renewed each year during the open enrollment period ending no later than December 31 prior to the effective Plan year (or, in the case of Performance-Based Bonuses, no less than 6 months prior to the end of the applicable performance period).

- ☒ For all types of Compensation Deferrals.
- ☐ For Salary Deferrals only — other types of Deferrals are "evergreen".
- ☐ For Performance-Based Bonus only — other types of Deferrals are "evergreen".
- ☐ Other: ***[specify]*____**

☐ **Evergreen:** Participant's Deferral Elections will be "evergreen" (i.e., will continue indefinitely until the Participant's Termination Date unless changed by the Participant – so each year the Participant will be deemed to have the same election in place as the prior year unless actively changed by the Participant during the open enrollment period ending no later than December 31 prior to the effective Plan year or, in the case of Performance-Based Bonuses, no less than 6 months prior to the end of the applicable performance period).

- ☐ For all types of Compensation Deferrals.
- ☐ For Salary Deferrals only — other types of Deferrals are renewed each year.
- ☐ For Performance-Based Bonus only — other types of Deferrals are renewed each year.
- ☐ Other: ***[specify]* ____**

10. **Employer Contributions *[select all that apply]:***.

☒ (a) No Employer Contributions.

☐ (b) Matching Contributions on all Participant Compensation Deferrals ***[also complete Items 11 through 14].***

☐ (c) Matching Contributions on certain types of Compensation Deferrals (for example, Matching Contributions on Participant Performance-Based Bonus Deferrals, etc.) ***[attach explanation describing which types of deferrals will be matched and also complete Items 11 through 14***]

☐ (d) Employer Contributions other than Matching Contributions ***[complete Item 15]*** (amount or formula for determining and allocating such con- tributions should be documented in writing when determined, and such writings will form part of the Plan).

11. **Amount of Matching Contribution on Participant Compensation Deferrals**. If the Employer has specified in Item 10(b) or (c) that it will make Matching Contributions on behalf of Participants based on their Compensation Deferrals, such Matching Contributions will be in an amount determined as follows for the applicable period selected in Item 13 below: ***[Select (a), (b), (c), (d) or (e) below – if Employer has indicated in 10(c) above that Matching Contributions will be made on certain types of Participant Compensation Deferrals and if Employer wishes for different Matching formulas to be used for different types of Participant Compensation Deferrals, Employer should attach additional copies of this Item 11 completed for each type of Participant Compensation Deferral that is matched.]***

☐ (a) ____% of the Compensation Deferrals made by each Participant during the applicable period.

☐ (b) At a percentage determined from time to time in the discretion of the Employer of each Participant's Compensation Deferrals for the applicable period (percentage should be documented in writing when determined, and such writings will form part of the plan).

[***Optional:*** If 11(a) or (b) above is selected, the Employer may also specify here that it will not match Compensation Deferrals in excess of $_____or ____% of each Participant's Compensation during the applicable period —***specify <u>either</u> a dollar amount or a whole percentage.*** If no limit is entered here, the assumption is that 100% of the Participant's Compensation Deferrals will be matched at the applicable percentage.]

☐ (c) ____% of the portion of each Participant's Compensation Deferral Contributions during the applicable period which does not exceed ____% of the Participant's Compensation for such period; plus ____% of the portion, if any, of each Participant's Compensation Deferral Contributions during the applicable period which exceeds ____% but does not exceed ____% of the Participant's Compensation for such period.

[***Note: Example for 11(c) above – select this option if Employer wants to match different percentages and different levels of deferral – for example, 100% of the first 3% of compensation deferred, and 50% of the next 2%]***

☐ (d) ____% of the Compensation of each Participant who made Compensation Deferral Contributions during the applicable period of at least ____% of Compensation.

☐ (e) Other: ***[describe]***

12. **Applicable Period for Matching Contributions**. Employer Matching Contributions elected under Item 10(b) or (c) shall be allocated and credited to eligible Participants' Accounts as soon as administratively feasible after the end of each "Applicable Period" after the amounts have been determined by the Employer. For purposes of determining a Participant's share of Matching Contributions under Item 10, the Applicable Period shall be ***[Select one]:***

   ☐ the Plan Year.

   ☐ the payroll period.

   ☐ other (specify calendar month, Plan year quarter, etc.) ____.

13. **Employees Eligible to Receive Employer Matching Contributions.** Matching Contributions made for each Plan Year (if applicable) shall be allocated and credited to the Accounts of the following Participants: ***[Select one if applicable]***

☐ Participants who were employed by the Employer (or, in the case of non-Employee Board Members, served on the Board) during that Plan Year, or, in the case of Other Service Providers, who provided services to the Employer during that Plan Year.

☐ Participants who were employed by the Employer (or, in the case of non-Employee Board Members, served on the Board) on the last day of the Plan Year, or, in the case of Other Service Providers, who provided services to the Employer on the last day of the Plan Year.

☐ Participants who were employed by the Employer (or, in the case of non-Employee Board Members, served on the Board) on the last day of the Plan Year or who retired, died or were Disabled during the Plan Year, or, in the case of Other Service Providers, who provided services to the Employer on the last day of the Plan Year or who died or were Disabled during the Plan Year. ***[If this option is selected, complete Item 30 — definition of "Disability".]***

14. **Vesting Schedule of Employer Matching Contributions.** If Matching Contributions are made to the Plan, select the rate at which such Contributions will vest ***[select one]***:

☐ Immediate 100% vesting for all Participants.

☐ "Cliff" vesting (0% up to cliff; 100% after cliff) ***[select one]***:

   ☐ 1 year cliff (less than 1 year 0%; 1 or more years 100%)

   ☐ 2 year cliff (less than 2 years 0%; 2 or more years 100%)

   ☐ Other cliff (***enter number of years:*** less than ____ years 0%; ____ or more years 100%)

☐ "Graded" vesting ***[enter vesting percentages]***:

1 year ____%   6 years ____%   11 years ____%

2 years ____%	7 years ____%	12 years ____%
3 years ____%	8 years ____%	13 years ____%
4 years ____%	9 years ____%	14 years ____%
5 years ____%	10 years ____%	15 years ____%

☐ Other vesting schedule: ***[describe schedule – subject to approval]*** ____

15. **Vesting Schedule of Employer Contributions (Other Than Matching Contributions).** If Employer Contributions (other than Matching Contributions) are made to the Plan, select the rate at which such Contributions will vest ***[select one]***:

☐ Immediate 100% vesting for all Participants.

☐ "Cliff" vesting (0% up to cliff; 100% after cliff) ***[select one]***:

- ☐ 1 year cliff (less than 1 year 0%; 1 or more years 100%)
- ☐ 2 year cliff (less than 2 years 0%; 2 or more years 100%)
- ☐ Other cliff (***enter number of years:*** less than ____ years 0%; ____ or more years 100%)

☐ "Graded" vesting ***[enter vesting percentages]***:

1 year ____%	6 years ____%	11 years ____%
2 years ____%	7 years ____%	12 years ____%
3 years ____%	8 years ____%	13 years ____%
4 years ____%	9 years ____%	14 years ____%
5 years ____%	10 years ____%	15 years ____%

☐ Other vesting schedule: ***[describe schedule – subject to approval]*** ____

16. **Vesting Years**. A "Vesting Year" described above for purposes of determining vesting under the Plan shall be computed in accordance with: ***[select one – if this is an amendment or restatement of a prior plan, definition from prior plan will override this definition.]***

☒ Years of service (12-consecutive-month periods) with the Employer since date of hire (or date of commencement of Board service).

☐ Years of participation in the Plan (12-consecutive-month period between date Participant enters Plan and anniversary of such date) (if this is an amendment or restatement of a prior Plan, years of participation in prior plan will be included) (additional fees will apply if this item is selected).

☐ Plan Years since each Plan Year's total Contributions were made ("rolling vesting") (additional fees will apply if this item is selected). [***If this option is selected, select either (a) or (b) below:]***

☐ (a) Vesting will be credited/updated on the last day of the Plan year.

☐ (b) Vesting will be credited/updated on the anniversary of the date the Contribution is credited.

17. **Full Vesting Upon Occurrence of Specific Event.** ***[select all that apply]***

☐ 100% vesting upon Normal Retirement ***[describe criteria such as age (can be partial year), years of service with the Employer (must be whole years of service), or years of participation in the Plan (must be whole years of participation)]***

____

☐ 100% vesting upon Early Retirement ***[describe criteria such as age (must be whole years), years of service with the Employer (must be whole years of service), or years of participation in the Plan (must be whole years of participation)]***

____

☐ 100% vesting upon Death.

☐ 100% vesting upon Disability ***[complete Item 30 – definition of "Disability"]***.

☐ 100% vesting upon Change in Control of the Employer ***[complete Items 28 and 29 – definition of "Change in Control"]***

☐ 100% vesting upon occurrence of other event: ***[describe event]*** ____

18. **Service Before Plan's Establishment Excluded**. Years of service earned prior to establishment of the Plan shall be disregarded for purposes of determining vesting under the Plan:

☒ Yes (this may be elected only if this is the establishment of a new Plan).

☐ No.

19. **Forfeitures for Misconduct or Violation of Non-Compete**. Participants terminating employment prior to becoming 100% vested will forfeit the forfeitable percentage of their Accounts as indicated in accordance with the vesting schedule selected in Items 14 and/or 15. Participants may also forfeit 100% of their Matching and Employer Contribution Accounts (if applicable) under the following circumstances: ***[select any that apply]***:

☐ Misconduct (termination for Cause). ***[if selected, the definition of Misconduct or Cause should be documented in writing, and such writings will form part of the Plan]***

☐ Engaging in competition with the Employer. ***[if selected, the definition of engaging in competition should be documented in writing, and such writing will form part of the Plan]***

20. **Employer Stock as Deemed Investment Option.** If Employer stock will be a deemed investment option, indicate below how shares are to be tracked: ***[select one]***

☐ Partial and whole shares.

☒ Unitized fund.

21. **In-Service Distributions.** If the Employer elects below, the Plan will allow distributions of Participant Deferral Contributions to be made to Participants while they are still employed ("In-Service Distributions"), if they elect a fixed distribution date during the regular election period. ***[Select <u>one – note that In-Service Distributions of Employer Contributions is not permitted</u>]***

☐ No, In-Service Distributions will not be permitted.

☒ Yes, In-Service Distributions will be permitted. ***[select one].***

☒ For All Participant Deferral Contributions

☐ For Participant Compensation Deferral Contributions (other than Performance-Based Bonus) only.

☐ For Participant Performance-Based Bonus Deferral Contributions.

Please indicate the number of years a Participant must defer payment(s) until In-Service Distribution(s) may begin:

☒ 2 Years after the Calendar Year for which the deferral is effective

☐ ____ Years after the Calendar Year for which the deferral is effective

Please indicate if separate In-Service Distribution Dates are allowed for each Type of Participant Deferral selected in Item 7:

☐ No (single distribution date allowed per Plan Year)

☒ Yes (requires additional tracked sources per Plan Year)

[Note – if "Yes" is elected above and the Plan will allow In-Service Distributions, please indicate if Participant will be permitted to make a "pushback" subsequent election to defer the original distribution date at least five years in accordance with Plan provisions (see subsection 9.1 of Plan document – note that election must be made 12 months prior to original distribution date and election will not take effect for 12 months) ☒ ***Yes*** ☐ ***No]***

22. **Unforeseeable Emergency Distributions Dates.** If the Employer elects below, the Plan will allow distributions to be made to Participants while they are still employed if they meet the criteria for an unforeseeable emergency financial hardship ("Unforeseeable Emergency Distributions"). Both Participant Deferral Contributions and Vested

Employer Contributions can be distributed in the event of an eligible Unforeseeable Emergency Distribution event. ***[Select <u>one</u>]***

☐ No, Unforeseeable Emergency Distributions will not be permitted.

☒ Yes, Unforeseeable Emergency Distributions will be permitted. ***[select one below].***

- ☐ For active Participants only.
- ☒ For active Participants, terminated Participants and Beneficiaries.

23. **Form of Distributions (at Termination of Employment or Death).** Distributions will be made to Participants upon Termination of Employment with the Employer or Death of the Participant as follows ***[select one]***

☐ Lump sum only.

☒ Lump sum unless installments elected, but can only receive installments from Accounts other than the Employer Contributions Account if Participant meets the following criteria:

- ☒ Termination or Death at or after age 53 with at least 5 Vesting Years of Service.
- ☐ Early Retirement ***[describe criteria such as age (must be whole years), years of service with the Employer (must be whole years of service), or years of participation in the Plan (must be whole years of participation)] ____***
- ☐ Termination (other than for Misconduct, Cause or Violation of Non-Compete)
- ☐ Lump sum unless installments elected, and Participant may receive installments regardless of reason for Termination of Employment.

[Note – if Installments are elected above, please indicate if Participant will be permitted to make a subsequent election to change the number of installments in accordance with Plan provisions (see subsection 9.2 of Plan document) ☒ Yes ☐ No]

24. **Distribution Upon Disability.** If the Employer selects below, the Plan will allow dis- tributions to be made to Participants upon Disability but while they are still employed if they meet the criteria for Disability in Item 30 below. The form of distribution will be the same as for Termination of Employment.

☐ No, distribution upon Disability will not be permitted.

☒ Yes, distributions upon Disability will be permitted. ***[complete Item 30 – definition of "Disability"].***

25. **Expiration of Participant's Distribution Elections** ***[select one]:***

☒ **Renewed Each Year:** Participant's Distribution Election must be selected each year during the open enrollment period for the following year's contributions – if no new election is made, that year's contributions default to payment in the form of a lump sum.

☐ **Evergreen:** Participant's Distribution Election will be "evergreen" (i.e., will continue indefinitely for each year's contributions until the Participant's Termination Date unless changed by the Participant – so each year the Participant will be deemed to have the same distribution election in place as the prior year unless actively changed by the Participant at open enrollment, and the change will only be applicable to future contributions)

26. **Distributions Upon Change in Control:** If Employer elects below, distributions will be made to Participants upon Change in Control of the Employer (without a termination of employment of the Participant), as follows ***[select one, and complete Items 28 and 29 below (definition of "Change in Control")]***

☒ No, Distributions upon Change in Control will not be permitted.

☐ Yes, Distributions upon Change in Control will be permitted, in a lump sum only.

☐ Yes, Distributions upon Change in Control will be permitted, in a lump sum or in installments as elected by the Participant ***[complete Item 23]***.

27. **Length of Installments (if Installment Distributions permitted in Item 23 and/or Item 26 above)** ***[indicate length below]:***

Annual installments over no fewer than 2 ***[enter minimum number of years – must be at least 2]*** and no more than 10 years at Participant's election ***[enter maximum number of years].***

28. **"Change in Control" – Dates of Distribution.** Distributions upon a Change in Control shall occur upon ***[select all that apply – see Subsection 9.9 of the Plan document for more details]:***

☒ The consummation of a merger of consolidation of Kraft Foods Inc. and another company, and Kraft Foods Inc. is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of Kraft Foods Inc.; excluding, however, a transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of Kraft Foods Inc. immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns Kraft Foods Inc. either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of Kraft Foods Inc.

☒ The consummation of a plan of complete liquidation of Kraft Foods Inc. or the sale or disposition of all or substantially all of the Kraft Foods Inc. assets, other than a sale or disposition pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Kraft Foods Inc. immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity purchasing or acquiring Kraft Foods Inc. assets in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of Kraft Foods Inc.

☒ The date that a person or group acquires ownership of 20% or more of the outstanding voting securities of Kraft Foods Inc. excluding, however, the following: (a) any acquisitions by Kraft Foods Inc. or any of it affiliates; (b) any acquisition by an employee benefit plan or related trust sponsored or maintained by Kraft Foods Inc. or its affiliates; (c) any acquisition or merger described in this item 28.

☒ During any consecutive 24 month period, persons who constitute the board of directors at Kraft Foods Inc. at the beginning of such period cease to constitute at least 50% of the board of directors at Kraft Foods Inc.; provided that each new member of the board who is approved by a majority of directors who began such 24 month period shall be deemed to have seen a member of the Board at the beginning of such 24 month period.

29. **Definition of "Disability." A Participant shall be considered "Disabled" if *[select one]:***

☐ by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of at least 12 months, the Participant is receiving income replacement benefits for at least 3 months under accident and health plans of the Employer;

☐ the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months;

☐ the Participant is deemed to be totally disabled by the Social Security Administration;

☒ the Participant is determined to be disabled in accordance with a disability insurance program, provided that the definition of disability under such disability insurance program complies with the requirements of one of the three preceding definitions above.

30. **Distributions to "Key Employees" — Investment.** In order to comply with Internal Revenue Code Section 409A, distributions to "key employees" (see subsection 9.3 of the Plan Document for definition) of publicly traded companies made due to employment termination cannot be made within 6 months of the employment termination date. If distribution to a key employee must be delayed to comply with this 6-month rule, indicate below how Account balances of such a Participant will be invested during the period of delay ***[select one]***:

☐ Valued as of most recent Valuation Date and held at the Employer without allocation of additional gains or losses after such Valuation Date until payment can be made.

☒ Remain invested as if termination date had not occurred, then valued as of most recent Valuation Date and distributed.

31. **QDRO Distributions.** The Employer may elect whether distributions from a Participant's Account shall be permitted upon receipt by the Plan Administrator of a Qualified Domestic Relations Order relating to a marital dissolution or separation that provides for payment of all or a portion of a Participant's Accounts to an alternate payee (spouse, former spouse, children, etc.). ***[Indicate below whether QDRO distributions will be permitted]:***

☐ No, QDRO Distributions will not be permitted.

☒ Yes, QDRO Distributions will be permitted.

32. **Additional Survivor Death Benefit from Life Insurance.** In the event that life insurance is utilized as a funding vehicle for the Plan, the Employer may wish to provide additional Survivor Benefit from the following options: ***[select one]***

☒ No additional Survivor Benefit offered, but rather Participant's vested Account balance.

☐ Face value of life insurance policy of Participant, if any.

☐ Greater of (a) face value of life insurance policy of Participant, if any, or (b) Participant's vested Account balance.

☐ Other: ***[enter amount or formula]*** ____

33. **Payment of Plan Expenses.** Plan expenses may be paid as follows: ***[select one]***

☒ Directly by the Employer.

☐ Deducted from the Participant accounts and Plan’s trust or other custodial account (mutual fund plans only, if applicable).

34. **“De Minimis” Small Amount Cashouts.** If selected by the Employer, Participant account balances that do not exceed a certain threshold amount will be automatically cashed out upon the Participant’s Termination of Employment or Death, as provided below [*select one]*

☒ Yes, amounts that do not exceed the Internal Revenue Code 402(g) limit for a given year will automatically be cashed out.

☐ No, no “de minimis” small amounts will be cashed out.

By signing this Adoption Agreement, the Employer certifies that it has consulted with legal counsel regarding the effects of the Plan, as applicable, on all parties. The Employer further certifies that it has and will limit participation in the Plan to a select group of management or highly compensated Employees, Board Members or Other Service Providers, as determined by the Employer in consultation with legal counsel. The Employer further certifies that it is the Employer's sole responsibility to ensure that each Participant with the right to direct deemed investments under the Plan that are based on securities issued by the Employer or a member of its controlled group (as defined in Code Section 414(b) and (c)) will receive a prospectus for any such deemed investment option based on such Employer securities.

The Employer is solely responsible for its compliance with applicable laws, including Federal and state securities and other applicable laws.

Only those elections that are completed shall be considered as provisions applicable to and forming a part of the Plan.

This Adoption Agreement may only be used in conjunction with the Plan document. All selections in the Adoption Agreement providing for customized or "other" plan provisions are subject to review for administrative feasibility, and may be subject to additional fees.

Terms used in this Adoption Agreement which are defined in the Plan document shall have the meaning given them therein.

The Employer hereby acknowledges that it is adopting this Nonqualified Supplemental Deferred Compensation Plan. Federal legislation or other changes in the law relating to nonqualified deferred compensation or other employee benefit plans may require that the Plan be amended.

*   *   *

The undersigned duly authorized owner, or officer of the Employer hereby executes the Plan on behalf of the Employer.

Dated this 1 day of May, 2009.

Kraft Foods Global, Inc.
Employer

By Karen J. May
Its Executive Vice President, Human Resources

PERSONAL AND CONFIDENTIAL

December 21, 2010

Mr. Sam Rovit

Dear Sam,

I am very pleased to provide you with this letter confirming the verbal offer that has been extended to you for the position of Executive Vice President Strategy located in Northfield, Illinois, USA. If you accept our offer, we have discussed our interest in you joining Kraft as soon as possible. This letter sets forth all of the terms and conditions of the offer.

Listed below are details of your compensation and benefits that will apply to this offer.

Annualized Compensation (Range of Opportunity)

	Target – Maximum
Annual Base Salary	$500,000
Annual Incentive Plan (Target – 60%)	$300,000 - $750,000
Long-Term Incentive Plan (Target – 85%)	$425,000 - $850,000
Annual Equity Award Range	$350,000 - $525,000
Total Annual Compensation	$1,575,000 - $2,625,000

* Target as a percent of base salary.

Annual Incentive Plan

You will be eligible to participate in the Kraft Management Incentive Plan (MIP), which is the Company's annual incentive program. Your target award opportunity under the MIP is equal to 60% of your base salary. The actual amount you will receive may be lower or higher depending on your individual performance and the performance of Kraft Foods Inc. Your 2011 award will be payable in March 2012. Your MIP eligibility will begin on your date of employment.

Long-Term Incentive Plan

Your LTIP eligibility will begin coincident with the 2011 – 2013 performance cycle. Your target opportunity under the LTIP is equal to 85% of your base salary at the beginning of the performance cycle. The actual award you will receive may be lower or higher depending upon the performance of Kraft Foods Inc. during the performance cycle. The form of award under this program is performance shares. The number of performance shares under the 2011 – 2013 performance cycle is equal to your target divided by the fair market value of Kraft stock on January 2, 2011, prorated for your date of hire.

Stock Program

Also, you will be eligible to participate in the Company's stock award program. Stock awards are typically made on an annual basis, with the next award anticipated to be granted in the first quarter of 2011. Awards are delivered as follows: 50% of equity value is delivered in restricted stock and 50% in stock options. Actual award size is based on individual potential and performance. You will receive dividends on the restricted shares during the vesting period consistent in amount and timing with that of Common Stock shareholders.

Sign-On Incentives

In recognition of the loss of short-term and long-term incentives from your previous employer, upon hire, you will receive one-time sign-on incentives in the form of cash and restricted stock as follows:

Cash Sign-On Incentive	$800,000 paid as follows: one-half paid at hire and one-half paid on 1st anniversary; both payments will have a two-year repayment agreement
Equity Sign-On Incentive	$600,000 restricted stock award to vest one-half over two years; you will receive dividends on the shares during the vesting period consistent in amount and timing with that of Common Stock shareholders

If, prior to the end of the two-year repayment period, your employment with the Company ends due to involuntary termination for reasons other than cause, you will not be required to repay the cash sign-on amount.

Similarly, if prior to full vesting of the sign-on restricted shares granted per this offer letter, your employment with the Company ends due to involuntary termination for reasons other than cause, the value of the total number of unvested shares shall vest on the scheduled vesting dates. The number of shares that you will receive will be determined based upon the fair market value of Kraft Foods Inc. Common Stock on your date of hire.

For purposes of this offer letter, “cause” means: 1) continued failure to substantially perform the job’s duties (other than resulting from incapacity due to disability); 2) gross negligence, dishonesty, or violation of any reasonable rule or regulation of the Company where the violation results in significant damage to the Company; or 3) engaging in other conduct which materially adversely reflects on the Company.

The other terms and conditions set forth in Kraft’s standard Stock Award Agreement will apply.

<u>Perquisites</u>

You will be eligible for a company car allowance equal to $15,000 per year under the executive perquisite policy. You will also be eligible for an annual financial counseling allowance of $7,500. You may use any firm of your choosing and submit payments directly to the Company.

<u>Stock Ownership Guidelines</u>

You will be required to attain and hold Company stock equal in value to four times your base salary. You will have five years from your date of employment to achieve this level of ownership. Stock held for ownership determination includes common stock held directly or indirectly, unvested restricted stock or share equivalents held in the Company’s 401(k) plan. It does not include unexercised stock option shares.

<u>Other Benefits</u>

Your offer includes Kraft’s comprehensive benefits package available to full-time salaried employees. This benefits package is described in the enclosed Kraft Benefits Summary brochure. You will be eligible for four weeks of vacation. In addition, you are eligible for ten designated holidays and two personal days.

You will be a U.S. employee of Kraft Foods and your employment status will be governed by and shall be construed in accordance with the laws of the United States. As such, your status will be that of an “at will” employee. This means that either you or Kraft is free to terminate the employment relationship at any time, for any reason.

If your employment with the Company ends due to an involuntary termination other than for cause, you will receive severance arrangements no less favorable than those accorded recently terminated senior executives of the Company. The amount of any severance pay under such arrangements shall be paid in equal installments at the regularly scheduled dates for payment of salary to Kraft executives and beginning within 30 days of your termination.

<u>Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”)</u>

If you are a "specified employee" (within the meaning of Code section 409A) as of your separation from service (within the meaning of Code section 409A): (a) payment of any amounts under this letter (or under any severance arrangement pursuant to this letter) which the Company determines constitute the payment of nonqualified deferred compensation (within the meaning of Code section 409A) and which would otherwise be paid upon your separation from service shall not be paid before the date that is six months after the date of your separation from service and any amounts that cannot be paid by reason of this limitation shall be accumulated and paid on the first day of the seventh month following the date of your separation from service (within the meaning of Code section 409A); and (b) any welfare or other benefits (including under a severance arrangement) which the Company determines constitute the payment of nonqualified deferred compensation (within the meaning of Code section 409A) and which would otherwise be provided upon your separation from service shall be provided at your sole cost during the first six-month period after your separation from service and, on the first day of the seventh month following your separation from service, the Company shall reimburse you for the portion of such costs that would have been payable by the Company for that period if you were not a specified employee.

Payment of any reimbursement amounts and the provision of benefits by the Company pursuant to this letter (including any reimbursements or benefits to be provided pursuant to a severance arrangement) which the Company determines constitute nonqualified deferred compensation (within the meaning of Code section 409A) shall be subject to the following:

(a) the amount of the expenses eligible for reimbursement or the in-kind benefits provided during any calendar year shall not affect the amount of the expenses eligible for reimbursement or the in-kind benefits to be provided in any other calendar year;

(b) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(c) your right to reimbursement or in-kind benefits is not subject to liquidation or exchange for any other benefit.

This offer is contingent upon successful completion of our pre-employment checks, which may include a background screen, reference check, and post-offer drug test pursuant to testing procedures determined by Kraft Foods.

If you have any questions, I can be reached at the office at (XXX) XXX-XXXX or on my cell phone at (XXX) XXX-XXXX.

Sincerely,

/s/ Karen J. May

Karen J. May

Executive Vice President – Global Human Resources

I accept the offer as expressed above.

/s/ Sam Rovit	January 14, 2011
Signature	Date

Enclosure: Kraft Foods Benefits Summary
Restricted Stock Agreement
Employee Expense Repayment Agreement

EXHIBIT 12.1

Kraft Foods Inc. and Subsidiaries
Computation of Ratios of Earnings to Fixed Charges
(in millions of dollars)

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Earnings from continuing operations before income taxes	$ 3,642	$ 3,946	$ 2,336	$ 3,335	$ 3,425
Add / (Deduct):					
Equity in net earnings of less than 50% owned affiliates	(115)	(92)	(97)	(83)	(71)
Dividends from less than 50% owned affiliates	61	55	84	57	50
Fixed charges	2,109	1,434	1,410	818	695
Interest capitalized, net of amortization	1	(1)	(5)	(6)	(5)
Earnings available for fixed charges	$ 5,698	$ 5,342	$ 3,728	$ 4,121	$ 4,094
Fixed charges:					
Interest incurred:					
Interest expense (a)	$ 1,943	$ 1,280	$ 1,281	$ 698	$ 573
Capitalized interest	2	4	6	10	8
	1,945	1,284	1,287	708	581
Portion of rent expense deemed to represent interest factor	164	150	123	110	114
Fixed charges	$ 2,109	$ 1,434	$ 1,410	$ 818	$ 695
Ratio of earnings to fixed charges	2.7	3.7	2.6	5.0	5.9

Notes:
(a) Excludes interest related to uncertain tax positions, which is recorded in our tax provision.

Exhibit 21.1

Company Name	State of Incorporation/ Organization	Country of Incorporation/ Organization
152999 Canada Inc.		Canada
1567159 Alberta ULC		Canada
1567163 Alberta ULC		Canada
1567165 Alberta ULC		Canada
3072440 Nova Scotia Company		Canada
AB Kraft Foods Lietuva		Lithuania
Abades B.V.		Netherlands
Aberdare Developments Ltd.		British Virgin Islands
Aberdare Two Developments Limited		British Virgin Islands
ACN 001 882 953 Pty Ltd		Australia
Adams Marketing (M) Sdn Bhd		Malaysia
Adams MeCCA Holdings B.V.		Netherlands
AGF Kanto, Inc.		Japan
AGF SP Inc.		Japan
AGF Suzuka, Inc.		Japan
Agrisat Inc.	Colorado	United States
Ajinomoto General Foods, Inc.		Japan
Alimentos Especiales, Socieda Anonima		Guatemala
All Food N.V.		Belgium
Alreford Limited		Ireland
Anvin Investments Limited		United Kingdom
Arcadian of Devon Limited		United Kingdom
Back to Nature Foods Company	Delaware	United States
Bard Bros. Limited		United Kingdom
Barratt & Co Limited		United Kingdom
Bassett Confectionery Limited		United Kingdom
Bassett Foods Properties Limited		United Kingdom
Battery Properties, Inc.	Delaware	United States
Beech-Nut Sweets (England) Limited		United Kingdom
Berkeley Re Limited		Ireland
Berkeley Square Investments Limited		United Kingdom
Biscuit Brands (Kuan) Pte Ltd		Singapore
Biscuiterie Industrielle du Maghreb SA		Morocco
Boca Foods Company	Delaware	United States
Branded Restaurant Group Inc.	Delaware	United States
Brentwick Limited		United Kingdom
Browning Limited		United Kingdom
Bruton Lane Investment Company		United Kingdom
Bruton Lane Investment Company Two		United Kingdom
Butterkist Limited		United Kingdom
C S Business Services (India) Pvt. Limited		India
C. M. Exports Limited		Ireland
C.A.S. Uruguay S.A.		Uruguay
Cadbury Botswana (Proprietary) Limited		Botswana
Cadbury (Swaziland) (Pty) Limited		Swaziland
Cadbury Adams (Philippines) Inc.		Philippines
Cadbury Adams (Thailand) Limited		Thailand
Cadbury Adams Bolivia S.A.		Bolivia

Cadbury Adams Canada Inc.		Canada
Cadbury Adams Colombia S.A.		Colombia
Cadbury Adams Costa Rica, S.A.		Costa Rica
Cadbury Adams Distribuidora Mexico, S. de R.L. de C.V.		Mexico
Cadbury Adams Dominicana S.A.		Dominican Republic
Cadbury Adams Ecuador S.A.		Ecuador
Cadbury Adams El Salvador S.A. de C.V.		El Salvador
Cadbury Adams Guatemala, S.A.		Guatemala
Cadbury Adams Holdings LLC	Delaware	United States
Cadbury Adams Honduras, S.A.		Honduras
Cadbury Adams Manufactura, S. de R.L. de C.V.		Mexico
Cadbury Adams Mexico, S. de R.L. de C.V.		Mexico
Cadbury Adams Middle East Offshore S.A.L.		Lebanon
Cadbury Adams Middle East S.A.L.		Lebanon
Cadbury Adams Nicaragua, S.A.		Nicaragua
Cadbury Adams Panama, Sociedad Anonima		Panama
Cadbury Adams Peru S.A.		Peru
Cadbury Adams Servicios, S. de R.L. de C.V.		Mexico
Cadbury Adams USA LLC	Delaware	United States
Cadbury Adams, S.A.		Venezuela
Cadbury Australia Pty Limited		Australia
Cadbury Bebidas De Argentina S.A.		Argentina
Cadbury Belgium BVBA		Belgium
Cadbury Beverages de Venezuela CA		Venezuela
Cadbury Beverages Japan Limited		United Kingdom
Cadbury Brasil Comercio de Alimentos Ltda.		Brazil
Cadbury CIS B.V.		Netherlands
Cadbury Confectionery (Guangzhou) Co., Limited		China
Cadbury Confectionery B.V.		Netherlands
Cadbury Confectionery Malaysia Sdn. Bhd.		Malaysia
Cadbury Confectionery Sales (M) Sdn. Bhd.		Malaysia
Cadbury Confy (Proprietary) Limited		Botswana
Cadbury CR, s.r.o.		Czech Republic
Cadbury Denmark ApS		Denmark
Cadbury Egypt For Importation L.L.C.		Egypt
Cadbury Egypt For Trade S.A.E.		Egypt
Cadbury Egypt Group For Food Industries Company S.A.E.		Egypt
Cadbury Egypt S.A.E.		Egypt
Cadbury Enterprises Holdings B.V.		Netherlands
Cadbury Enterprises Pte. Ltd.		Singapore
Cadbury Espana, S.L.		Spain
Cadbury Europe S.A.		Switzerland
Cadbury Finance Pty Limited		Australia
Cadbury Financial Services		United Kingdom
Cadbury Food Co. Limited China		China
Cadbury Four LLP		United Kingdom
Cadbury Four Seas Company Limited		Hong Kong
Cadbury France		France
Cadbury Ghana Limited		Ghana
Cadbury Holdings B.V.		Netherlands
Cadbury Holdings Limited		United Kingdom
Cadbury Hong Kong Limited		Hong Kong

Cadbury India Limited		India
Cadbury Industrial Espana, S.L.		Spain
Cadbury International & Leasing, S. de R.L. de C.V.		Mexico
Cadbury International Limited		United Kingdom
Cadbury Ireland Export Limited		Ireland
Cadbury Ireland Limited		Ireland
Cadbury Ireland Sales Ltd		Ireland
Cadbury Japan Ltd.		Japan
Cadbury Kenya Limited		Kenya
Cadbury Limited		New Zealand
Cadbury Limited		United Kingdom
Cadbury Marketing Services Pty Limited		Australia
Cadbury Mauritius Ltd		Mauritius
Cadbury Mexico Investments B.V.		Netherlands
Cadbury Morocco		Morocco
Cadbury Nederland B.V.		Netherlands
Cadbury Netherlands International Holdings B.V.		Netherlands
Cadbury Nigeria PLC		Nigeria
Cadbury Nominees Limited		United Kingdom
Cadbury Norway AS		Norway
Cadbury One LLP		United Kingdom
Cadbury Pakistan Limited		Pakistan
Cadbury Polska Sp. z o.o.		Poland
Cadbury Portugal - Produtos de Confeitaria, Lda.		Portugal
Cadbury Pty Limited		Australia
Cadbury Russia Limited		United Kingdom
Cadbury Schweppes (Portugal) Sociedad Unipressoal, Lda.		Portugal
Cadbury Schweppes Finance plc		United Kingdom
Cadbury Schweppes France SAS		France
Cadbury Schweppes GmbH		Germany
Cadbury Schweppes Investments Ltd		United Kingdom
Cadbury Schweppes Ireland Limited		Ireland
Cadbury Schweppes Management Services (Pty) Limited		South Africa
Cadbury Schweppes Money Management plc		United Kingdom
Cadbury Schweppes Overseas Limited		United Kingdom
Cadbury Schweppes Treasury (Isle of Man)		Isle of Man
Cadbury Schweppes Treasury (UK)		United Kingdom
Cadbury Schweppes Treasury America		Ireland
Cadbury Schweppes Treasury International		Ireland
Cadbury Schweppes Treasury Services		Ireland
Cadbury Schweppes US Finance LLC	Delaware	United States
Cadbury Schweppes Zimbabwe (Private) Limited		Zimbabwe
Cadbury Services SA		Spain
Cadbury Singapore Pte Limited		Singapore
Cadbury South Africa (Holdings) Limited		United Kingdom
Cadbury South Africa (Pty) Limited		South Africa
Cadbury South East Asia Limited		Thailand
Cadbury Stani Adams Argentina S.A.		Argentina
Cadbury Stani Adams Chile Productos Alimenticios Limitada		Chile
Cadbury Stimorol Danmark ApS		Denmark

Cadbury Sweden AB		Sweden
Cadbury Sweets Holdings B.V.		Netherlands
Cadbury Switzerland AG		Switzerland
Cadbury Three LLP		United Kingdom
Cadbury Trebor Bassett Services Limited		United Kingdom
Cadbury Two LLP		United Kingdom
Cadbury UK		United Kingdom
Cadbury UK Holdings Limited		United Kingdom
Cadbury UK Limited		United Kingdom
Cadbury US Holdings Limited		United Kingdom
Cadbury Wedel Sp. z o.o.		Poland
Callard & Bowser-Suchard, Inc.	Delaware	United States
Candybox Limited		United Kingdom
Capri Sun, Inc.	Delaware	United States
Carlton Lebensmittel Vertriebs GmbH		Germany
Chapelat (Pty) Limited		South Africa
Chapelat Industries (Pty) Limited		South Africa
Chapelat Swaziland (Proprietary) Limited		Swaziland
Chapelat-Humphries Investments (Pty) Limited		South Africa
Cheil Communications Inc.		Korea
Chromium Acquisitions Limited		United Kingdom
Chromium Assets Limited		United Kingdom
Chromium Suchex LLP		United Kingdom
Chromium Suchex No. 2 LLP		United Kingdom
Churny Company, Inc.	Delaware	United States
Clarnico Limited		United Kingdom
Clarnico-Murray Limited		Ireland
Claussen Pickle Co.	Delaware	United States
Closed Joint Stock Company Kraft Foods Ukraina		Ukraine
Compania Venezolana de Conservas C.A.		Venezuela
Comptoir Européen de la Confiserie		France
Confibel SPRL		Belgium
Connaught Investments plc		United Kingdom
Consodri Investments AG		Switzerland
Continental Biscuits Ltd.		Pakistan
Controladora de Marcas Internacionales, S. de R.L. de C.V.		Mexico
Corporativo Kraft S. en N.C. de C.V.		Mexico
Cote d’Or Italia S.r.l.		Italy
Cottee’s Properties Pty Limited		Australia
Covenco Holding C.A.		Venezuela
Craven Keiller		United Kingdom
Crystal Candy (Private) Limited		Zimbabwe
CS Americas Holdings B.V.		Netherlands
CS Confectionery Inc.	Delaware	United States
CS Finance Inc.		Canada
CS Finance Pty Ltd		Australia
CS Sugar Confectionery Limited		Jersey
Daesung Machinery		Korea
Dandy A/S		Denmark
Dandy Switzerland A/S		Denmark
Dirol Cadbury LLC		Russia
Dirol Cadbury Ukraine SFE		Ukraine

Don Snack Foods		Germany
Dong Suh Foods Corporation		Korea
Dong Suh Oil & Fats Co. Ltd.		Korea
Edward Sharp & Sons Limited		United Kingdom
EKO-KOM, a.s.		Czech Republic
El Gallito Industrial, S.A.		Costa Rica
ENVI-PAK		Slovakia
Ernest Jackson & Co Limited		United Kingdom
Family Nutrition S.A.E.		Egypt
Fattorie Osella S.p.A.		Italy
Formaggio		Ireland
Forsanet Enterprises Limited		United Kingdom
Freezer Queen Foods (Canada) Limited		Canada
Freia A/S		Norway
Fulmer Corporation Limited		Bahamas
Galactogen Products Limited		United Kingdom
Generale Biscuit Egypt S.A.E.		Egypt
Generale Biscuit Glico France		France
Generale Biscuit SAS		France
Geo Bassett & Co Limited		United Kingdom
Georges Beverages India Private Limited		India
Gernika, B.V.		Netherlands
G-Push Sport Inc.		Canada
G-Push Sport USA Inc.	Delaware	United States
Green & Black’s Limited		United Kingdom
Green & Black’s Chocolate Confectionery Limited		United Kingdom
Greencastle Drinks Limited		Ireland/Netherlands
Gum Management Services Ltd		Cyprus
Gyori Keksz Kft SARL		Hungary
Hervin Holdings, Inc.	Delaware	United States
Hesdin Investments Limited		United Kingdom
High Ridge Investments		United Kingdom
Humphries (Pty) Limited		South Africa
Induri Farm Limited		India
Industria de Colores y Sabores S.A.		Colombia
J.S. Fry & Sons Limited		United Kingdom
Jamesons Chocolates Limited		United Kingdom
Japan Beverage Inc.		Japan
Jigsaw Consortium Limited		United Kingdom
Johann Jacobs GmbH		Germany
K&S Alimentos S.A.		Brazil
Keiller Limited		United Kingdom
Kensington		France
Kent Gida Maddeleri Sanayii ve Ticaret Anonim Sirketi		Turkey
Kernels Snack Products Limited		United Kingdom
KFI-USLLC I	Delaware	United States
KFI-USLLC IX	Delaware	United States
KFI-USLLC VII	Delaware	United States
KFI-USLLC VIII	Delaware	United States
KFI-USLLC XI	Delaware	United States
KFI-USLLC XIII	Delaware	United States
KFI-USLLC XIV	Delaware	United States

KFI-USLLC XVI	Delaware	United States
KJS India Private Limited		India
Knutsen Boyelaster II KS		Norway
Kohrs Packing Company	Delaware	United States
KPC Foods, Inc.	Delaware	United States
Kraft Australia Pty Ltd		Australia
Kraft Beverage (Tianjin) Co., Ltd.		China
Kraft Canada Inc.		Canada
Kraft Canada LP		Canada
Kraft Food Ingredients Corp.	Delaware	United States
Kraft Foods (Australia) Limited		Australia
Kraft Foods (Bahrain) W.L.L.		Bahrain
Kraft Foods (Beijing) Company Limited		China
Kraft Foods (China) Co., Ltd.		China
Kraft Foods (Jiangmen) Co., Ltd.		China
Kraft Foods (Malaysia) Sdn Bhd		Malaysia
Kraft Foods (Middle East & Africa) Ltd.		United Kingdom
Kraft Foods (New Zealand) Ltd.		New Zealand
Kraft Foods (Philippines) Inc.		Philippines
Kraft Foods (Puerto Rico), LLC	Delaware	United States
Kraft Foods (Shanghai) Co., Ltd.		China
Kraft Foods (Suzhou) Co., Ltd.		China
Kraft Foods (Thailand) Limited		Thailand
Kraft Foods (Trinidad) Unlimited		Trinidad & Tobago
Kraft Foods Argentina S.A.		Argentina
Kraft Foods Asia Pacific Services LLC	Delaware	United States
Kraft Foods Asia-Pacific Services Pte. Ltd.		Singapore
Kraft Foods Ausser-Haus Service GmbH		Germany
Kraft Foods Australia Investments Limited		Australia
Kraft Foods Aviation, LLC	Wisconsin	United States
Kraft Foods Bakery Companies, Inc.	Delaware	United States
Kraft Foods Belgium Biscuits Production BVBA		Belgium
Kraft Foods Belgium BVBA		Belgium
Kraft Foods Belgium Intellectual Property BVBA		Belgium
Kraft Foods Belgium Production BVBA		Belgium
Kraft Foods Belgium Production Holdings BVBA		Belgium
Kraft Foods Belgium Services BVBA		Belgium
Kraft Foods Biscuit Brands Kuan LLC	Delaware	United States
Kraft Foods Biscuit Financing Luxembourg Sarl		Luxembourg
Kraft Foods Biscuit Holdings CV		Netherlands
Kraft Foods Bolivia S.A.		Bolivia
Kraft Foods Brasil do Nordeste Ltda.		Brazil
Kraft Foods Brasil Ltda.		Brazil
Kraft Foods Bulgaria AD		Bulgaria
Kraft Foods Caribbean Sales Corp.	Delaware	United States
Kraft Foods CEEMA GmbH		Austria
Kraft Foods Central & Eastern Europe Service B.V.		Netherlands
Kraft Foods Cesko Holdings BV		Netherlands
Kraft Foods Chile S.A.		Chile
Kraft Foods Colombia Ltda.		Colombia
Kraft Foods Colombia S.A.S.		Colombia
Kraft Foods Costa Rica, S.A.		Costa Rica

Kraft Foods CR s r.o.		Czech Republic
Kraft Foods d.o.o. Belgrade		Serbia
Kraft Foods Danmark ApS		Denmark
Kraft Foods de Mexico, S. de R.L. de C.V.		Mexico
Kraft Foods de Nicaragua S.A.		Nicaragua
Kraft Foods Deutschland Biscuits Grundstuecksverwaltungs GmbH & Co. KG		Germany
Kraft Foods Deutschland GmbH		Germany
Kraft Foods Deutschland Holding GmbH		Germany
Kraft Foods Deutschland Holding Grundstuecksverwaltungs GmbH & Co. KG		Germany
Kraft Foods Deutschland Intellectual Property GmbH & Co. KG		Germany
Kraft Foods Deutschland Production GmbH & Co. KG		Germany
Kraft Foods Deutschland Production Grundstuecksverwaltungs GmbH & Co. KG		Germany
Kraft Foods Deutschland Services GmbH & Co. KG		Germany
Kraft Foods Dominicana S.A.		Dominican Republic
Kraft Foods Ecuador Cia. Ltda.		Ecuador
Kraft Foods Eesti Osauhing		Estonia
Kraft Foods Egypt L.L.C.		Egypt
Kraft Foods Egypt Trading LLC		Egypt
Kraft Foods El Salvador S.A. de C.V.		El Salvador
Kraft Foods Espana Biscuits Holdings B.V.		Netherlands
Kraft Foods Espana Biscuits Holdings y Campania S.C.		Spain
Kraft Foods Espana Biscuits Production SLU		Spain
Kraft Foods Espana Commercial S.L.U.		Spain
Kraft Foods Espana Holdings S.L.U.		Spain
Kraft Foods Espana Intellectual Property SLU		Spain
Kraft Foods Espana Production, S.L.U.		Spain
Kraft Foods Espana Services S.L.U.		Spain
Kraft Foods Europe GmbH		Switzerland
Kraft Foods Europe Procurement GmbH		Switzerland
Kraft Foods Europe Services GmbH		Switzerland
Kraft Foods European Business Services Centre s.r.o.		Slovakia
Kraft Foods European Business Services Centre, S.L.U.		Spain
Kraft Foods Finance Europe AG		Switzerland
Kraft Foods Financing Luxembourg Sarl		Luxembourg
Kraft Foods Finland Production Oy		Finland
Kraft Foods France Antille Guyane Distribution SAS		France
Kraft Foods France Biscuit S.A.S.		France
Kraft Foods France Biscuits Distribution S.A.S.		France
Kraft Foods France Biscuits Production SAS		France
Kraft Foods France Intellectual Property S.A.S.		France
Kraft Foods France Ocean Indien Distribution SAS		France
Kraft Foods France S.A.S.		France
Kraft Foods Galletas S.A.		Spain
Kraft Foods Global Brands LLC	Delaware	United States
Kraft Foods Global Brands, Inc.	Delaware	United States
Kraft Foods Global, Inc.	Delaware	United States
Kraft Foods Hellas Manufacturing S.A.		Greece
Kraft Foods Hellas S.A.		Greece

Kraft Foods Holding (Europa) GmbH		Switzerland
Kraft Foods Holdings LLC	Delaware	United States
Kraft Foods Holdings Services, Inc.	Delaware	United States
Kraft Foods Holdings Singapore Pte. Ltd.		Singapore
Kraft Foods Holland Holding BV		Netherlands
Kraft Foods Honduras, S.A.		Honduras
Kraft Foods Hungaria Kft		Hungary
Kraft Foods Intercontinental Netherlands C.V.		Netherlands
Kraft Foods Intercontinental Schweiz Holding GmbH		Switzerland
Kraft Foods International Beverages LLC	Delaware	United States
Kraft Foods International Biscuit Holdings LLC	Delaware	United States
Kraft Foods International Europe Holdings LLC	Delaware	United States
Kraft Foods International Holdings Delaware LLC	Delaware	United States
Kraft Foods International Services LLC	Delaware	United States
Kraft Foods International, Inc.	Delaware	United States
Kraft Foods Investments (New Zealand)		New Zealand
Kraft Foods Ireland Limited		Ireland
Kraft Foods Italia Intellectual Property S.r.l.		Italy
Kraft Foods Italia Production S.r.L.		Italy
Kraft Foods Italia S.r.l.		Italy
Kraft Foods Italia Services S.r.l.		Italy
Kraft Foods Jamaica Limited		Jamaica
Kraft Foods Japan K.K.		Japan
Kraft Foods Jaya (Malaysia) Sdn Bhd		Malaysia
Kraft Foods Kazakhstan LLP		Kazakhstan
Kraft Foods Korinthos Production SA		Greece
Kraft Foods Latin America Holding LLC	Delaware	United States
Kraft Foods Latin America MB Holding B.V.		Netherlands
Kraft Foods Latin America MC B.V.		Netherlands
Kraft Foods Latin America NMB B.V.		Netherlands
Kraft Foods Latin America NVA B.V.		Netherlands
Kraft Foods Latin America VA Holding B.V.		Netherlands
Kraft Foods Laverune Production S.N.C.		France
Kraft Foods Limited		Australia
Kraft Foods Limited (Asia)		Hong Kong
Kraft Foods Luxembourg Sarl		Luxembourg
Kraft Foods Manufacturing Malaysia Sdn. Bhd.		Malaysia
Kraft Foods Manufacturing Midwest, Inc.	Delaware	United States
Kraft Foods Manufacturing West, Inc.	Delaware	United States
Kraft Foods Maroc SA		Morocco
Kraft Foods Middle East & Africa FZE		United Arab Emirates
Kraft Foods Namur Production SPRL		Belgium
Kraft Foods Nederland B.V.		Netherlands
Kraft Foods Nederland Biscuit C.V.		Netherlands
Kraft Foods Nederland Intellectual Property BV		Netherlands
Kraft Foods Nederland Services B.V.		Netherlands
Kraft Foods Nicaragua, S.A.		Nicaragua
Kraft Foods Norge A/S		Norway
Kraft Foods Norge Intellectual Property AS		Norway
Kraft Foods Norge Production AS		Norway

Kraft Foods North America and Asia B.V.		Netherlands
Kraft Foods Oesterreich GmbH		Austria
Kraft Foods Oesterreich Production GmbH		Austria
Kraft Foods Packaging Polska Sp. z.o.o.		Poland
Kraft Foods Panama, S.A.		Panama
Kraft Foods Peru S.A.		Peru
Kraft Foods Polska S.A.		Poland
Kraft Foods Portugal Iberia - Produtos Alimentares Unipessoal, LDA		Portugal
Kraft Foods Portugal Produtos Alimentares LDA.		Portugal
Kraft Foods Postres Production SA		Spain
Kraft Foods Production Holdings BVBA		Belgium
Kraft Foods Production Holdings Maatschap		Belgium
Kraft Foods R & D, Inc.	Delaware	United States
Kraft Foods Romania S.A.		Romania
Kraft Foods Schweiz GmbH		Switzerland
Kraft Foods Schweiz Holding GmbH		Switzerland
Kraft Foods Schweiz Production GmbH		Switzerland
Kraft Foods Service South Africa (Proprietary) Limited		South Africa
Kraft Foods Singapore Pte. Ltd.		Singapore
Kraft Foods Slovakia, a.s.		Slovakia
Kraft Foods South Africa (Proprietary) Limited		South Africa
Kraft Foods Strasbourg Production S.N.C.		France
Kraft Foods Sverige AB		Sweden
Kraft Foods Sverige Holding AB		Sweden
Kraft Foods Sverige Intellectual Property AB		Sweden
Kraft Foods Sverige Production AB		Sweden
Kraft Foods Taiwan Holdings LLC	Delaware	United States
Kraft Foods Taiwan Limited		Taiwan
Kraft Foods Trading Singapore Pte. Ltd.		Singapore
Kraft Foods UK Intellectual Property Limited		United Kingdom
Kraft Foods UK Ltd.		United Kingdom
Kraft Foods UK Production Limited		United Kingdom
Kraft Foods UK R&D Ltd.		United Kingdom
Kraft Foods Uruguay S.A.		Uruguay
Kraft Foods Venezuela, C. A.		Venezuela
Kraft Foods World Travel Retail GmbH		Switzerland
Kraft Foods Zagreb d.o.o.		Croatia
Kraft Foods, trgovska druzba, d.o.o, Ljubjana		Slovenia
Kraft Gida Sanayi Ve Ticaret A. S.		Turkey
Kraft Guangtong Food Company, Limited		China
Kraft Helix Singapore Pte. Ltd.		Singapore
Kraft Holding S. de R.L. de C.V.		Mexico
Kraft Insurance (Ireland) Limited		Ireland
Kraft Investments Holdings (Australia) Pty Ltd.		Australia
Kraft Jacobs Suchard (Australia) Pty. Ltd.		Australia
Kraft Jacobs Suchard La Vosgienne		France
Kraft Malaysia Sdn. Bhd.		Malaysia
Kraft New Services, Inc.	Delaware	United States
Kraft New Zealand Holdings (Australia) Pty Ltd.		Australia
Kraft Pizza Company	Delaware	United States
Kraft Reinsurance (Ireland) Limited		Ireland

Kraft Tianmei Food (Tianjin) Co. Ltd.		China
Kraft, Inc.	Delaware	United States
Krema Limited		Ireland
KTL S. de R.L. de C.V.		Mexico
Kuan Enterprises Pte. Ltd.		Singapore
L. Rose & Co., Limited		United Kingdom
Lacta Alimentos Ltda.		Brazil
Lambras Holdings AG		Switzerland
Landers Centro Americana, Fabricantes de Molinos Marca “Corona” S.A. de C.V.		Honduras
Landrew Holdings Limited		New Zealand
Lapworth Commodities Limited		Ghana
LCH.Clearnet Group Limited		United Kingdom
LLC Chipsy LYUKS		Ukraine
Lowney, Inc.		Canada
LU Algerie S.p.A.		Algeria
Lu Polska SA		Poland
Lu Snack Foods GmbH		Germany
Lucky Life Insurance Co. Ltd.		Korea
MacRobertson Pty Limited		Australia
Magpie Finance Limited		United Kingdom
Magpie Three Finance Limited		United Kingdom
Magpie Two Finance Limited		United Kingdom
Manufacturing Services Limited		Ireland
Maynards Limited		United Kingdom
Mecazteca S.L.		Spain
Meito Adams Company Limited		Japan
Merido Genussmittel GmbH		Germany
Merola Finance B.V.		Netherlands
Migabang Limited Company		Korea
Mirabell Salzburger Confiserie-und & Bisquit GmbH		Austria
Monkhill Confectionery Limited		United Kingdom
Nabisco Arabia Co. Ltd.		Saudi Arabia
Nabisco Caribbean Export, Inc	Delaware	United States
Nabisco Food (Suzhou) Co., Ltd.		China
Nabisco Holdings I B.V.		Netherlands
Nabisco Holdings II B.V.		Netherlands
Nabisco International Limited	Nevada	United States
Nabisco Inversiones S.R.L.		Argentina
Nabisco Philippines Inc.		Philippines
Nabisco Royal Argentina LLC	Delaware	United States
Neilson International Limited		Canada
NISA Holdings LLC	Delaware	United States
NSA Holdings, L.L.C.	Delaware	United States
Nuthatch Trading Limited UK		United Kingdom
OAO Bolshevik		Russia
OAO United Bakers - Pskov		Russia
OKO - Pannon Kft.		Hungary
OMFC Service Company	Delaware	United States
Onko Grossroesterei GmbH		Germany
OOO Kraft Foods Rus		Russia
OOO Kraft Foods Sales and Marketing		Russia

Opavia Lu s.r.o. [Czech Republic]		Czech Republic
Opavia Lu s.r.o. [Slovakia]		Slovakia
Oral Health Australia Pty Ltd		Australia
OY Kraft Foods Finland Ab		Finland
P.T. Kraft Foods Company Indonesia		Indonesia
P.T. Kraft Symphoni Indonesia		Indonesia
P.T. Kraft Ultrajaya Indonesia		Indonesia
Paddington		France
Passiona Bottling Co (Perth) Pty Limited		Australia
Perdue Trademark Subsidiary, Inc.	Delaware	United States
Phenix Leasing Corporation	Delaware	United States
Phenix Management Corporation	Delaware	United States
Pollio Italian Cheese Company	Delaware	United States
Productos Kraft S. de. R.L. de C.V.		Mexico
Produtos Alimenticios Pilar Ltda.		Brazil
Promotora Cadbury Adams, C.A.		Venezuela
PT Kraft Foods Indonesia Limited		Indonesia
PT Kraft Indonesia		Indonesia
PT. Cadbury Indonesia		Indonesia
PT. Cipta Manis Makmur		Indonesia
Reading Scientific Services Limited		United Kingdom
Recaldent Pty Ltd		Australia
Ritz Biscuit Company Limited		United Kingdom
Saiwa S.r.l.		Italy
Sam Kwang Glass Mfg.		Korea
San Dionsio Realty Corporation		Philippines
Sansei Foods Co., Limited		Japan
Schweppes Limited		United Kingdom
Selba Nederland BV		Netherlands
Servicios Integrales Kraft, S. de R.L. de C.V.		Mexico
Servicios Kraft, S. de R.L. de C.V.		Mexico
Seurat		Ireland
Seven Seas Foods, Inc.	Delaware	United States
SIA Kraft Foods Latvija		Latvia
Societe Tunisiene de Biscuiterie SA		Tunisia
Sodamate (Holdings) Limited		United Kingdom
Somerdale Limited		United Kingdom
Springer Schokoladenfabrik (Pty) Limited		Namibia
St Kilda Investments Holdings Limited		United Kingdom
St Kilda Investments Limited		United Kingdom
Stanmark Cocoa Processing Company Limited		Nigeria
Stratton Investment Company One Limited		United Kingdom
Stratton Investment Company Two		United Kingdom
Sunkist Soft Drinks International Limited		Ireland
Suno Estates, s.r.o.		Czech Republic
Symphony Biscuits Holdings Pte. Ltd.		Singapore
Taloca (Singapore) Pte Ltd.		Singapore
Taloca Cafe Ltda.		Brazil
Taloca GmbH		Switzerland
Taloca y Cia Ltda.		Colombia
Tassimo Corporation	Delaware	United States
TCI Realty Holdings Inc.		Canada

Teming Investments Limited		New Zealand
Tevalca Holdings C.A.		Venezuela
The Cocoa Research Association Limited		United Kingdom
The Ghana Cocoa Growing Research Association Limited		United Kingdom
The Hervin Company	Oregon	United States
The International Company for Gum and Confectionery (Incogum) S.A.E.		Egypt
The Kenco Coffee Company Limited		United Kingdom
The Knox Company	New Jersey	United States
The Natural Confectionery Co (NZ) Limited		New Zealand
The Natural Confectionery Co. Pty Ltd		Australia
The Old Leo Company Limited		United Kingdom
The Yuban Coffee Company	Delaware	United States
Theakstons Maintenance Services Limited		United Kingdom
Trebor (Dublin) Limited		Ireland
Trebor (Malaysia) Sdn. Bhd.		Malaysia
Trebor Bassett Holdings Limited		United Kingdom
Trebor Bassett Limited		United Kingdom
Trebor Bassett Sharps GmbH		Germany
Trebor Group Limited		United Kingdom
Trebor International Limited		United Kingdom
Trebor Ireland Limited		Ireland
Trebor Jellies Limited		United Kingdom
Trebor Sales Sdn. Bhd.		Malaysia
United Biscuits Snacks (Shenzhen) Ltd.		China
US Gum Investments Inc.	Delaware	United States
Van Mar SA		Argentina
Vantas International Limited		United Kingdom
Vict. Th. Engwall & Co., Inc.	Delaware	United States
West Indies Yeast Company Limited		Jamaica
Xtrapack Limited		United Kingdom
Yili-Nabisco Biscuit & Food Company Limited		China
Zonemerit Limited		United Kingdom

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-141891 and 333-147829) and on Form S-8 (File Nos. 333-165736, 333-71266, 333-84616, 333-125992, 333-133559 and 333-137021) of Kraft Foods Inc. of our reports dated February 28, 2011 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 28, 2011

EXHIBIT 31.1

Certifications

I, Irene B. Rosenfeld, certify that:

1. I have reviewed this annual report on Form 10-K of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certifications

I, Timothy R. McLevish, certify that:

1. I have reviewed this annual report on Form 10-K of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ TIMOTHY R.MCLEVISH
Timothy R. McLevish
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Irene B. Rosenfeld, Chairman and Chief Executive Officer of Kraft Foods Inc., ("Kraft Foods") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft Foods' Annual Report on Form 10-K for the period ended December 31, 2010, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft Foods' Annual Report on Form 10-K fairly presents in all material respects Kraft Foods' financial condition and results of operations.

/s/ IRENE B. ROSENFELD
Irene B. Rosenfeld
Chairman and Chief Executive Officer
February 28, 2011

I, Timothy R. McLevish, Executive Vice President and Chief Financial Officer of Kraft Foods Inc., ("Kraft Foods") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft Foods' Annual Report on Form 10-K for the period ended December 31, 2010, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft Foods' Annual Report on Form 10-K fairly presents in all material respects Kraft Foods' financial condition and results of operations.

/s/ TIMOTHY R. MCLEVISH
Timothy R. McLevish
Executive Vice President and
Chief Financial Officer
February 28, 2011

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.