

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-16483

**Kraft Foods Inc.**

(Exact name of registrant as specified in its charter)

**Virginia**

(State or other jurisdiction of  
incorporation or organization)

**52-2284372**

(I.R.S. Employer Identification No.)

**Three Lakes Drive, Northfield, Illinois**

(Address of principal executive offices)

**60093**

(Zip Code)

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

Former name, former address and former fiscal year, if changed since last report

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 is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

At April 30, 2003, there were 551,465,897 shares of the registrant's Class A Common Stock outstanding, and 1,180,000,000 shares of the registrant's Class B Common Stock outstanding.

KRAFT FOODS INC.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

Kraft Foods Inc. and Subsidiaries  
Condensed Consolidated Balance Sheets  
(in millions of dollars)  
(Unaudited)

	March 31, 2003	December 31, 2002
<b>ASSETS</b>		
Cash and cash equivalents	\$ 167	\$ 215
Receivables (less allowances of \$119 in 2003 and 2002)	3,313	3,116
Inventories:		
Raw materials	1,576	1,372
Finished product	2,106	2,010
	3,682	3,382
Deferred income taxes	517	511
Other current assets	264	232
Total current assets	7,943	7,456
Property, plant and equipment, at cost	14,839	14,450
Less accumulated depreciation	5,152	4,891
	9,687	9,559
Goodwill and other intangible assets, net	36,615	36,420
Prepaid pension assets	2,866	2,814
Other assets	832	851
<b>TOTAL ASSETS</b>	<b>\$ 57,943</b>	<b>\$ 57,100</b>

See notes to condensed consolidated financial statements.

Continued

(in millions of dollars)  
(Unaudited)

	March 31, 2003	December 31, 2002
<b>LIABILITIES</b>		
Short-term borrowings	\$ 843	\$ 220
Current portion of long-term debt	52	352
Due to Altria Group, Inc. and affiliates	1,324	895
Accounts payable	1,661	1,939
Accrued liabilities:		
Marketing	1,382	1,474
Employment costs	444	610
Other	1,459	1,316
Income taxes	665	363
<b>Total current liabilities</b>	<b>7,830</b>	<b>7,169</b>
Long-term debt	11,014	10,416
Deferred income taxes	5,433	5,428
Accrued postretirement health care costs	1,874	1,889
Notes payable to Altria Group, Inc. and affiliates	1,499	2,560
Other liabilities	3,817	3,806
<b>Total liabilities</b>	<b>31,467</b>	<b>31,268</b>
Contingencies (Note 6)		
<b>SHAREHOLDERS' EQUITY</b>		
Class A common stock, no par value (555,000,000 shares issued)		
Class B common stock, no par value (1,180,000,000 shares issued and outstanding)		
Additional paid-in capital	23,707	23,655
Earnings reinvested in the business	5,221	4,814
Accumulated other comprehensive losses (primarily currency translation adjustments)	(2,342)	(2,467)
	26,586	26,002
Less cost of repurchased stock (3,426,394 and 4,381,150 Class A shares)	(110)	(170)
<b>Total shareholders' equity</b>	<b>26,476</b>	<b>25,832</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 57,943</b>	<b>\$ 57,100</b>

See notes to condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2003	2002
Net revenues	\$ 7,359	\$ 7,147
Cost of sales	4,349	4,283
<b>Gross profit</b>	<b>3,010</b>	<b>2,864</b>
Marketing, administration and research costs	1,520	1,389
Integration costs		27
Separation programs		142

Amortization of intangibles	2	2
Operating income	1,488	1,304
Interest and other debt expense, net	179	230
Earnings before income taxes and minority interest	1,309	1,074
Provision for income taxes	460	381
Earnings before minority interest	849	693
Minority interest in earnings, net	1	
Net earnings	\$ 848	\$ 693
Per share data:		
Basic earnings per share	\$ 0.49	\$ 0.40
Diluted earnings per share	\$ 0.49	\$ 0.40
Dividends declared	\$ 0.15	\$ 0.13

See notes to condensed consolidated financial statements.

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Kraft Foods Inc. and Subsidiaries  
Condensed Consolidated Statements of Shareholders' Equity  
For the Year Ended December 31, 2002 and  
the Three Months Ended March 31, 2003  
(in millions of dollars, except per share data)  
(Unaudited)

	Class A and B Common Stock	Additional Paid-in Capital	Earnings Reinvested in the Business	Accumulated Other Comprehensive Earnings/(Losses)			Cost of Repurchased Stock	Total Share- holders' Equity
				Currency Translation Adjustments	Other	Total		
Balances, January 1, 2002	\$ -	\$ 23,655	\$ 2,391	\$ (2,436)	\$ (132)	\$ (2,568)	\$ -	\$ 23,478
Comprehensive earnings:								
Net earnings			3,394					3,394
Other comprehensive earnings (losses), net of income taxes:								
Currency translation adjustments				187		187		187
Additional minimum pension liability					(117)	(117)		(117)
Change in fair value of derivatives accounted for as hedges					31	31		31
Total other comprehensive earnings								101
Total comprehensive earnings								3,495
Dividends declared (\$0.56 per share)			(971)					(971)
Class A common stock repurchased							(170)	(170)
Balances, December 31, 2002	\$ -	\$ 23,655	\$ 4,814	\$ (2,249)	\$ (218)	\$ (2,467)	\$ (170)	\$ 25,832
Comprehensive earnings:								
Net earnings			848					848
Other comprehensive earnings (losses), net of income taxes:								
Currency translation adjustments				166		166		166
Additional minimum pension liability					(4)	(4)		(4)
Change in fair value of derivatives accounted for as hedges					(37)	(37)		(37)
Total other comprehensive earnings								125
Total comprehensive earnings								973
Exercise of stock options and issuance of other stock awards		52	(182)				142	12
Dividends declared (\$0.15 per share)			(259)					(259)

Balances, March 31, 2003	\$	–	\$	23,707	\$	5,221	\$	(2,083)	\$	(259)	\$	(2,342)	\$	(110)	\$	26,476
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Total comprehensive earnings were \$624 million for the quarter ended March 31, 2002.

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows  
(in millions of dollars)  
(Unaudited)

For the Three Months  
Ended March 31,

2003                      2002

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net earnings	\$	848	\$	693
Adjustments to reconcile net earnings to operating cash flows:				
Depreciation and amortization		193		172
Deferred income tax provision (benefit)		8		(11)
Integration costs				27
Separation programs				142
Cash effects of changes, net of the effects from acquired and divested companies:				
Receivables, net		(167)		(83)
Inventories		(310)		(201)
Accounts payable		(301)		(337)
Income taxes		308		347
Other working capital items		(265)		(340)
Increase in pension assets and postretirement liabilities, net		19		37
Decrease in amounts due to Altria Group, Inc. and affiliates		(19)		(203)
Other		1		(27)
		<u>          </u>		<u>          </u>
Net cash provided by operating activities		315		216

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Capital expenditures	(220)	(195)
Purchases of businesses, net of acquired cash	(5)	(62)
Proceeds from sales of businesses		81
Other	3	5
	<u>          </u>	<u>          </u>
Net cash used in investing activities	(222)	(171)

See notes to condensed consolidated financial statements.

Continued

Kraft Foods Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Continued)  
(in millions of dollars)  
(Unaudited)

For the Three Months Ended  
March 31,

2003                      2002

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net issuance of short-term borrowings	\$	1,219	\$	686
Long-term debt proceeds		18		13
Long-term debt repaid		(322)		(128)
Repayment of notes payable to Altria Group, Inc. and affiliates		(1,150)		(1,000)
Increase in amounts due to Altria Group, Inc. and affiliates		433		600
Repurchase of Class A common stock		(79)		
Dividends paid		(259)		(225)
Net cash used in financing activities		(140)		(54)
Effect of exchange rate changes on cash and cash equivalents		(1)		(1)
Cash and cash equivalents:				
Decrease		(48)		(10)
Balance at beginning of period		215		162
Balance at end of period	\$	167	\$	152

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**Note 1. Accounting Policies:**

*Basis of Presentation*

The interim condensed consolidated financial statements of Kraft Foods Inc. ("Kraft"), together with its subsidiaries (collectively referred to as the "Company"), are unaudited. It is the opinion of the Company's management that all adjustments necessary for a fair statement of the interim results presented have been reflected therein. All such adjustments were of a normal recurring nature. Net revenues and net earnings for any interim period are not necessarily indicative of results that may be expected for the entire year.

These statements should be read in conjunction with the Company's consolidated financial statements and related notes, and management's discussion and analysis of financial condition and results of operations, which appear in the Company's Annual Report to Shareholders and which are incorporated by reference into the Company's Annual Report on Form 10-K for the year ended December 31, 2002 (the "2002 Form 10-K").

Certain prior year amounts have been reclassified to conform with the current year's presentation, due primarily to the disclosure of more detailed information on the condensed consolidated statements of earnings and the condensed consolidated statements of cash flows, as well as the transfer of Canadian biscuits and pet snacks from the Biscuits, Snacks and Confectionery segment to the Cheese, Meals and Enhancers segment, which contains the Company's other Canadian businesses.

*Stock-Based Compensation Expense*

The Company accounts for employee stock compensation plans in accordance with the intrinsic value-based method permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which did not result in compensation cost for stock options. The market value of restricted stock at date of grant is recorded as compensation expense over the period of restriction.

During the first quarter of 2003, the Company granted shares of restricted stock and rights to receive shares of stock under its 2001 Performance Incentive Plan to eligible employees, giving them in most instances all of the rights of stockholders, except that they may not sell, assign, pledge or otherwise encumber such shares and rights. Such shares and rights are subject to forfeiture if certain employment conditions are not met. During the first quarter of 2003, the Company granted approximately 3.7 million Class A shares to eligible U.S. – based employees and also issued to eligible non – U.S. employees rights to receive approximately 1.6 million Class A equivalent shares. Restrictions on the stock lapse in the first quarter of 2006.

The fair value of the restricted shares and rights at the date of grant is amortized to expense ratably over the restriction period. The Company recorded compensation expense related to restricted stock and other stock awards of \$11 million for the quarter ended March 31, 2003. The unamortized portion, which is reported on the condensed consolidated balance sheets as a reduction of earnings reinvested in the business, was \$182 million at March 31, 2003.

At March 31, 2003, the Company had stock-based employee compensation plans. The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for those plans. No compensation expense for employee stock options is reflected in net earnings as all options granted under those plans had an exercise price equal to the market value of the common stock on the date of the grant. Net earnings, as reported, includes the after-tax impact of compensation expense related to restricted stock. The following table illustrates the effect on net earnings and earnings per share ("EPS") if the Company had applied the fair value

Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

recognition provisions of SFAS No. 123 to stock-based employee compensation for the quarters ended March 31, 2003 and 2002:

	For the Three Months Ended March 31,	
	2003	2002
	(in millions, except per share data)	
Net earnings, as reported	\$ 848	\$ 693
Deduct:		
Total stock-based employee compensation expense determined under the fair value method of all stock option awards, net of related tax effects	8	24
Pro forma net earnings	\$ 840	\$ 669
Earnings per share:		
Basic – as reported	\$ 0.49	\$ 0.40
Basic – pro forma	\$ 0.49	\$ 0.39
Diluted – as reported	\$ 0.49	\$ 0.40
Diluted – pro forma	\$ 0.49	\$ 0.39

**Note 2. Recently Adopted Accounting Standards:**

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by SFAS No. 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. The adoption of SFAS No. 146 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows for the period ended March 31, 2003.

Effective January 1, 2003, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45 required the disclosure of certain guarantees existing at December 31, 2002. In addition, Interpretation No. 45 required the recognition of a liability for the fair value of the obligation of qualifying guarantee activities that are initiated or modified after December 31, 2002. Accordingly, the Company has applied the recognition provisions of Interpretation No. 45 to guarantees initiated after December 31, 2002. Adoption of Interpretation No. 45 as of January 1, 2003 did not have a material impact on the Company's consolidated financial statements. See Note 6. *Contingencies* for a further discussion of guarantees.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual return or both. Interpretation No. 46 also provides criteria for determining whether an entity is a variable interest entity subject to consolidation. Interpretation No. 46 requires immediate consolidation of variable interest entities created after January 31, 2003. For variable interest entities created

Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

prior to February 1, 2003, consolidation is required on July 1, 2003. The adoption of Interpretation No. 46 on January 1, 2003 did not have a material impact on the Company's consolidated financial statements.

**Note 3. Related Party Transactions:**

At March 31, 2003, Altria Group, Inc. owned approximately 84.1% of the Company's outstanding shares of capital stock. Altria Group, Inc.'s subsidiary, Altria Corporate Services, Inc., provides the Company with various services, including planning, legal, treasury, accounting, auditing, insurance, human resources, office of the secretary, corporate affairs, information technology and tax services. Billings for these services, which were based on the cost to Altria Corporate Services, Inc. to provide such services and a management fee, were \$83 million and \$81 million for the three months ended March 31, 2003 and 2002, respectively.

Notes payable to Altria Group, Inc. and affiliates consisted of the following:

	March 31, 2003	December 31, 2002
	(in millions)	
Notes payable in 2009, interest at 7.0%	\$ —	\$ 1,150
Short-term due to Altria Group, Inc. and affiliates reclassified as long-term	1,499	1,410
	<u>\$ 1,499</u>	<u>\$ 2,560</u>

During the first three months of 2003, the Company repaid the remaining \$1,150 million to Altria Group, Inc. on the 7.0% note. In addition, at March 31, 2003, the Company had short-term debt totaling \$2,823 million payable to Altria Group, Inc. Interest on these borrowings is based on the applicable London Interbank Offered Rate. As noted in the table above, a portion of the debt, totaling \$1,499 million, was reclassified on the consolidated balance sheet as long-term notes due to Altria Group, Inc. and affiliates based upon the Company's ability and intention to refinance on a long-term basis.

**Note 4. Acquisitions and Divestitures:**

In April 2003, the Company completed the acquisition of a biscuits business in Egypt. During the first quarter of 2002, the Company acquired a biscuits business in Australia for \$62 million.

During the first quarter of 2002, the Company sold several small North American food businesses which were previously classified as businesses held for sale. The aggregate proceeds received in these transactions during the first quarter of 2002 were \$81 million. The net revenues and operating results of the businesses held for sale, which were not significant, were excluded from the Company's condensed consolidated statements of earnings and no gain or loss was recognized on these sales.

In April 2003, the Company announced an agreement to sell its retail rice business in Germany, Austria and Denmark. This transaction is subject to approval by the German competition authorities.

The operating results of businesses acquired and divested were not material to the consolidated financial position or results of operations of the Company in any of the periods presented.

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Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**Note 5. Earnings Per Share:**

Basic and diluted EPS were calculated using the following:

	For the Three Months Ended March 31,	
	2003	2002
	(in millions)	
Net earnings	\$ 848	\$ 693
Weighted average shares for basic EPS	1,729	1,735
Plus: Incremental shares from assumed conversions of stock options	1	2
Weighted average shares for diluted EPS	1,730	1,737

**Note 6. Contingencies:**

The Company and its subsidiaries are parties to a variety of legal proceedings arising out of the normal course of business, including a few cases in which substantial amounts of damages are sought. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's consolidated financial position or results of operations.

*Guarantees:* At March 31, 2003, the Company's third-party guarantees, which are primarily derived from acquisition and divestiture activities, approximated \$37 million. Substantially all of these guarantees expire through 2012, with \$26 million expiring through March 31, 2004. The Company is required to perform under these guarantees in the event that a third party fails to make contractual payments or achieve performance measures. The Company has recorded a liability of \$24 million at March 31, 2003 relating to these guarantees.

**Note 7. Goodwill and Other Intangible Assets, Net:**

Goodwill by reportable segment was as follows:



	(in millions)	
Cheese, Meals and Enhancers	\$ 8,562	\$ 8,556
Biscuits, Snacks and Confectionery	9,260	9,262
Beverages, Desserts and Cereals	2,143	2,143
Oscar Mayer and Pizza	616	616
<b>Total Kraft Foods North America</b>	<b>20,581</b>	<b>20,577</b>
Europe, Middle East and Africa	4,253	4,082
Latin America and Asia Pacific	259	252
<b>Total Kraft Foods International</b>	<b>4,512</b>	<b>4,334</b>
<b>Total goodwill</b>	<b>\$ 25,093</b>	<b>\$ 24,911</b>

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Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

Intangible assets were as follows:

	March 31, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in millions)		(in millions)	
Non-amortizable intangible assets	\$ 11,487		\$ 11,485	
Amortizable intangible assets	67	\$ 32	54	\$ 30
<b>Total intangible assets</b>	<b>\$ 11,554</b>	<b>\$ 32</b>	<b>\$ 11,539</b>	<b>\$ 30</b>

Non-amortizable intangible assets consist substantially of brand names purchased through the Nabisco acquisition. Amortizable intangible assets consist primarily of certain trademark licenses and non-compete agreements. Pre-tax amortization expense for intangible assets was \$2 million for the quarter ended March 31, 2003. Based upon the amortizable intangible assets recorded in the condensed consolidated balance sheet at March 31, 2003, amortization expense for each of the next five years is estimated to be \$8 million or less.

The increase in goodwill and other intangible assets, net, during the three months ended March 31, 2003 of \$195 million is primarily related to currency translation.

**Note 8. Segment Reporting:**

The Company manufactures and markets packaged retail food products, consisting principally of beverages, cheese, snacks, convenient meals and various packaged grocery products through Kraft Foods North America, Inc. ("KFNA") and Kraft Foods International, Inc. ("KFI"). Reportable segments for KFNA are organized and managed principally by product category. KFNA's segments are Cheese, Meals and Enhancers; Biscuits, Snacks and Confectionery; Beverages, Desserts and Cereals; and Oscar Mayer and Pizza. KFNA's food service business within the United States and its businesses in Canada and Mexico are reported through the Cheese, Meals and Enhancers segment. KFI's operations are organized and managed by geographic location. KFI's segments are Europe, Middle East and Africa; and Latin America and Asia Pacific.

The Company's management uses operating companies income, which is defined as operating income before general corporate expenses and amortization of intangibles, to evaluate segment performance and allocate resources.

Interest and other debt expense, net, and provision for income taxes are centrally managed and, accordingly, such items are not presented by segment since they are not included in the measure of segment profitability reviewed by management.

During the first quarter of 2003, the Company transferred management responsibility of its Canadian Biscuits and Pet Snacks operations from the Biscuits, Snacks and Confectionery segment to the Cheese, Meals and Enhancers segment, which contains the Company's other Canadian businesses. Accordingly, all prior period amounts have been reclassified to reflect the transfer.

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Kraft Foods Inc. and Subsidiaries  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

Reportable segment data were as follows:

	For the Three Months Ended March 31,	
	2003	2002
	(in millions)	
<b>Net revenues:</b>		
Cheese, Meals and Enhancers	\$ 2,218	\$ 2,247
Biscuits, Snacks and Confectionery	1,143	1,096
Beverages, Desserts and Cereals	1,223	1,189
Oscar Mayer and Pizza	796	762
	<u>5,380</u>	<u>5,294</u>
Total Kraft Foods North America	5,380	5,294
	<u>1,554</u>	<u>1,345</u>
Europe, Middle East and Africa	1,554	1,345
Latin America and Asia Pacific	425	508
	<u>1,979</u>	<u>1,853</u>
Total Kraft Foods International	1,979	1,853
	<u>\$ 7,359</u>	<u>\$ 7,147</u>
Total net revenues	\$ 7,359	\$ 7,147
<b>Operating companies income:</b>		
Cheese, Meals and Enhancers	\$ 547	\$ 461
Biscuits, Snacks and Confectionery	215	195
Beverages, Desserts and Cereals	375	308
Oscar Mayer and Pizza	160	134
	<u>1,297</u>	<u>1,098</u>
Total Kraft Foods North America	1,297	1,098
	<u>196</u>	<u>175</u>
Europe, Middle East and Africa	196	175
Latin America and Asia Pacific	41	77
	<u>237</u>	<u>252</u>
Total Kraft Foods International	237	252
	<u>1,534</u>	<u>1,350</u>
Total operating companies income	1,534	1,350
Amortization of intangibles	(2)	(2)
General corporate expenses	(44)	(44)
	<u>1,488</u>	<u>1,304</u>
Total operating income	1,488	1,304
Interest and other debt expense, net	(179)	(230)
	<u>\$ 1,309</u>	<u>\$ 1,074</u>
Earnings before income taxes and minority interest	\$ 1,309	\$ 1,074

Within its two geographic regions, KFI's brand portfolio spans five core consumer sectors. The following table shows net revenues for KFI by consumer sector:

	For the Three Months Ended March 31,	
	2003	2002
	(in millions)	
<b>Consumer Sector:</b>		
Snacks	\$ 778	\$ 729
Beverages	688	622
Cheese	298	276
Grocery	150	170
Convenient Meals	65	56
	<u>\$ 1,979</u>	<u>\$ 1,853</u>
Total Kraft Foods International	\$ 1,979	\$ 1,853

During the first quarter of 2002, the Company recorded a pre-tax charge of \$142 million related to employee acceptances under a voluntary retirement program. In addition, during the first quarter of 2002, the Company recorded a pre-tax integration related charge of \$27 million to consolidate production lines in North America. These items were included in the operating companies income of the following segments:

	Separation Programs	Integration Costs
	(in millions)	
Cheese, Meals and Enhancers	\$ 60	\$ 27
Biscuits, Snacks and Confectionery	3	
Beverages, Desserts and Cereals	47	
Oscar Mayer and Pizza	25	
Europe, Middle East and Africa	5	
Latin America and Asia Pacific	2	
	\$ 142	\$ 27

**Note 9. Financial Instruments:**

During the quarters ended March 31, 2003 and 2002, ineffectiveness related to cash flow hedges was not material. At March 31, 2003, the Company was hedging forecasted transactions for periods not exceeding the next twenty months and expects substantially all amounts reported in accumulated other comprehensive earnings (losses) to be reclassified to the consolidated statement of earnings within the next twelve months.

Hedging activity affected accumulated other comprehensive earnings (losses), net of income taxes, as follows:

	For the Three Months Ended March 31,	
	2003	2002
	(in millions)	
Balance as of January 1	\$ 13	\$ (18)
Derivative (gains) losses transferred to earnings	(9)	11
Change in fair value	(28)	12
	\$ (24)	\$ 5

**Note 10. Recently Issued Accounting Pronouncements:**

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not currently expect the adoption of SFAS No. 149 to have a material impact on its 2003 consolidated financial statements.

In November 2002, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, EITF Issue No. 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF Issue No. 00-21 is effective for the Company for revenue arrangements entered into beginning July 1, 2003. The Company does not expect the adoption of EITF Issue No. 00-21 to have a material impact on its 2003 consolidated financial statements.

Item 2.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Business Environment**

Kraft Foods Inc. ("Kraft"), together with its subsidiaries (collectively referred to as the "Company"), is the largest branded food and beverage company headquartered in the United States. At March 31, 2003, Altria Group, Inc. held 97.8% of the combined voting power of the Company's outstanding capital stock and owned approximately 84.1% of the outstanding shares of the Company's capital stock.

The Company conducts its global business through two subsidiaries: Kraft Foods North America, Inc. ("KFNA") and Kraft Foods International, Inc. ("KFI"). KFNA manages its operations by product category, while KFI manages its operations by geographic region. KFNA's segments are Cheese, Meals and Enhancers; Biscuits, Snacks and Confectionery; Beverages, Desserts and Cereals; and Oscar Mayer and Pizza. KFNA's food service business within the United States and its

businesses in Canada and Mexico are reported through the Cheese, Meals and Enhancers segment. KFI's segments are Europe, Middle East and Africa; and Latin America and Asia Pacific.

The Company is subject to fluctuating commodity costs, currency movements and competitive challenges in various product categories and markets, including a trend toward increasing consolidation in the retail trade and consequent inventory reductions, and changing consumer preferences. In addition, certain competitors may have different profit objectives, and some competitors may be more or less susceptible to currency exchange rates. To confront these challenges, the Company continues to take steps to build the value of its brands and improve its food business portfolio with new products and marketing initiatives.

Fluctuations in commodity prices can lead to retail price volatility, intensify price competition and influence consumer and trade buying patterns. KFNA's and KFI's businesses are subject to fluctuating commodity costs, including dairy, coffee bean and cocoa costs. Dairy commodity prices in the first quarter of 2003 on average were lower than those incurred in the first quarter of 2002, while cocoa bean prices increased significantly and coffee bean prices were also higher than in the first quarter of 2002.

On December 11, 2000, the Company acquired all of the outstanding shares of Nabisco Holdings Corp. ("Nabisco"). The closure of a number of Nabisco domestic and international facilities resulted in severance and other exit costs of \$379 million, which were included in the adjustments for the allocation of the Nabisco purchase price. The closures will result in the termination of approximately 7,500 employees and will require total cash payments of \$373 million, of which approximately \$200 million has been spent through March 31, 2003. Substantially all of the closures were completed as of December 31, 2002, and the remaining payments relate to salary continuation payments for severed employees and lease payments.

The integration of Nabisco into the operations of the Company has also resulted in the closure or reconfiguration of several of the Company's existing facilities. During the first quarter of 2002, approximately 700 salaried employees elected to retire or terminate employment under voluntary retirement programs. As a result, the Company recorded a pre-tax charge of \$142 million during the first quarter of 2002 related to these programs. In addition, during the first quarter of 2002, the Company recorded pre-tax integration related charges of \$27 million to consolidate production lines in North America.

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As more fully discussed in the Debt and Liquidity section, during the first quarter of 2003, as a result of a judgment against Altria Group, Inc.'s domestic tobacco subsidiary, the Company's credit ratings were lowered with the resultant effect of eliminating access to the commercial paper market. As a result, in April 2003, the Company began to borrow on its revolving credit agreements, having the impact of increasing borrowing costs.

In April 2003, the Company completed the acquisition of a biscuits business in Egypt. During the first quarter of 2002, the Company acquired a biscuits business in Australia for \$62 million.

During the first quarter of 2002, the Company sold several small North American food businesses which were previously classified as businesses held for sale. The aggregate proceeds received in these transactions during the first quarter of 2002 were \$81 million. The net revenues and operating results of the businesses held for sale, which were not significant, were excluded from the Company's condensed consolidated statements of earnings and no gain or loss was recognized on these sales.

In April 2003, the Company announced an agreement to sell its retail rice business in Germany, Austria and Denmark. This transaction is subject to approval by the German competition authorities.

The operating results of businesses acquired and divested were not material to the consolidated financial position or results of operations of the Company in any of the periods presented.

### Consolidated Operating Results

	For the Three Months Ended March 31,	
	2003	2002
	(in millions, except per share data)	
Volume (in pounds)	4,464	4,458
Net revenues	\$ 7,359	\$ 7,147
Operating companies income	\$ 1,534	\$ 1,350
Operating income	\$ 1,488	\$ 1,304
Net earnings	\$ 848	\$ 693
Weighted average shares for diluted earnings per share	1,730	1,737
Diluted earnings per share	\$ 0.49	\$ 0.40

The following events occurred during the first three months of 2002 that affected the comparability of statement of earnings amounts:

- *Integration Costs*- During the first quarter of 2002, the Company recorded \$27 million of pre-tax integration charges to consolidate production lines in North America. This charge was included in the operating companies income of the Cheese, Meals and Enhancers segment.

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• *Separation Programs*- During 2002, approximately 700 salaried employees elected to retire or terminate employment under voluntary retirement programs. As a result, the Company recorded a pre-tax charge of \$142 million in the first quarter of 2002. This charge was included in the operating companies income of the following segments (in millions):

Cheese, Meals and Enhancers	\$ 60
Biscuits, Snacks and Confectionery	3
Beverages, Desserts and Cereals	47
Oscar Mayer and Pizza	25
Europe, Middle East and Africa	5
Latin America and Asia Pacific	2
	\$ 142

Volume for the first quarter of 2003 increased 0.1% over the comparable 2002 period due primarily to increased shipments in the Beverages, Desserts & Cereals segment, aided by new product introductions, partially offset by the shift in shipments supporting the Easter holiday, which falls into the second quarter of 2003 versus the first quarter of 2002, a reduction in trade inventories, the impact of divested businesses and a national strike in Venezuela.

Net revenues for the first quarter of 2003 increased \$212 million (3.0%) over the comparable 2002 period due primarily to higher pricing (\$116 million, driven by higher commodity and currency devaluation-driven costs), favorable currency movements (\$81 million) and higher volume/mix (\$28 million), partially offset by the impact of 2002 divested businesses (\$22 million).

Operating income for the first quarter of 2003 increased \$184 million (14.1%) over the comparable 2002 period, due primarily to the 2002 pre-tax charges for separation programs (\$142 million) and integration costs (\$27 million), higher pricing, net of cost increases (\$104 million, including productivity and synergy savings) and favorable currency movements (\$6 million), partially offset by higher marketing, administration and research costs (\$52 million, including higher benefit costs) and unfavorable volume/mix (\$34 million). The higher benefit costs were primarily related to pensions and stock compensation costs relating to the issuance of restricted stock awards to employees.

As discussed in Note 8, *Segment Reporting*, management reviews operating companies income, which is defined as operating income before corporate expenses and amortization of intangibles, to evaluate segment performance and allocate resources. Management believes it is appropriate to disclose this measure to help investors analyze business performance and trends. Operating companies income increased \$184 million (13.6%) over the first quarter of 2002, due to the same factors discussed above for operating income.

Currency movements have increased net revenues by \$81 million and operating companies income by \$6 million over the first quarter of 2002. These increases in net revenues and operating companies income are due primarily to the weakness of the U.S. dollar against the euro and other currencies, partially offset by the strength of the U.S. dollar against certain Latin American currencies.

Interest and other debt expense, net, decreased \$51 million from the first quarter of 2002. This decrease is due to the Company's refinancing of notes payable to Altria Group, Inc., lower short-term interest rates and the use of free cash flow to pay down debt.

Net earnings of \$848 million for the first quarter of 2003 increased \$155 million (22.4%) over the comparable period of 2002, due primarily to growth in operating companies income and lower interest expense. Diluted and basic earnings per share ("EPS"), which were both \$0.49 for the first quarter of 2003, increased by 22.5% over 2002.

## Operating Results by Business Segment

### Kraft Foods North America, Inc.

#### Operating Results

	<u>For the Three Months Ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
	(in millions)	
<b>Volume (in pounds):</b>		
Cheese, Meals and Enhancers	1,483	1,489
Biscuits, Snacks and Confectionery	501	510
Beverages, Desserts and Cereals	988	940
Oscar Mayer and Pizza	399	390
	3,371	3,329
<b>Net revenues:</b>		
Cheese, Meals and Enhancers	\$ 2,218	\$ 2,247
Biscuits, Snacks and Confectionery	1,143	1,096
Beverages, Desserts and Cereals	1,223	1,189
Oscar Mayer and Pizza	796	762
	\$ 5,380	\$ 5,394

Total Kraft Foods North America	\$	5,380	\$	5,294
<hr/>				
<b>Operating companies income:</b>				
Cheese, Meals and Enhancers	\$	547	\$	461
Biscuits, Snacks and Confectionery		215		195
Beverages, Desserts and Cereals		375		308
Oscar Mayer and Pizza		160		134
<hr/>				
Total Kraft Foods North America	\$	1,297	\$	1,098
<hr/>				

During the first quarter of 2003, the Company transferred management responsibility of its Canadian Biscuits and Pet Snacks operations from the Biscuits, Snacks and Confectionery segment to the Cheese, Meals and Enhancers segment, which contains the Company's other Canadian businesses. Accordingly, all prior period amounts have been reclassified to reflect the transfer.

Volume for the first quarter of 2003 increased 1.3% over the comparable period of 2002, due primarily to new products and increased shipments in the Beverages, Desserts and Cereals and Oscar Mayer and Pizza segments, partially offset by the shift in Easter timing and trade inventory reductions.

During the first quarter of 2003, net revenues increased \$86 million (1.6%) over the first quarter of 2002, due primarily to higher volume/mix (\$53 million) and higher pricing (\$43 million), partially offset by unfavorable currency movements and the divestiture of a small confectionery business in 2002.

Operating companies income for the first quarter of 2003 increased \$199 million (18.1%) over the comparable period of 2002, due primarily to the absence of the 2002 pre-tax charges for separation programs (\$135 million) and integration costs (\$27 million), and higher pricing, net of cost increases on certain businesses, lower cheese commodity costs and productivity and synergy savings (\$87 million), partially offset by higher marketing, administration and research costs (\$27 million, including higher benefit costs) and unfavorable volume/mix.

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The following discusses operating results within each of KFNA's reportable segments.

**Cheese, Meals and Enhancers.** Volume in the first quarter of 2003 decreased 0.4% from the comparable period of 2002, due primarily to the shift in Easter timing and lower trade inventories, which particularly impacted the cheese and enhancers businesses. Volume in Canada and Mexico increased, driven by new product introductions in beverages. Volume in the food service business in the United States also increased due to higher shipments to national accounts.

During the first quarter of 2003, net revenues decreased \$29 million (1.3%) from the first quarter of 2002, due to lower volume/mix (\$35 million) and unfavorable currency movements (\$6 million), partially offset by higher pricing (\$12 million).

Operating companies income for the first quarter of 2003 increased \$86 million (18.7%) over the comparable period of 2002, due primarily to the 2002 pre-tax charges for separation programs (\$60 million) and integration costs (\$27 million), higher pricing in certain businesses and lower cheese commodity costs and productivity savings (\$50 million), partially offset by lower volume/mix (\$35 million) and higher benefit costs.

**Biscuits, Snacks and Confectionery.** Volume in the first quarter of 2003 decreased 1.8% from the comparable period of 2002, due primarily to trade inventory reductions, a planned shift to lower-weight, higher-revenue-per-pound new products and a 2002 confectionery divestiture.

During the first quarter of 2003, net revenues increased \$47 million (4.3%) over the first quarter of 2002, due primarily to higher volume/mix (\$42 million) and higher pricing (\$9 million), partially offset by a 2002 divested confectionery business.

Operating companies income for the first quarter of 2003 increased \$20 million (10.3%) over the comparable period of 2002, due primarily to higher pricing and favorable costs (\$25 million), higher volume/mix (\$8 million) and synergy savings, partially offset by higher marketing, administration and research costs.

**Beverages, Desserts and Cereals.** Volume in the first quarter of 2003 increased 5.1% over the comparable period in 2002, due primarily to higher shipments of ready-to-drink beverages and cereals, which were aided by new product introductions. Volume declined in coffee, dry packaged desserts and frozen whipped toppings due primarily to the shift in the timing of Easter.

During the first quarter of 2003, net revenues increased \$34 million (2.9%) over the first quarter of 2002, due to higher volume/mix (\$19 million) and higher pricing (\$15 million).

Operating companies income for the first quarter of 2003 increased \$67 million (21.8%) over the comparable period of 2002, due primarily to the 2002 pre-tax charge for separation programs (\$47 million), lower marketing, administration and research costs (\$18 million) and higher volume/mix, partially offset by higher benefit costs.

**Oscar Mayer and Pizza.** Volume in the first quarter of 2003 increased 2.3% over the comparable period of 2002, due to volume gains in frozen pizza, bacon, hot dogs, lunch combinations and soy-based meat alternatives.

During the first quarter of 2003, net revenues increased \$34 million (4.5%) over the first quarter of 2002 due primarily to higher volume/mix (\$27 million) and higher pricing.

Operating companies income for the first quarter of 2003 increased \$26 million (19.4%) over the comparable period of 2002 due to the 2002 pre-tax charge for separation programs (\$25 million), and higher

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volume/mix (\$11 million), partially offset by higher marketing, administration and research costs (\$10 million, including higher benefit costs).

**Operating Results**

	For the Three Months Ended March 31,	
	2003	2002
(in millions)		
<b>Volume (in pounds):</b>		
Europe, Middle East and Africa	670	663
Latin America and Asia Pacific	423	466
<b>Total Kraft Foods International</b>	<b>1,093</b>	<b>1,129</b>
<b>Net revenues:</b>		
Europe, Middle East and Africa	\$ 1,554	\$ 1,345
Latin America and Asia Pacific	425	508
<b>Total Kraft Foods International</b>	<b>\$ 1,979</b>	<b>\$ 1,853</b>
<b>Operating companies income:</b>		
Europe, Middle East and Africa	\$ 196	\$ 175
Latin America and Asia Pacific	41	77
<b>Total Kraft Foods International</b>	<b>\$ 237</b>	<b>\$ 252</b>

Volume for the first quarter of 2003 decreased 3.2% from the first quarter of 2002, due primarily to the divestiture of a Latin American bakery ingredients business in 2002 and lower volume due to the national strike in Venezuela and the shift in Easter shipments. This decrease in volume was partially offset by new product introductions, the impact of marketing programs and by the 2002 acquisition of a snacks business in Turkey.

During the first quarter of 2003, net revenues increased \$126 million (6.8%) over the first quarter of 2002, due primarily to favorable currency movements (\$87 million), higher pricing (\$73 million, due primarily to higher commodity and currency devaluation-driven costs) and the 2002 acquisition of a snacks business in Turkey, partially offset by lower volume/mix (\$25 million) and the impact of divestitures (\$18 million).

Operating companies income for the first quarter of 2003 decreased \$15 million (6.0%) from the first quarter of 2002, due primarily to higher marketing, administration and research costs (\$25 million) and lower volume/mix (\$21 million), partially offset by higher pricing, net of cost increases (\$17 million), the absence of a 2002 pre-tax charge for separation programs (\$7 million) and favorable currency movements (\$7 million).

The following discusses operating results within each of KFI's reportable segments.

**Europe, Middle East and Africa.** Volume for the first quarter of 2003 increased 1.1% over the comparable period of 2002, driven by volume growth across the Central and Eastern Europe, Middle East and Africa region, new product introductions and the acquisition of a snacks business in Turkey in the third quarter of 2002, partially offset by the shift in Easter shipments and price competition in select markets impacting the European Union region. Snacks volume increased, benefiting from the 2002 acquisition in Turkey and the continued growth of confectionery businesses in Russia and Poland, partially offset by the shift in Easter shipments. Beverages volume also increased, due primarily to increased coffee shipments in most markets, including France, Germany, Italy, Poland and Russia. Cheese volume was comparable with prior year, as gains in cream cheese and cheese slices in Italy were offset by lower volume in Germany and Iberia due to increased

price competition. In convenient meals, volume was also comparable to prior year as higher shipments of canned meats in Italy were offset primarily by declines in Germany. In grocery, volume declined due primarily to lower sales in the European Union.

Net revenues for the first quarter of 2003 increased \$209 million (15.5%) over the comparable period of 2002, due primarily to favorable currency movements (\$205 million), the 2002 acquisition of a snacks business in Turkey and higher volume/mix, partially offset by lower pricing (\$11 million).

Operating companies income for the first quarter of 2003 increased \$21 million (12.0%) over the comparable period of 2002, due primarily to favorable currency movements (\$21 million), lower marketing and administration costs and the absence of a 2002 pre-tax charge for separation programs, partially offset by lower pricing and cost increases (\$16 million).

**Latin America and Asia Pacific.** Volume for the first quarter of 2003 decreased 9.2% from the comparable period in 2002, due primarily to the divestiture of a Latin American bakery ingredients business in 2002, the national strike in Venezuela and the shift in Easter shipments, partially offset by growth in most Asia Pacific markets. Snacks volume decreased, due primarily to the national strike in Venezuela and the shift in Easter shipments, partially offset by biscuits volume growth in many markets, including Brazil, Central America, Australia, Southeast Asia and China. In grocery, volume declined in Latin America, due to the sale of a Latin American bakery ingredients business in the fourth quarter of 2002. In beverages, volume increased in both coffee and refreshment beverages. Coffee volume increased, due primarily to increased shipments to China and Australia. Refreshment beverages volume increased, due primarily to growth in most markets, including Brazil, Argentina, Venezuela and the Philippines, aided by new product introductions.



During the first quarter of 2003, net revenues decreased \$83 million (16.3%) from the first quarter of 2002, due to unfavorable currency movements (\$118 million), lower volume/mix (\$31 million) and the divestiture of a Latin American bakery ingredients business in 2002 (\$18 million), partially offset by higher pricing (\$84 million).

Operating companies income for the first quarter of 2003 decreased \$36 million (46.8%) from the comparable period of 2002, due primarily to higher marketing, administration and research costs (\$34 million), lower volume/mix (\$21 million) and unfavorable currency movements (\$14 million), partially offset by higher pricing, net of cost increases (\$33 million).

## **Financial Review**

### **Net Cash Provided by Operating Activities**

During the first quarter of 2003, net cash provided by operating activities was \$315 million compared with \$216 million in the comparable 2002 period. The increase in net cash provided by operating activities is due primarily to a lower use of cash to satisfy amounts due to Altria Group, Inc., and higher net earnings, primarily related to the absence of prior year separation and integration programs, partially offset by higher levels of cash used to fund an increase in working capital.

### **Net Cash Used in Investing Activities**

One element of the growth strategy of the Company is to strengthen its brand portfolios through disciplined programs of selective acquisitions and divestitures. The Company is constantly investigating potential acquisition candidates and from time to time sells businesses that are outside its core categories or that do not meet its growth or profitability targets.

During the first quarter of 2003, net cash used in investing activities was \$222 million, compared with \$171 million in the first quarter of 2002. This increase primarily reflects the absence of cash received from the 2002

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divestiture of several North American food businesses and an increase in capital expenditures, partially offset by lower purchases of businesses.

### **Net Cash Used in Financing Activities**

During the first quarter of 2003, net cash used in financing activities was \$140 million, compared with \$54 million during the first quarter of 2002. The increase in cash used was due primarily to the Company's repurchases of Class A common stock and higher dividends paid, reflecting a higher dividend rate in 2003.

### **Debt and Liquidity**

*Debt.* The Company's total debt, including amounts due to Altria Group, Inc. and affiliates, was \$14.7 billion at March 31, 2003 and \$14.4 billion at December 31, 2002. An increase in third-party borrowings was partially offset by a decrease in debt due to Altria Group, Inc. and affiliates. The Company's debt-to-equity ratio was 0.56 at March 31, 2003 and December 31, 2002.

During the first quarter of 2003, the Company repaid the remaining \$1,150 million of the 7.0% long-term notes payable to Altria Group, Inc. and affiliates. In addition, at March 31, 2003, the Company had short-term debt totaling \$2,823 million payable to Altria Group, Inc. and affiliates. Interest on these borrowings is based on the applicable London Interbank Offered Rate. A portion of the short-term debt, totaling \$1,499 million, was reclassified on the consolidated balance sheet as long-term notes due to Altria Group, Inc. and affiliates based upon the Company's ability and intention to refinance on a long-term basis.

*Credit Ratings.* Following a \$10.1 billion judgment on March 21, 2003 against Altria Group, Inc.'s domestic tobacco subsidiary, Philip Morris USA Inc., the three major credit rating agencies took a series of ratings actions resulting in the lowering of the Company's short-term and long-term debt ratings, despite the fact the Company is not a party to, nor has exposure to this litigation. Between March 21, 2003 and early May 2003, Moody's lowered the Company's short-term debt rating from "P-1" to "P-2" and its long-term debt rating from "A2" to "A3" with stable outlook. Standard & Poor's lowered the Company's short-term debt rating from "A-1" to "A-2" and its long-term debt rating from "A-" to "BBB+" while maintaining these ratings on credit watch with negative implications. Fitch Rating Services lowered the Company's short-term debt rating from "F-1" to "F-2" and its long-term debt rating from "A" to "BBB", with stable outlook. As a result of the credit rating agencies' actions, borrowing costs for the Company have increased. None of the Company's debt agreements requires accelerated repayment in the event of a decrease in credit ratings.

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*Credit Lines.* The Company maintains revolving credit facilities that have historically been used to support the issuance of commercial paper. However, as a result of the recent rating agencies' actions, the Company's access to the commercial paper market was eliminated. Subsequently, in April 2003, the Company began to borrow against existing credit facilities to repay maturing commercial paper and to fund normal working capital needs. At March 31, 2003 and at May 6, 2003, credit lines for the Company and the related activity were as follows (in billions of dollars):

Type	at March 31, 2003			at May 6, 2003		
	Credit Lines	Amount Drawn	Commercial Paper Outstanding	Amount Drawn	Commercial Paper Outstanding	
364-day	\$ 3.0	\$ -	\$ 0.6	\$ 0.2	\$ 1.3	
Multi-year	2.0		2.0	2.0		
	\$ 5.0	\$ -	\$ 2.6	\$ 2.2	\$ 1.3	



Information has been provided as of May 6, 2003 to provide investors with additional information about changes in the Company's debt structure subsequent to March 31, 2003. To meet maturing commercial paper obligations, the Company had \$0.5 billion of cash invested in short-term money market instruments as of May 6, 2003. In addition, as of May 6, 2003, commercial paper outstanding included \$0.1 billion of short-term borrowings that were obtained in the commercial paper market subsequent to recent actions by the rating agencies.

The Company's credit facilities, which are for the sole use of the Company, require the maintenance of a minimum net worth. The Company met this covenant at March 31, 2003. The foregoing revolving credit facilities do not include any other financial tests, any credit rating triggers or any provisions that could require the posting of collateral. The 364-day facility expires in July 2003 while the multi-year facility expires in July 2006. The Company will begin negotiating a new 364-day facility during the second quarter of 2003.

In addition to the above, certain international subsidiaries of the Company maintain uncommitted credit lines to meet the short-term working capital needs of the international businesses. These credit lines, which amounted to approximately \$0.6 billion as of March 31, 2003, are for the sole use of the Company's international businesses. At March 31, 2003, borrowings on these lines amounted to approximately \$0.2 billion.

**Guarantees.** As discussed in Note 6. *Contingencies*, the Company had third-party guarantees, which are primarily derived from acquisition and divestiture activities, of approximately \$37 million at March 31, 2003. Substantially all of these guarantees expire through 2012, with \$26 million expiring through March 31, 2004. The Company is required to perform under these guarantees in the event that a third party fails to make contractual payments or achieve performance measures. The Company has recorded a liability of \$24 million at March 31, 2003 relating to these guarantees. In addition, at March 31, 2003, the Company was contingently liable for \$108 million of guarantees related to its own performance. These include surety bonds related to dairy commodity purchases and guarantees related to letters of credit and taxes. Guarantees do not have, and are not expected to have, a significant impact on the Company's liquidity.

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The Company believes that its cash from operations and existing credit facilities will provide sufficient liquidity to meet its working capital needs, planned capital expenditures and payment of its anticipated quarterly dividends.

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### Equity and Dividends

The Company repurchased 2.7 million shares of its Class A common stock during the first quarter of 2003 at a cost of \$82.5 million. At March 31, 2003, cumulative repurchases under its previously announced \$500 million authority totaled 7.1 million shares of Class A common stock at an aggregate cost of \$252.5 million.

During the first quarter of 2003, the Company granted shares of restricted stock and rights to receive shares of stock under its 2001 Performance Incentive Plan to eligible employees, giving them in most instances all of the rights of stockholders, except that they may not sell, assign, pledge or otherwise encumber such shares and rights. Such shares and rights are subject to forfeiture if certain employment conditions are not met. During the first quarter of 2003, the Company granted approximately 3.7 million Class A shares to eligible U.S. - based employees and also issued to eligible non - U.S. employees rights to receive approximately 1.6 million Class A equivalent shares. Restrictions on the stock lapse in the first quarter of 2006.

The fair value of the restricted shares and rights at the date of grant is amortized to expense ratably over the restriction period. The Company recorded compensation expense related to restricted stock and other stock awards of \$11 million for the quarter ended March 31, 2003. The unamortized portion, which is reported on the condensed consolidated balance sheets as a reduction of earnings reinvested in the business, was \$182 million at March 31, 2003.

Dividends paid in the first quarter of 2003 and 2002 were \$259 million and \$225 million, respectively, an increase of 15.1%, reflecting a higher dividend rate in 2003, partially offset by a lower number of shares outstanding as a result of share repurchases. The present annualized dividend rate is \$0.60 per common share. The declaration of dividends is subject to the discretion of the Company's Board of Directors and will depend on various factors, including the Company's net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant by the Company's Board of Directors.

### Market Risk

The Company operates globally, with manufacturing and sales facilities in various locations around the world, and utilizes certain financial instruments to manage its foreign currency and commodity exposures, which primarily relate to forecasted transactions. Derivative financial instruments are used by the Company, principally to reduce exposures to market risks resulting from fluctuations in foreign exchange rates and commodity prices by creating offsetting exposures. The Company is not a party to leveraged derivatives and, by policy, does not use financial instruments for speculative purposes.

Substantially all of the Company's derivative financial instruments are effective as hedges under Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." During the quarters ended March 31, 2003 and 2002, ineffectiveness related to cash flow hedges was not material. At March 31, 2003, the Company was hedging forecasted transactions for periods not exceeding twenty months and expects substantially all amounts reported in accumulated other comprehensive earnings (losses) to be reclassified to the consolidated statement of earnings within the next twelve months.

**Foreign exchange rates.** The Company uses forward foreign exchange contracts and foreign currency options to mitigate its exposure to changes in foreign currency exchange rates from third-party and intercompany forecasted transactions. The primary currencies to which the Company is exposed, based on the size and location of its operations, include the euro, British pound and Canadian dollar. At March 31, 2003 and December 31, 2002, the Company had option and forward foreign exchange contracts with aggregate notional amounts of \$877 million and \$575 million, respectively, which are comprised of contracts for the purchase and sale of foreign currencies. The effective portion of unrealized gains and losses associated with forward contracts is deferred as a component of accumulated other comprehensive earnings (losses) until the underlying hedged transactions are reported on the Company's consolidated statement of earnings.

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**Commodities.** The Company is exposed to price risk related to forecasted purchases of certain commodities used as raw materials by the Company's businesses. Accordingly, the Company uses commodity forward contracts, as cash flow hedges, primarily for coffee, cocoa, milk and cheese. Commodity futures and options are also used to hedge the price of certain commodities, including milk, coffee, cocoa, wheat, corn, sugar and soybean oil. In general, commodity forward

contracts qualify for the normal purchase exception under SFAS No. 133 and are, therefore, not subject to the provisions of SFAS No. 133. At March 31, 2003 and December 31, 2002, the Company had net long commodity positions of \$773 million and \$544 million, respectively. Unrealized gains or losses on net commodity positions were immaterial at March 31, 2003 and December 31, 2002. The effective portion of unrealized gains and losses on commodity futures and option contracts is deferred as a component of accumulated other comprehensive earnings (losses) and is recognized as a component of cost of sales in the Company's consolidated statement of earnings when the related inventory is sold.

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Use of the above-mentioned derivative financial instruments has not had a material impact on the Company's financial position at March 31, 2003 and December 31, 2002, or the Company's results of operations for the three months ended March 31, 2003 or the year ended December 31, 2002.

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### **Contingencies**

See Note 6. *Contingencies* and Part II – Other Information, Item 1. Legal Proceedings for a discussion of contingencies.

### **New Accounting Standards**

In April 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In general, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not currently expect the adoption of SFAS No. 149 to have a material impact on its 2003 consolidated financial statements.

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by SFAS No. 146 include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. The adoption of SFAS No. 146 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows for the period ended March 31, 2003.

Effective January 1, 2003, the Company adopted FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." Interpretation No. 45 required the disclosure of certain guarantees existing at December 31, 2002. In addition, Interpretation No. 45 required the recognition of a liability for the fair value of the obligation of qualifying guarantee activities that are initiated or modified after December 31, 2002. Accordingly, the Company has applied the recognition provisions of Interpretation No. 45 to guarantees initiated after December 31, 2002. Adoption of Interpretation No. 45 as of January 1, 2003 did not have a material impact on the Company's consolidated financial statements. See Note 6. *Contingencies* for a further discussion of guarantees.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation No. 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual return or both. Interpretation No. 46 also provides criteria for determining whether an entity is a variable interest entity subject to consolidation. Interpretation No. 46 requires immediate consolidation of variable interest entities created after January 31, 2003. For variable interest entities created prior to February 1, 2003, consolidation is required on July 1, 2003. The adoption of Interpretation No. 46 on January 1, 2003 did not have a material impact on the Company's consolidated financial statements.

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In November 2002, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," which addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, EITF Issue No. 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. EITF Issue No. 00-21 is effective for the Company for revenue arrangements entered into beginning July 1, 2003. The Company does not expect the adoption of EITF Issue No. 00-21 to have a material impact on its 2003 consolidated financial statements.

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### **Forward-Looking and Cautionary Statements**

The Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in the Company's filings with the SEC and in its reports to shareholders. One can identify these forward-looking statements by use of words such as "strategy," "expects," "plans," "anticipates," "believes," "will," "continues," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are based on our assumptions and estimates and are subject to risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement made by or on behalf of the Company; any such statement is qualified by reference to the following cautionary statements.

Each of the Company's segments is subject to intense competition, changes in consumer preferences, demand for its products, the effects of changing prices for its raw materials and local economic and market conditions. Their results are dependent upon their continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios in order to compete effectively with lower priced products in a consolidating environment at the retail and manufacturing levels, to improve productivity and to maintain access to credit markets. The Company's results are also dependent on its ability to consummate and successfully integrate acquisitions, including its ability to derive cost savings from the integration of Nabisco's operations with the Company. In addition, the Company is subject to the effects of foreign economies, currency movements, fluctuations in levels of customer inventories and credit and other business risks related to its customers operating in a challenging economic and competitive environment. The Company's results are dependent upon its borrowing costs and credit ratings, which may in turn be influenced by the credit ratings of Altria Group, Inc. The Company's benefit expense is subject to the investment performance of pension plan assets, interest rates and cost increases for medical benefits offered to employees and retirees. The food industry continues to be subject to recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food

products. Developments in any of these areas, which are more fully described elsewhere in this document and which descriptions are incorporated into this section by reference, could cause the Company's results to differ materially from results that have been or may be projected by or on behalf of the Company. The Company cautions that the foregoing list of important factors is not exclusive. Any forward-looking statements are made as of the date of the document in which they appear. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

#### Item 4. Controls and Procedures

Within the 90 days prior to the filing date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chairman, Co-Chief Executive Officers, and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. Based upon that evaluation, the Chairman, Co-Chief Executive Officers, and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. Since the date of the evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect the controls.

## Part II – OTHER INFORMATION

#### Item 1. Legal Proceedings.

##### Legal Proceedings

The Company is party to a variety of legal proceedings arising out of the normal course of business, including the matters discussed below. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's results of operations or financial position.

On May 5, 2003, a complaint was filed under Sections 17200 and 17203 of the California Business and Professions Code against the Company in California Superior Court, County of Marin, by BanTransFats.com, Inc. The complaint seeks an injunction against, among other things, the marketing and selling of Oreo cookies to children in the State of California until such cookies contain no partially hydrogenated oil or other trans fat. The complaint alleges, among other things, that hydrogenated and partially hydrogenated oils are "toxic" and "unsafe and unfit for human consumption." Although the Company has not yet been officially served with the complaint, the Company has reviewed a copy of the complaint, believes that the suit is unwarranted and will vigorously defend the litigation.

In May 2002, the Company was served with a lawsuit filed in California by the American Environmental Safety Institute against several major chocolate manufacturers alleging that the defendants' chocolate products contain "potentially dangerous levels of lead and cadmium." The suit alleges that these levels, which are not disclosed on the product labels, are a violation of California's *Proposition 65*, which requires a warning on products containing chemicals "known to the State" to be carcinogens or reproductive toxicants. The suit is in the discovery phase, and various procedural motions and defenses are being pursued. The Company believes that the suit is without merit, and the California Attorney General has publicly stated that the case is without merit.

##### Environmental Matters

In May 2001, the State of Ohio notified the Company that it may be subject to an enforcement action for alleged past violations of the Company's wastewater discharge permit at its production facility in Farmdale, Ohio. The State has offered to attempt to negotiate a settlement of this matter, and the Company has accepted the offer to do so. The State has not yet identified the relief it may seek in this matter.

The Company is potentially liable for certain environmental matters arising from the operations of Nabisco's former wholly-owned subsidiary, Rowe Industries. Rowe operated a small engine manufacturing facility in Sag Harbor, New York in the 1950s, 1960s and early 1970s that used various solvents. About 20 homes downgradient from the site were connected to public drinking water in the mid-1980s after solvents were detected in their individual wells. Since 1996, three toxic tort cases have been brought against Nabisco in New York state court, collectively by or on behalf of approximately 80 individuals, including 17 minors. The first case was filed on March 6, 1996, in the Supreme Court of the State of New York and was subsequently dismissed by the trial court. That decision was affirmed on appeal. The other two cases both were filed on January 3, 2000, also in the Supreme Court of the State of New York. That court granted defendant's summary judgment motion as to all but one of the plaintiffs in each of the remaining cases, and the plaintiffs have now withdrawn their appeal of this ruling. In August 2002, the court entered summary judgment against the remaining two plaintiffs. Plaintiffs have appealed this judgment, and the appeal is currently pending.

#### Item 4. Submission of Matters to a Vote of Security Holders.

The Company's annual meeting of shareholders was held in East Hanover, New Jersey on April 22, 2003. 1,669,912,963 shares of Common Stock, 96.4% of outstanding shares, were represented in person or by proxy.

The nine directors listed below were elected to a one-year term expiring in 2004:

	For	Withheld
Louis C. Camilleri	12,280,065,568	9,847,395
Roger K. Deromedi	12,280,100,520	9,812,443
Dinyar S. Devitre	12,280,065,244	9,847,719
W. James Farrell	12,284,624,160	5,288,803
Betsy D. Holden	12,280,055,661	9,857,302
John C. Pope	12,284,616,725	5,296,238
Mary L. Schapiro	12,284,638,003	5,274,960
Charles R. Wall	12,280,107,875	9,805,088
Deborah C. Wright	12,284,628,607	5,284,356

The selection of PricewaterhouseCoopers LLP as independent accountants was ratified: 12,278,963,444 votes in favor; 10,378,844 votes against and 570,675 shares abstained.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

- 4.3 Five-Year Revolving Credit Agreement dated as of July 24, 2001, among Kraft Foods Inc., the Initial Lenders named therein, The Chase Manhattan Bank and Citibank, N.A. as Administrative Agents, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch as Syndication Agents, ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA as Arrangers and Documentation Agents.
- 10.5 2001 Kraft Foods Inc. Compensation Plan for Non-Employee Directors, as amended.
- 12 Statement regarding computation of ratios of earnings to fixed charges.
- 99 Additional Exhibit.

- (b) Reports on Form 8-K. The Registrant (i) filed with the Securities and Exchange Commission ("SEC") a Current Report on Form 8-K on January 29, 2003, covering Item 5 (Other Events) and Item 7 (Financial Statements and Exhibits), which contained the Company's consolidated financial statements as of and for the year ended December 31, 2002; and (ii) furnished to the SEC a Current Report on Form 8-K on April 15, 2003, covering Item 7 (Financial Statements and Exhibits) and Item 12 (Results of Operations and Financial Condition), which contained the Company's earnings release dated April 15, 2003.

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Signature

Pursuant to the requirements 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.

/s/ JAMES P. DOLLIVE

James P. Dollive, Senior Vice President and  
Chief Financial Officer

May 14, 2003

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Certifications

I, Roger K. Deromedi, Co-Chief Executive Officer of Kraft Foods Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ ROGER K. DEROMEDI

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Roger K. Deromedi  
Co-Chief Executive Officer

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I, Betsy D. Holden, Co-Chief Executive Officer of Kraft Foods Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

Betsy D. Holden  
Co-Chief Executive Officer

I, James P. Dollive, Senior Vice President and Chief Financial Officer of Kraft Foods Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ JAMES P. DOLLIVE

James P. Dollive  
Senior Vice President and  
Chief Financial Officer

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U.S.\$2,000,000,000

**5-YEAR REVOLVING CREDIT AGREEMENT**

Dated as of July 24, 2001

Among

**KRAFT FOODS INC.**

and

**THE INITIAL LENDERS NAMED HEREIN**

and

**THE CHASE MANHATTAN BANK**

and

**CITIBANK, N.A.**

as Administrative Agents

and

**CREDIT SUISSE FIRST BOSTON**

and

**DEUTSCHE BANK AG**

**NEW YORK BRANCH AND/OR**

**CAYMAN ISLANDS BRANCH**

as Syndication Agents

and

**ABN AMRO BANK N.V.**

and

**BNP PARIBAS**

and

**DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES**

and

**HSBC BANK USA**

as Arrangers and Documentation Agents

\*\*\*\*\*

**J.P. MORGAN SECURITIES INC., SALOMON SMITH BARNEY INC.,  
CREDIT SUISSE FIRST BOSTON and DEUTSCHE BANC ALEX. BROWN INC.**

as Joint Lead Arrangers and Bookrunners

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## SCHEDULE

Schedule I — List of Applicable Lending Offices

## EXHIBITS

Exhibit A-1	–	Form of Pro Rata Note
Exhibit A-2	–	Form of Competitive Bid Note
Exhibit B-1	–	Form of Notice of Pro Rata Borrowing
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Exhibit G	–	Form of Opinion of Counsel for Chase, as Administrative Agent

**5-YEAR REVOLVING CREDIT AGREEMENT**

**Dated as of July 24, 2001**

KRAFT FOODS INC., a Virginia corporation ("Kraft"), the banks, financial institutions and other institutional lenders (the "Initial Lenders") listed on the signature pages hereof, and THE CHASE MANHATTAN BANK ("Chase") and CITIBANK, N.A. ("Citibank"), as administrative agents (each, in such capacity, an "Administrative Agent"), CREDIT SUISSE FIRST BOSTON and DEUTSCHE BANK AG NEW YORK BRANCH AND/OR CAYMAN ISLANDS BRANCH ("Deutsche Bank AG"), as syndication agents (each, in such capacity, a "Syndication Agent") and ABN AMRO BANK N.V., BNP PARIBAS, DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES and HSBC BANK USA, as arrangers and documentation agents (each, in such capacity, an "Arranger and Documentation Agent") for the Lenders (as hereinafter defined), agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Pro Rata Advance or a Competitive Bid Advance.

"Agents" means each Administrative Agent, each Syndication Agent and each Arranger and Documentation Agent.

"Applicable Facility Fee Rate" means, for any period, a percentage per annum equal to the percentage set forth below determined by reference to the higher of (i) the rating of Kraft's long-term senior unsecured Debt from Standard & Poor's and (ii) the rating of Kraft's long-term senior unsecured Debt from Moody's, in each case in effect from time to time during such period:

Long-Term Senior Unsecured Debt Rating	Applicable Facility Fee Rate
AA- and Aa3 or higher	0.0600%
A- and A3 or higher, but lower than AA- and Aa3	0.0800%
BBB and Baa2 or higher, but lower than A- and A3	0.1250%
Lower than BBB and Baa2	0.1750%;

provided that if no rating is available on any date of determination from Moody's and Standard & Poor's or any other nationally recognized statistical rating organization designated by Kraft and approved in writing by the Required Lenders, the Applicable Facility Fee Rate shall be 0.1750%.

"Applicable Interest Rate Margin" means for any Interest Period a percentage per annum equal to the percentage set forth below determined by reference to the higher of (i) the rating of Kraft's long-term senior unsecured Debt from Standard & Poor's and (ii) the rating of Kraft's long-term senior unsecured Debt from Moody's, in each case from time to time during such Interest Period:

<u>Long-Term Senior Unsecured Debt Rating</u>	<u>Applicable Interest Rate Margin</u>
AA- and Aa3 or higher	0.1400%
A- and A3 or higher, but lower than AA- and Aa3	0.1700%
BBB and Baa2 or higher, but lower than A- and A3	0.3250%
Lower than BBB and Baa2	0.4500%;

provided that if no rating is available on any date of determination from Moody's and Standard & Poor's or any other nationally recognized statistical rating organization designated by Kraft and approved in writing by the Required Lenders, the Applicable Interest Rate Margin shall be 0.4500%; and provided, further, that for any day during any Interest Period that the aggregate amount of Advances outstanding under this Agreement and the 364-Day Facility exceeds one-third of the aggregate amount of Commitments under this Agreement and commitments under the 364-Day Facility, the Applicable Interest Rate Margin shall be increased by 0.1000% per annum.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of a Pro Rata Advance and, in the case of a Competitive Bid Advance, the office of such Lender notified by such Lender to Chase, as Administrative Agent, as its Applicable Lending Office with respect to such Competitive Bid Advance.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by Chase, as Administrative Agent, in substantially the form of Exhibit C hereto.

"Base Rate" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

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- (i) the rate of interest announced publicly by Chase in New York, New York, from time to time, as Chase's prime rate; and
- (ii) 1/2 of one percent per annum above the Federal Funds Effective Rate.

"Base Rate Advance" means a Pro Rata Advance that bears interest as provided in Section 2.04(a)(i).

"Board" means the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrowers" means, collectively, Kraft and each Designated Subsidiary that shall become a party to this Agreement pursuant to Section 9.08.

"Borrowing" means a Pro Rata Borrowing or a Competitive Bid Borrowing.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any LIBO Rate Advances or Floating Rate Bid Advances, on which dealings are carried on in the London interbank market and banks are open for business in London.

"Chase's Administrative Agent Account" means (a) the account of Chase, as Administrative Agent, maintained by Chase, as Administrative Agent, at its office at 270 Park Avenue, New York, New York 10017, Account No. 323243088, Attention: Margaret Swales, or (b) such other account of Chase, as Administrative Agent, as is designated in writing from time to time by Chase, as Administrative Agent, to Kraft and the Lenders for such purpose.

"Commitment" means as to any Lender (i) the Dollar amount set forth opposite such Lender's name on the signature pages hereof or (ii) if such Lender has entered into an Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by Chase, as Administrative Agent, pursuant to Section 9.07(d), as such amount may be reduced pursuant to Section 2.10.

"Competitive Bid Advance" means an advance by a Lender to any Borrower as part of a Competitive Bid Borrowing resulting from the competitive bidding procedure described in Section 2.07 and refers to a Fixed Rate Bid Advance or a Floating Rate Bid Advance.

"Competitive Bid Borrowing" means a borrowing consisting of simultaneous Competitive Bid Advances from each of the Lenders whose offer to make one or more Competitive Bid Advances as part of such borrowing has been accepted under the competitive bidding procedure described in Section 2.07.

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"Competitive Bid Note" means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

"Competitive Bid Reduction" has the meaning specified in Section 2.01.

"Consolidated Tangible Assets" means the total assets appearing on a consolidated balance sheet of Kraft and its Subsidiaries, less goodwill and other intangible assets and the minority interests of other Persons in such Subsidiaries, all as determined in accordance with accounting principles generally accepted in the United States, except that if there has been a material change in an accounting principle as compared to that applied in the preparation of the financial statements of Kraft and its Subsidiaries as at and for the three months ended March 31, 2001, then such new accounting principle shall not be used in the determination of Consolidated Tangible Assets. A material change in an accounting principle is one that, in the year of its adoption, changes Consolidated Tangible Assets at any quarter in such year by more than 10%.

"Convert", "Conversion" and "Converted" each refers to a conversion of Pro Rata Advances of one Type into Pro Rata Advances of the other Type pursuant to Section 2.06, 2.08 or 2.13.

"Debt" means (i) indebtedness for borrowed money or for the deferred purchase price of property or services, whether or not evidenced by bonds, debentures, notes or similar instruments, (ii) obligations as lessee under leases that, in accordance with accounting principles generally accepted in the United States, are recorded as capital leases, and (iii) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of any other Person of the kinds referred to in clause (i) or (ii) above.

"Default" means any event specified in Section 6.01 that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Designated Subsidiary," means any wholly-owned Subsidiary of Kraft designated for borrowing privileges under this Agreement pursuant to Section 9.08.

"Designation Agreement" means, with respect to any Designated Subsidiary, an agreement in the form of Exhibit D hereto signed by such Designated Subsidiary and Kraft.

"Dollars" and the "\$" sign each means lawful currency of the United States of America.

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"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to Kraft and Chase, as Administrative Agent.

"Effective Date" has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (or any successor) ("OECD"), or a political subdivision of any such country, and having total assets in excess of \$5,000,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD or the Cayman Islands; (iii) the central bank of any country which is a member of the OECD; (iv) a commercial finance company or finance Subsidiary of a corporation organized under the laws of the United States, or any State thereof, and having total assets in excess of \$3,000,000,000; (v) an insurance company organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (vi) any Lender; (vii) an affiliate of any Lender; and (viii) any other bank, commercial finance company, insurance company or other Person approved in writing by Kraft, which approval shall be notified to Chase, as Administrative Agent.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of any Borrower's controlled group, or under common control with any Borrower, within the meaning of Section 414 of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence with respect to a Plan of a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the Pension Benefit Guaranty Corporation (or any successor) ("PBGC"), or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of any Borrower or Kraft or any of their ERISA Affiliates in the

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circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by any Borrower or Kraft or any of their ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions set forth in Section 302(f)(1)(A) and (B) of ERISA to the creation of a lien upon property or rights to property of any Borrower or Kraft or any of their ERISA Affiliates for failure to make a required payment to a Plan are satisfied; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Board, as in effect from time to time.

"Eurocurrency Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurocurrency Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic

Lending Office), or such other office of such Lender as such Lender may from time to time specify to Kraft and Chase, as Administrative Agent.

"Eurocurrency Rate Reserve Percentage" for any Interest Period, for all LIBO Rate Advances or Floating Rate Bid Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to time by the Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on LIBO Rate Advances or Floating Rate Bid Advances is determined) having a term equal to such Interest Period.

"Event of Default" has the meaning specified in Section 6.01.

"Existing Loan Agreements" means Philip Morris Companies Inc.'s existing U.S.\$8,000,000,000 5-Year Revolving Credit Agreement dated as of October 14, 1997 and U.S.\$9,000,000,000 364-Day Revolving Credit Agreement dated as of October 30, 2000.

"Federal Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time.

"Federal Funds Effective Rate" means, for any period, a fluctuating interest rate per annum equal, for each day during such period, to the weighted average of the rates on

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overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) on Telerate Page 120 (or any successor page), or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by Chase, as Administrative Agent, from three Federal funds brokers of recognized standing selected by it.

"Fixed Rate Bid Advance" means a Competitive Bid Advance bearing interest based on a fixed rate per annum as specified in the relevant Notice of Competitive Bid Borrowing.

"Floating Rate Bid Advance" means a Competitive Bid Advance bearing interest at a rate of interest quoted as a margin over the LIBO Rate as specified in the relevant Notice of Competitive Bid Borrowing.

"Home Jurisdiction Withholding Taxes" means (a) in the case of Kraft, withholding for United States income taxes, United States back-up withholding taxes and United States withholding taxes and (b) in the case of a Designated Subsidiary, withholding taxes imposed by the jurisdiction under the laws of which such Designated Subsidiary is organized or any political subdivision thereof.

"Interest Period" means, for each LIBO Rate Advance comprising part of the same Pro Rata Borrowing and each Floating Rate Bid Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such LIBO Rate Advance or Floating Rate Bid Advance or the date of Conversion of any Base Rate Advance into such LIBO Rate Advance and ending on the last day of the period selected by the Borrower requesting such Borrowing pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, or, if available to all Lenders, nine or twelve months, as such Borrower may select upon notice received by Chase, as Administrative Agent, not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period; provided, however, that:

(a) such Borrower may not select any Interest Period that ends after the Termination Date;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the immediately preceding Business Day; and

(c) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar

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month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and the rulings issued thereunder.

"Lenders" means the Initial Lenders and their successors and assignees.

"LIBO Rate" means an interest rate per annum equal to either:

(a) the offered rate per annum at which deposits in Dollars appears on Telerate Page 3750 (or any successor page) as of 11:00 A.M. (London time) two Business Days before the first day of such Interest Period, or

(b) if the LIBO Rate does not appear on Telerate Page 3750 (or any successor page), then the LIBO Rate will be determined by taking the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rates per annum at which deposits in Dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing outstanding during such Interest Period and for a period equal to such Interest Period, as determined by Chase, as Administrative Agent, subject, however, to the provisions of Section 2.08.

"LIBO Rate Advance" means a Pro Rata Advance that bears interest as provided in Section 2.04(a)(ii).

"Lien" has the meaning specified in Section 5.02(a).

"Major Subsidiary," means any Subsidiary (a) more than 50% of the voting securities of which is owned directly or indirectly by Kraft, (b) which is organized and existing under, or has its principal place of business in, the United States or any political subdivision thereof, Canada or any political subdivision thereof, any country which is a member of the European Union on the date hereof (other than Greece, Portugal or Spain) or any political subdivision thereof, or Switzerland, Norway or Australia or any of their respective political subdivisions, and (c) which has at any time total assets (after intercompany eliminations) exceeding \$1,000,000,000.

"Margin Stock" means margin stock, as such term is defined in Regulation U of the Board.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan

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years made or accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective bargaining agreements.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Borrower or any ERISA Affiliate and at least one Person other than such Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which such Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Note" means a Pro Rata Note or a Competitive Bid Note.

"Notice of Competitive Bid Borrowing" has the meaning specified in Section 2.07(b).

"Notice of Pro Rata Borrowing" has the meaning specified in Section 2.02(a).

"Obligations" has the meaning specified in Section 8.01.

"Other Taxes" has the meaning specified in Section 2.15(b).

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pro Rata Advance" means an advance by a Lender to any Borrower as part of a Pro Rata Borrowing and refers to a Base Rate Advance or a LIBO Rate Advance (each of which shall be a "Type" of Pro Rata Advance).

"Pro Rata Borrowing" means a borrowing consisting of simultaneous Pro Rata Advances of the same Type made by each of the Lenders pursuant to Section 2.01.

"Pro Rata Note" means a promissory note of any Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.17 in substantially the form of Exhibit A-1 hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Pro Rata Advances made by such Lender to such Borrower.

"Reference Banks" means Chase, Citibank, Credit Suisse First Boston and Deutsche Bank AG.

"Register" has the meaning specified in Section 9.07(d).

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"Regulation U" means Regulation U of the Board, as in effect from time to time.

"Required Lenders" means at any time Lenders owed at least 50.1% of the then aggregate unpaid principal amount of the Pro Rata Advances owing to Lenders, or, if no such principal amount is then outstanding, Lenders having at least 50.1% of the Commitments.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Borrower or any ERISA Affiliate and no Person other than such Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which such Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary," of any Person means any corporation of which (or in which) more than 50% of the outstanding capital stock having voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Termination Date" means the earlier of July 24, 2006 and the date of termination in whole of the Commitments pursuant to Section 2.10 or 6.02.

"364-Day Facility" means the U.S.\$4,000,000,000 364-Day Revolving Credit Agreement dated as of the date hereof among Kraft and the agents and lenders parties thereto.

Section 1.02. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with accounting principles generally accepted in the United States, except that if there has been a material change in an accounting principle affecting the definition of an accounting term as compared to that applied in the preparation of the financial statements of Kraft as of and for the three months ended March 31, 2001, then such new accounting principle shall not be used in the determination of the amount associated with that accounting term. A material change in an accounting principle is one that, in the year of its adoption, changes the amount associated with the relevant accounting term for any quarter in such year by more than 10%.

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## ARTICLE II

### AMOUNTS AND TERMS OF THE ADVANCES

Section 2.01. The Pro Rata Advances. (a) Obligation to Make Pro Rata Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Pro Rata Advances to any Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed at any time outstanding such Lender's Commitment; provided, however, that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a "Competitive Bid Reduction").

(b) Amount of Pro Rata Borrowings. Each Pro Rata Borrowing shall be in an aggregate amount of no less than \$50,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(c) Type of Pro Rata Advances. Each Pro Rata Borrowing shall consist of Pro Rata Advances of the same Type made on the same day by the Lenders ratably according to their respective Commitments. Within the limits of each Lender's Commitment and subject to this Section 2.01, any Borrower may borrow under this Section 2.01, prepay pursuant to Section 2.11 or repay pursuant to Section 2.03 and reborrow under this Section 2.01.

Section 2.02. Making the Pro Rata Advances. (a) Notice of Pro Rata Borrowing. Each Pro Rata Borrowing shall be made on notice, given not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Pro Rata Borrowing in the case of a Pro Rata Borrowing consisting of LIBO Rate Advances, or (y) 9:00 A.M. (New York City time) on the date of the proposed Pro Rata Borrowing in the case of a Pro Rata Borrowing consisting of Base Rate Advances, by the Borrower to Chase, as Administrative Agent, which shall give to each Lender prompt notice thereof by telecopier. Each such notice of a Pro Rata Borrowing (a "Notice of Pro Rata Borrowing") shall be by telephone, confirmed immediately in writing, by registered mail or telecopier in substantially the form of Exhibit B-1 hereto, specifying therein the requested:

(i) date of such Pro Rata Borrowing,

(ii) Type of Advances comprising such Pro Rata Borrowing,

(iii) aggregate amount of such Pro Rata Borrowing, and

(iv) in the case of a Pro Rata Borrowing consisting of LIBO Rate Advances, the initial Interest Period for each such Pro Rata Advance. Notwithstanding anything herein to the contrary, no Borrower may select LIBO Rate Advances for any

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Pro Rata Borrowing if the obligation of the Lenders to make LIBO Rate Advances shall then be suspended pursuant to Section 2.08(c) or 2.13.

(b) Funding Pro Rata Advances. Each Lender shall, before 11:00 A.M. (New York City time) on the date of such Pro Rata Borrowing, make available for the account of its Applicable Lending Office to Chase, as Administrative Agent, at Chase's Administrative Agent Account, in same day funds, such Lender's ratable portion of such Pro Rata Borrowing. After receipt of such funds by Chase, as Administrative Agent, and upon fulfillment of the applicable conditions set forth in Article III, Chase, as Administrative Agent, will make such funds available to the relevant Borrower at the address of Chase, as Administrative Agent, referred to in Section 9.02.

(c) Irrevocable Notice. Each Notice of Pro Rata Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Pro Rata Borrowing that the related Notice of Pro Rata Borrowing specifies is to be comprised of LIBO Rate Advances, the Borrower requesting such Pro Rata Borrowing shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Pro Rata Borrowing for such Pro Rata Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Pro Rata Advance to be made by such Lender as part of such Pro Rata Borrowing when such Pro Rata Advance, as a result of such failure, is not made on such date.

(d) Lender's Ratable Portion. Unless Chase, as Administrative Agent, shall have received notice from a Lender prior to 11:00 A.M. (New York City time) on the day of any Pro Rata Borrowing that such Lender will not make available to Chase, as Administrative Agent, such Lender's ratable portion of such Pro Rata Borrowing, Chase, as Administrative Agent, may assume that such Lender has made such portion available to Chase, as Administrative Agent, on the date of such Pro Rata Borrowing in accordance with Section 2.02(b) and Chase, as Administrative Agent, may, in reliance upon such assumption, make available to the Borrower proposing such Pro Rata Borrowing on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to Chase, as Administrative Agent, such Lender and such Borrower severally agree to repay to Chase, as Administrative Agent, forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to Chase, as Administrative Agent, at:

(i) in the case of such Borrower, the higher of (A) the interest rate applicable at the time to Pro Rata Advances comprising such Pro Rata Borrowing and (B) the cost of funds incurred by Chase, as Administrative Agent, in respect of such amount, and

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If such Lender shall repay to Chase, as Administrative Agent, such corresponding amount, such amount so repaid shall constitute such Lender's Pro Rata Advance as part of such Pro Rata Borrowing for purposes of this Agreement.

(e) Independent Lender Obligations. The failure of any Lender to make the Pro Rata Advance to be made by it as part of any Pro Rata Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Pro Rata Advance on the date of such Pro Rata Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Pro Rata Advance to be made by such other Lender on the date of any Pro Rata Borrowing.

Section 2.03. Repayment of Pro Rata Advances. Each Borrower shall repay to Chase, as Administrative Agent, for the ratable account of the Lenders on the Termination Date the unpaid principal amount of the Pro Rata Advances then outstanding.

Section 2.04. Interest on Pro Rata Advances. (a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Pro Rata Advance owing by such Borrower to each Lender from the date of such Pro Rata Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Pro Rata Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time, payable in arrears monthly on the 20th day of each month and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) LIBO Rate Advances. During such periods as such Pro Rata Advance is a LIBO Rate Advance, a rate per annum equal at all times during each Interest Period for such Pro Rata Advance to the sum of (x) the LIBO Rate for such Interest Period for such Pro Rata Advance plus (y) the Applicable Interest Rate Margin in effect from time to time, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such LIBO Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, each Borrower shall pay interest on the unpaid principal amount of each Pro Rata Advance owing to each Lender, payable in arrears on the dates referred to in Section 2.04(a)(i) or Section 2.04(a)(ii), at a rate per annum equal at all times to 1% per annum above the rate per annum required to be paid on such Pro Rata Advance.

Section 2.05. Additional Interest on LIBO Rate Advances. Each Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each LIBO Rate Advance of such Lender to such Borrower, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by

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subtracting (i) the LIBO Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Lender and notified to Kraft through Chase, as Administrative Agent.

Section 2.06. Conversion of Pro Rata Advances. (a) Conversion Upon Absence of Interest Period. If any Borrower shall fail to select the duration of any Interest Period for any LIBO Rate Advances in accordance with the provisions contained in the definition of the term "Interest Period", Chase, as Administrative Agent, will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

(b) Conversion Upon Event of Default. Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), Chase, as Administrative Agent, or the Required Lenders may elect that (i) each LIBO Rate Advance be, on the last day of the then existing Interest Period therefor, Converted into Base Rate Advances and (ii) the obligation of the Lenders to make, or to Convert Advances into, LIBO Rate Advances be suspended.

(c) Voluntary Conversion. Subject to the provisions of Sections 2.08(c) and 2.13, any Borrower may convert all such Borrower's Pro Rata Advances of one Type constituting the same Pro Rata Borrowing into Advances of the other Type on any Business Day, upon notice given to Chase, as Administrative Agent, not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion; provided, however, that the Conversion of a LIBO Rate Advance into a Base Rate Advance may be made on, and only on, the last day of an Interest Period for such LIBO Rate Advance. Each such notice of a Conversion shall, within the restrictions specified above, specify

- (i) the date of such Conversion;
- (ii) the Pro Rata Advances to be Converted; and
- (iii) if such Conversion is into LIBO Rate Advances, the duration of the Interest Period for each such Pro Rata Advance.

Section 2.07. The Competitive Bid Advances. (a) Competitive Bid Advances' Impact on Commitments. Each Lender severally agrees that any Borrower may make Competitive Bid Borrowings under this Section 2.07 from time to time on any Business Day during the period from the Effective Date until the Termination Date in the manner set forth below; provided that, following the making of each Competitive Bid Borrowing, the aggregate amount of the Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders. As provided in Section 2.01, the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding, and such deemed use of the aggregate amount of the Commitments shall be applied to the Lenders ratably according to



their respective Commitments; provided, however, that any Lender's Competitive Bid Advances shall not otherwise reduce that Lender's obligation to lend its pro rata share of the remaining available Commitments.

(b) Notice of Competitive Bid Borrowing. Any Borrower may request a Competitive Bid Borrowing under this Section 2.07 by delivering to Chase, as Administrative Agent, by telecopier, a notice of a Competitive Bid Borrowing (a "Notice of Competitive Bid Borrowing"), in substantially the form of Exhibit B-2 hereto, specifying therein the following:

- (i) date of such proposed Competitive Bid Borrowing;
- (ii) aggregate amount of such proposed Competitive Bid Borrowing;
- (iii) interest rate basis and day count convention to be offered by the Lenders;
- (iv) in the case of a Competitive Bid Borrowing consisting of Floating Rate Bid Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Bid Advances, maturity date for repayment of each Fixed Rate Bid Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (A) 360 days after the date of such Competitive Bid Borrowing and (B) the Termination Date);
- (v) interest payment date or dates relating thereto;
- (vi) location of such Borrower's account to which funds are to be advanced; and
- (vii) other terms (if any) to be applicable to such Competitive Bid Borrowing.

A Borrower requesting a Competitive Bid Borrowing shall deliver a Notice of Competitive Bid Borrowing to Chase, as Administrative Agent, not later than 10:00 A.M. (New York City time) (x) at least two Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Competitive Bid Borrowing shall be Fixed Rate Bid Advances, or (y) at least four Business Days prior to the date of the proposed Competitive Bid Borrowing, if such Borrower shall specify in the Notice of Competitive Bid Borrowing that the Competitive Bid Borrowing shall be Floating Rate Bid Advances. Each Notice of Competitive Bid Borrowing shall be irrevocable and binding on such Borrower. Chase, as Administrative Agent, shall in turn promptly notify each Lender of each request for a Competitive Bid Borrowing received by it from such Borrower by sending such Lender a copy of the related Notice of Competitive Bid Borrowing.

(c) Discretion as to Competitive Bid Advances. Each Lender may, in its sole discretion, elect to irrevocably offer to make one or more Competitive Bid Advances to the

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applicable Borrower as part of such proposed Competitive Bid Borrowing at a rate or rates of interest specified by such Lender in its sole discretion, by notifying Chase, as Administrative Agent (which shall give prompt notice thereof to such Borrower), before 9:30 A.M. (New York City time) (A) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Bid Advances, and (B) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Floating Rate Bid Advances; provided that, if Chase in its capacity as a Lender shall, in its sole discretion, elect to make any such offer, it shall notify such Borrower of such offer at least 30 minutes before the time and on the date on which notice of such election is to be given by any other Lender to Chase, as Administrative Agent. In such notice, the Lender shall specify the following:

- (i) the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 2.07(a), exceed such Lender's Commitment);
- (ii) the rate or rates of interest therefor; and
- (iii) such Lender's Applicable Lending Office with respect to such Competitive Bid Advance.

If any Lender shall elect not to make such an offer, such Lender shall so notify Chase, as Administrative Agent, before 9:30 A.M. (New York City time) on the date on which notice of such election is to be given to Chase, as Administrative Agent, by the other Lenders, and such Lender shall not be obligated to, and shall not, make any Competitive Bid Advance as part of such Competitive Bid Borrowing; provided further that the failure by any Lender to give such notice shall not cause such Lender to be obligated to make any Competitive Bid Advance as part of such proposed Competitive Bid Borrowing.

(d) Borrower Selection of Lender Bids. The Borrower proposing the Competitive Bid Borrowing shall, in turn, (A) before 12:00 noon (New York City time) on the Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Fixed Rate Bid Advances and (B) before 12:00 noon (New York City time) on the third Business Day prior to the date of such proposed Competitive Bid Borrowing, in the case of a Competitive Bid Borrowing consisting of Floating Rate Bid Advances, either:

- (i) cancel such Competitive Bid Borrowing by giving Chase, as Administrative Agent, notice to that effect, or
- (ii) accept, in its sole discretion, one or more of the offers made by any Lender or Lenders pursuant to Section 2.07(c), by giving notice to Chase, as Administrative Agent, of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by Chase, as Administrative Agent on

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behalf of such Lender, for such Competitive Bid Advance pursuant to Section 2.07(c) to be made by each Lender as part of such Competitive Bid Borrowing, and reject any remaining offers made by Lenders pursuant to Section 2.07(c) by giving Chase, as Administrative Agent, notice to that effect. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of

interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the maximum amount that each such Lender offered at such interest rate.

If the Borrower proposing the Competitive Bid Borrowing notifies Chase, as Administrative Agent, that such Competitive Bid Borrowing is canceled pursuant to Section 2.07(d)(i), or if such Borrower fails to give timely notice in accordance with Section 2.07(d), Chase, as Administrative Agent, shall give prompt notice thereof to the Lenders and such Competitive Bid Borrowing shall not be made.

(e) Competitive Bid Borrowing. If the Borrower proposing the Competitive Bid Borrowing accepts one or more of the offers made by any Lender or Lenders pursuant to Section 2.07(d)(ii), Chase, as Administrative Agent, shall in turn promptly notify:

- (i) each Lender that has made an offer as described in Section 2.07(c), whether or not any offer or offers made by such Lender pursuant to Section 2.07(c) have been accepted by such Borrower;
- (ii) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the date and amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing; and
- (iii) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that Chase, as Administrative Agent, has received forms of documents appearing to fulfill the applicable conditions set forth in Article III.

When each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing has received notice pursuant to Section 2.07(e)(iii), such Lender shall, before 11:00 A.M. (New York City time), on the date of such Competitive Bid Borrowing specified in the notice received from Chase, as Administrative Agent, pursuant to Section 2.07(e)(i), make available for the account of its Applicable Lending Office to Chase, as Administrative Agent, at its address referred to in Section 9.02, in same day funds, such Lender's portion of such Competitive Bid Borrowing. Upon fulfillment of the applicable conditions set forth in Article III and after receipt by Chase, as Administrative Agent, of such funds, Chase, as Administrative Agent, will make such funds available to such Borrower at the location specified by such Borrower in its Notice of Competitive Bid Borrowing. Promptly after each Competitive Bid Borrowing, Chase, as Administrative Agent, will notify each Lender of the amount of the

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Competitive Bid Borrowing, the consequent Competitive Bid Reduction and the dates upon which such Competitive Bid Reduction commenced and will terminate.

(f) Irrevocable Notice. If the Borrower proposing the Competitive Bid Borrowing notifies Chase, as Administrative Agent, that it accepts one or more of the offers made by any Lender or Lenders pursuant to Section 2.07(c), such notice of acceptance shall be irrevocable and binding on such Borrower. Such Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in the related Notice of Competitive Bid Borrowing for such Competitive Bid Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing when such Competitive Bid Advance, as a result of such failure, is not made on such date.

(g) Amount of Competitive Bid Borrowings; Competitive Bid Notes. Each Competitive Bid Borrowing shall be in an aggregate amount of \$50,000,000 or an integral multiple of \$1,000,000 in excess thereof and, following the making of each Competitive Bid Borrowing, the aggregate amount of Advances then outstanding shall not exceed the aggregate amount of the Commitments of the Lenders. Within the limits and on the conditions set forth in this Section 2.07, any Borrower may from time to time borrow under this Section 2.07, prepay pursuant to Section 2.11 or repay pursuant to Section 2.07(h), and reborrow under this Section 2.07; provided that a Competitive Bid Borrowing shall not be made within two Business Days of the date of any other Competitive Bid Borrowing. The indebtedness of any Borrower resulting from each Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

(h) Repayment of Competitive Bid Advances. On the maturity date of each Competitive Bid Advance provided in the Competitive Bid Note evidencing such Competitive Bid Advance, the Borrower shall repay to Chase, as Administrative Agent, for the account of each Lender that has made a Competitive Bid Advance the then unpaid principal amount of such Competitive Bid Advance. No Borrower shall have any right to prepay any principal amount of any Competitive Bid Advance unless, and then only on the terms set forth in the Competitive Bid Note evidencing such Competitive Bid Advance.

(i) Interest on Competitive Bid Advances. Each Borrower that has borrowed through a Competitive Bid Borrowing shall pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance to the date the principal amount of such Competitive Bid Advance is repaid in full, at the rate of interest for such Competitive Bid Advance and on the interest payment date or dates set forth in the Competitive Bid Note evidencing such Competitive Bid Advance. Upon the occurrence and during the continuance of an Event of Default, such Borrower shall pay interest on the amount of unpaid principal of each Competitive Bid Advance owing to a Lender, payable in arrears on the date or dates interest is payable thereon, at a rate per annum equal at all times to 1% per annum

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above the rate per annum required to be paid on such Competitive Bid Advance under the terms of the Competitive Bid Note evidencing such Competitive Bid Advance unless otherwise agreed in such Competitive Bid Note.

Section 2.08. LIBO Rate Determination. (a) Methods to Determine LIBO Rate. Chase, as Administrative Agent, shall determine the LIBO Rate by using the methods described in the definition of the term "LIBO Rate", and shall give prompt notice to the Borrower and Lenders of each such LIBO Rate.

(b) Role of Reference Banks. In the event that the LIBO Rate cannot be determined by the method described in clause (a) of the definition of "LIBO Rate", each Reference Bank agrees to furnish to Chase, as Administrative Agent, timely information for the purpose of determining the LIBO Rate in accordance with the method described in clause (b) of the definition thereof. If any one or more of the Reference Banks shall not furnish such timely information to Chase, as Administrative Agent, for the purpose of determining a LIBO Rate, Chase, as Administrative Agent, shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks. If fewer than two Reference Banks furnish timely information to Chase, as Administrative Agent, for determining the LIBO Rate for any LIBO Rate Advances or Floating Rate Bid Advances, as the case may be, then:

(i) Chase, as Administrative Agent, shall forthwith notify Kraft and the Lenders that the interest rate cannot be determined for such LIBO Rate Advance or Floating Rate Bid Advances, as the case may be;

(ii) with respect to each LIBO Rate Advance, such Advance will, on the last day of the then existing Interest Period therefor, be prepaid by the Borrower or be automatically Converted into a Base Rate Advance; and

(iii) the obligation of the Lenders to make LIBO Rate Advances or Floating Rate Bid Advances or to Convert Base Rate Advances into LIBO Rate Advances shall be suspended until Chase, as Administrative Agent, shall notify Kraft and the Lenders that the circumstances causing such suspension no longer exist.

Chase, as Administrative Agent, shall give prompt notice to Kraft and the Lenders of the applicable interest rate determined by Chase, as Administrative Agent, for purposes of Section 2.04(a)(i) or (ii), and the rate, if any, furnished by each Reference Bank for the purpose of determining the interest rate under Section 2.04(a)(ii) or the applicable LIBO Rate.

(c) Inadequate LIBO Rate. If, with respect to any LIBO Rate Advances, the Required Lenders notify Chase, as Administrative Agent, that (i) they are unable to obtain matching deposits in the London interbank market at or about 11:00 A.M. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective LIBO Rate Advances as a part of such Borrowing during the Interest Period therefor or (ii) the LIBO Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective LIBO Rate

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Advances for such Interest Period, Chase, as Administrative Agent, shall forthwith so notify Kraft and the Lenders, whereupon (A) the Borrower of such LIBO Rate Advances will, on the last day of the then existing Interest Period therefor, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Base Rate Advances into, LIBO Rate Advances shall be suspended until Chase, as Administrative Agent, shall notify Kraft and the Lenders that the circumstances causing such suspension no longer exist. In the case of clause (ii) above, each Lender shall certify its cost of funds for each Interest Period to Chase, as Administrative Agent, and Kraft as soon as practicable (but in any event not later than 10 Business Days after the last day of such Interest Period).

Section 2.09. Fees. (a) Facility Fee. Kraft agrees to pay to Chase, as Administrative Agent, for the account of each Lender a facility fee on the aggregate amount of such Lender's Commitment (whether or not used and without giving effect to any Competitive Bid Reduction) from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at the Applicable Facility Fee Rate, in each case payable on the last day of each March, June, September and December until the Termination Date and on the Termination Date.

(b) Agent's Fees. Kraft shall pay to Chase, as Administrative Agent, for its own account such fees as may from time to time be agreed between Kraft and such Agent.

Section 2.10. Optional Termination or Reduction of the Commitments. Kraft shall have the right, upon at least three Business Days' notice to Chase, as Administrative Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Lenders; provided that each partial reduction shall be in the aggregate amount of no less than \$50,000,000; and provided further that the aggregate amount of the Commitments of the Lenders shall not be reduced to an amount that is less than the aggregate principal amount of the Competitive Bid Advances then outstanding.

Section 2.11. Optional Prepayments of Pro Rata Advances. Each Borrower may, in the case of any LIBO Rate Advance, upon at least three Business Days' notice to Chase, as Administrative Agent, or, in the case of any Base Rate Advance, upon notice given to Chase, as Administrative Agent, not later than 9:00 A.M. (New York City time) on the date of the proposed prepayment, in each case stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given such Borrower shall, prepay the outstanding principal amount of the Pro Rata Advances comprising part of the same Pro Rata Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of no less than \$50,000,000 and (y) in the event of any such prepayment of a LIBO Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(b).

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Section 2.12. Increased Costs. (a) Costs from Change in Law or Authorities. If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements to the extent such change is included in the Eurocurrency Rate Reserve Percentage) in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining LIBO Rate Advances or Floating Rate Bid Advances (excluding for purposes of this Section 2.12 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.15 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower of the affected Advances shall from time to time, upon demand by such Lender (with a copy of such demand to Chase, as Administrative Agent), pay to Chase, as Administrative Agent, for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to Kraft, such Borrower and Chase, as Administrative Agent, by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(b) Reduction in Lender's Rate of Return. In the event that, after the date hereof, the implementation of or any change in any law or regulation, or any guideline or directive (whether or not having the force of law) or the interpretation or administration thereof by any central bank or other authority charged with the administration thereof, imposes, modifies or deems applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement which affects the manner in which any Lender allocates capital resources to its commitments, including its obligations hereunder) and as a result thereof, in the sole opinion of such Lender, the rate of return on such Lender's capital as a consequence of its obligations hereunder is reduced to a level below that which such Lender could have achieved but for such circumstances, but reduced to the extent that Borrowings are outstanding from time to time, then in each such case, upon demand from time to time Kraft shall pay to such Lender such additional amount or amounts as shall compensate such Lender for such reduction

in rate of return; provided that, in the case of each Lender, such additional amount or amounts shall not exceed 0.15 of 1% per annum of such Lender's Commitment. A certificate of such Lender as to any such additional amount or amounts shall be conclusive and binding for all purposes, absent manifest error. Except as provided below, in determining any such amount or amounts each Lender may use any reasonable averaging and attribution methods. Notwithstanding the foregoing, each Lender shall take all reasonable actions to avoid the imposition of, or reduce the amounts of, such increased costs, provided that such actions, in the reasonable judgment of such Lender, will not be otherwise disadvantageous to such Lender, and, to the extent possible, each Lender will calculate such increased costs based upon the capital requirements for its

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commitment hereunder and not upon the average or general capital requirements imposed upon such Lender.

Section 2.13. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify Chase, as Administrative Agent, that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make LIBO Rate Advances or Floating Rate Bid Advances or to fund or maintain LIBO Rate Advances or Floating Rate Bid Advances, (a) each LIBO Rate Advance or Floating Rate Bid Advances, as the case may be, will automatically, upon such demand, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.04(a)(i), as the case may be, and (b) the obligation of the Lenders to make LIBO Rate Advances or Floating Rate Bid Advances or to Convert Base Rate Advances into LIBO Rate Advances shall be suspended until Chase, as Administrative Agent, shall notify Kraft and the Lenders that the circumstances causing such suspension no longer exist; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurocurrency Lending Office if the making of such a designation would allow such Lender or its Eurocurrency Lending Office to continue to perform its obligations to make LIBO Rate Advances or Floating Rate Bid Advances or to continue to fund or maintain LIBO Rate Advances or Floating Rate Bid Advances, as the case may be, and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

Section 2.14. Payments and Computations. (a) Time and Distribution of Payments. Kraft and each Borrower shall make each payment hereunder, not later than 11:00 A.M. (New York City time) on the day when due to Chase, as Administrative Agent, at Chase's Administrative Agent Account in same day funds. Chase, as Administrative Agent, will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or facility fees ratably (other than amounts payable pursuant to Section 2.07, 2.12, 2.15 or 9.04(b)) to the Lenders for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. From and after the effective date of an Assignment and Acceptance pursuant to Section 9.07, Chase, as Administrative Agent, shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Computation of Interest and Fees. All computations of interest based on Chase's prime rate shall be made by Chase, as Administrative Agent, on the basis of a year of 365 or 366 days, as the case may be. All computations of interest based on the LIBO Rate or the Federal Funds Effective Rate and of facility fees shall be made by Chase, as Administrative Agent and all computations of interest pursuant to Section 2.05 shall be made by a Lender, on the basis of a year of 360 days, and all computations of interest in respect of Competitive Bid Advances shall be made by Chase, as Administrative Agent, as specified in the applicable Notice of Competitive

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Bid Notice, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or facility fees are payable. Each determination by Chase, as Administrative Agent (or, in the case of Section 2.05 by a Lender), of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Payment Due Dates. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or facility fee, as the case may be; provided, however, that if such extension would cause payment of interest on or principal of LIBO Rate Advances or Floating Rate Bid Advances to be made in the next following calendar month, such payment shall be made on the immediately preceding Business Day.

(d) Presumption of Borrower Payment. Unless Chase, as Administrative Agent, receives notice from any Borrower prior to the date on which any payment is due to the Lenders hereunder that such Borrower will not make such payment in full, Chase, as Administrative Agent, may assume that such Borrower has made such payment in full to Chase, as Administrative Agent, on such date and Chase, as Administrative Agent, may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent such Borrower has not made such payment in full to Chase, as Administrative Agent, each Lender shall repay to Chase, as Administrative Agent, forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to Chase, as Administrative Agent, at the Federal Funds Effective Rate.

Section 2.15. Taxes. (a) Any and all payments by each Borrower and Kraft hereunder shall be made, in accordance with Section 2.14, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, (i) in the case of each Lender and Chase, as Administrative Agent, taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or Chase, as Administrative Agent (as the case may be), is organized or any political subdivision thereof, (ii) in the case of each Lender, taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, (iii) in the case of each Lender and Chase, as Administrative Agent, taxes imposed on its net income, franchise taxes imposed on it, and any tax imposed by means of withholding to the extent such tax is imposed solely as a result of a present or former connection (other than the execution, delivery and performance of this Agreement or a Note) between the Lender or Chase, as Administrative Agent, as the case may be, and the taxing jurisdiction, and (iv) in the case of each Lender and Chase, as Administrative Agent, taxes imposed by the United States by means of withholding tax if and to the extent that such taxes shall be in effect and shall be applicable on the date hereof to payments to be made to such Lender's Applicable Lending Office or to Chase, as Administrative Agent (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder being hereinafter referred to as "Taxes"). If any

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Borrower or Kraft shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or Chase, as Administrative Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.15) such Lender or Chase, as Administrative Agent (as the case may be), receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower or Kraft shall make such deductions and (iii) such Borrower or Kraft shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower or Kraft shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) Each Borrower and Kraft shall indemnify each Lender and Chase, as Administrative Agent, for and hold it harmless against the full amount of Taxes or Other Taxes (including, without limitation, Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.15) paid by such Lender or Chase, as Administrative Agent (as the case may be), and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date such Lender or Chase, as Administrative Agent (as the case may be), makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, each Borrower and Kraft shall furnish to Chase, as Administrative Agent, at its address referred to in Section 9.02, the original or a certified copy of a receipt evidencing such payment. If any Borrower or Kraft determines that no Taxes are payable in respect thereof, such Borrower or Kraft shall, at the request of Chase, as Administrative Agent, furnish or cause the payor to furnish, Chase, as Administrative Agent, and each Lender an opinion of counsel reasonably acceptable to Chase, as Administrative Agent, stating that such payment is exempt from Taxes.

(e) Each Lender, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, shall provide each of Chase, as Administrative Agent, Kraft and such Borrower with any form or certificate that is required by any taxing authority (including, if applicable, two original Internal Revenue Service Forms W-9, W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service), certifying that such Lender is exempt from or entitled to a reduced rate of Home Jurisdiction Withholding Taxes on payments pursuant to this Agreement. Thereafter, each such Lender shall provide additional forms or certificates (i) to the extent a form or certificate previously provided has become inaccurate, invalid or otherwise ceases to be effective or (ii) as requested in writing by any Borrower, Kraft or Chase, as Administrative Agent. Unless the Borrowers, Kraft and Chase, as Administrative Agent, have received forms or other documents satisfactory to them indicating that payments hereunder are not subject to Home Jurisdiction Withholding Taxes or are subject to such tax at a rate reduced by an applicable tax

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treaty, such Borrower, Kraft or Chase, as Administrative Agent, shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender.

(f) Any Lender claiming any additional amounts payable pursuant to this Section 2.15 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to select or change the jurisdiction of its Applicable Lending Office if the making of such a selection or change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender, be otherwise economically disadvantageous to such Lender.

(g) No additional amounts will be payable pursuant to this Section 2.15 with respect to (i) any Home Jurisdiction Withholding Taxes that would not have been payable had the Lender provided the relevant forms or other documents pursuant to paragraph (e) of this section; or (ii) in the case of an Assignment and Acceptance by a Lender to an Eligible Assignee, any Home Jurisdiction Withholding Taxes that exceed the amount of such Home Jurisdiction Withholding Taxes that are imposed prior to such Assignment and Acceptance, unless such Assignment and Acceptance resulted from the demand of Kraft.

(h) If any Lender or Chase, as Administrative Agent, as the case may be, obtains a refund of any Tax for which payment has been made pursuant to this Section 2.15, which refund in the good faith judgment of such Lender or Chase, as Administrative Agent, as the case may be, (and without any obligation to disclose its tax records) is allocable to such payment made under this Section 2.15, the amount of such refund (together with any interest received thereon and reduced by reasonable costs incurred in obtaining such refund) promptly shall be paid to the Borrower to the extent payment has been made in full by the Borrower pursuant to this Section 2.15.

Section 2.16. Sharing of Payments, Etc. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Pro Rata Advances owing to it (other than pursuant to Section 2.12, 2.15 or 9.04(b)) in excess of its ratable share of payments on account of the Pro Rata Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the Pro Rata Advances made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Each Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 2.16 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of such Borrower in the amount of such participation.

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Section 2.17. Evidence of Debt. (a) Lender Records; Pro Rata Notes. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Pro Rata Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Pro Rata Advances. Each Borrower shall, upon notice by any Lender to such Borrower (with a copy of such notice to Chase, as Administrative Agent) to the effect that a Pro Rata Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Pro Rata Advances owing to, or to be made by, such Lender, such Borrower shall promptly execute and deliver to such Lender a Pro Rata Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

(b) Record of Borrowings, Payables and Payments. The Register maintained by Chase, as Administrative Agent, pursuant to Section 9.07(d) shall include a control account, and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded as follows:

- (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto;
- (ii) the terms of each Assignment and Acceptance delivered to and accepted by it;
- (iii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder; and
- (iv) the amount of any sum received by Chase, as Administrative Agent, from the Borrowers hereunder and each Lender's share thereof.

(c) Evidence of Payment Obligations. Entries made in good faith by Chase, as Administrative Agent, in the Register pursuant to Section 2.17(b), and by each Lender in its account or accounts pursuant to Section 2.17(a), shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from each Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of Chase, as Administrative Agent, or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of any Borrower under this Agreement.

Section 2.18. Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) for general corporate purposes of Kraft and its Subsidiaries.

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### ARTICLE III

#### CONDITIONS TO EFFECTIVENESS AND LENDING

Section 3.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied:

(a) Kraft shall have notified each Lender and Chase, as Administrative Agent, in writing as to the proposed Effective Date.

(b) On the Effective Date, the following statements shall be true and Chase, as Administrative Agent, shall have received for the account of each Lender a certificate signed by a duly authorized officer of Kraft, dated the Effective Date, stating that:

- (i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and
- (ii) No event has occurred and is continuing that constitutes a Default or Event of Default.

(c) Chase, as Administrative Agent, shall have received on or before the Effective Date copies of the letters from Philip Morris Companies Inc. dated on or before such day, terminating in whole the commitments of the banks party to the Existing Loan Agreements.

(d) Philip Morris Companies Inc. and its Subsidiaries shall have satisfied all of their respective obligations under the Existing Loan Agreements including, without limitation, the payment of all fees under such agreements.

(e) Chase, as Administrative Agent, shall have received on or before the Effective Date the following, each dated such day, in form and substance satisfactory to Chase, as Administrative Agent:

- (i) Certified copies of the resolutions of the Board of Directors of Kraft approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.
- (ii) A certificate of the Secretary or an Assistant Secretary of Kraft certifying the names and true signatures of the officers of Kraft authorized to sign this Agreement and the other documents to be delivered hereunder.
- (iii) Favorable opinions of counsel (which may be in-house counsel) for Kraft, substantially in the form of Exhibits E-1 and E-2 hereto.
- (iv) A favorable opinion of Simpson Thacher & Bartlett, counsel for Chase, as Administrative Agent, substantially in the form of Exhibit G hereto.

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(v) A certificate of the chief financial officer or treasurer of Kraft certifying that as of June 30, 2001 (A) the aggregate amount of Debt, payment of which is secured by any Lien referred to in clause (iii) of Section 5.02(a), does not exceed \$400,000,000, and (B) the aggregate amount of Debt included in clause (A) of this subsection (v), payment of which is secured by any Lien referred to in clause (iv) of Section 5.02(a), does not exceed \$200,000,000.

(f) This Agreement shall have been executed by Kraft, Chase and Citibank, as Administrative Agents, Credit Suisse First Boston and Deutsche Bank AG, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents, and Chase, as Administrative Agent, shall have been notified by each Initial Lender that such Initial Lender has executed this Agreement.

Chase, as Administrative Agent, shall notify Kraft and the Initial Lenders of the date which is the Effective Date upon satisfaction of all of the conditions precedent set forth in this Section 3.01. For purposes of determining compliance with the conditions specified in this Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of Chase, as Administrative Agent, responsible for the transactions contemplated by this Agreement

shall have received notice from such Lender prior to the date that Kraft, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto.

Section 3.02. Initial Advance to Each Designated Subsidiary. The obligation of each Lender to make an initial Advance to each Designated Subsidiary following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the receipt by Chase, as Administrative Agent, on or before the date of such initial Advance of each of the following, in form and substance satisfactory to Chase, as Administrative Agent, and dated such date, and in sufficient copies for each Lender:

(a) Certified copies of the resolutions of the Board of Directors of such Designated Subsidiary (with a certified English translation if the original thereof is not in English) approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.

(b) A certificate of a proper officer of such Designated Subsidiary certifying the names and true signatures of the officers of such Designated Subsidiary authorized to sign this Agreement and the other documents to be delivered hereunder.

(c) A certificate signed by a duly authorized officer of the Designated Subsidiary, dated as of the date of such initial Advance, certifying that such Designated Subsidiary shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations

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necessary for such Designated Subsidiary to execute and deliver this Agreement and to perform its obligations thereunder.

(d) The Designation Agreement of such Designated Subsidiary, substantially in the form of Exhibit D hereto.

(e) A favorable opinion of counsel (which may be in-house counsel) to such Designated Subsidiary, dated the date of such initial Advance, covering, to the extent customary and appropriate for the relevant jurisdiction, the opinions outlined on Exhibit F hereto.

(f) Such other approvals, opinions or documents as any Lender, through Chase, as Administrative Agent, may reasonably request.

Section 3.03. Conditions Precedent to Each Pro Rata Borrowing. The obligation of each Lender to make a Pro Rata Advance on the occasion of each Pro Rata Borrowing is subject to the conditions precedent that the Effective Date shall have occurred and on the date of such Pro Rata Borrowing the following statements shall be true, and the acceptance by the Borrower of the proceeds of such Pro Rata Borrowing shall be a representation by such Borrower or Kraft, as the case may be, that:

(a) the representations and warranties contained in Section 4.01 (except the representations set forth in the last sentence of subsection (e) and in subsection (f) thereof (other than clause (i) thereof)) are correct on and as of the date of such Pro Rata Borrowing, before and after giving effect to such Pro Rata Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Pro Rata Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Agreement are correct on and as of the date of such Pro Rata Borrowing, before and after giving effect to such Pro Rata Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(b) after giving effect to the application of the proceeds of all Borrowings on such date (together with any other resources of the Borrower applied together therewith) no event has occurred and is continuing, or would result from such Pro Rata Borrowing, that constitutes a Default or Event of Default; and

(c) if such Pro Rata Borrowing is in an aggregate principal amount equal to or greater than \$500,000,000 and is being made in connection with any purchase of shares of such Borrower's or Kraft's capital stock or the capital stock of any other Person, or any purchase of all or substantially all of the assets of any Person (whether in one transaction or a series of transactions) or any transaction of the type referred to in Section 5.02(b), the statement in (b) above shall also be true on a pro forma basis as if such transaction or purchase shall have been completed.

Section 3.04. Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a

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Competitive Bid Borrowing is subject to the conditions precedent that (i) Chase, as Administrative Agent, shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, Chase, as Administrative Agent, shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.07, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true, and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall be a representation by such Borrower or Kraft, as the case may be, that:

(a) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and, if such Competitive Bid Borrowing shall have been requested by a Designated Subsidiary, the representations and warranties of such Designated Subsidiary contained in its Designation Agreement are correct on and as of the date of such Competitive Bid Borrowing, before and after giving effect to such Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, and

(b) after giving effect to the application of the proceeds of all Borrowings on such date (together with any other resources of the Borrower applied together therewith), no event has occurred and is continuing, or would result from such Competitive Bid Borrowing that constitutes a Default or Event of Default.

Section 4.01. Representations and Warranties of Kraft. Kraft represents and warrants as follows:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of Virginia.

(b) The execution, delivery and performance of this Agreement and the Notes to be delivered by it are within its corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) its charter or by-laws or (ii) in any material respect, any law, rule, regulation or order of any court or governmental agency or any contractual restriction binding on or affecting it.

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(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by it of this Agreement or the Notes to be delivered by it.

(d) This Agreement is, and each of the Notes to be delivered by it when delivered hereunder will be, a legal, valid and binding obligation of Kraft enforceable against Kraft in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of fair dealing.

(e) As included in Kraft's Registration Statement on Form S-1, effective as of June 12, 2001, as amended by any amendments to such Registration Statement, and by any prospectus filed pursuant to Rule 424(b) of the Securities Act of 1933, as amended ("Registration Statement"), the unaudited condensed combined balance sheet of Kraft and its Subsidiaries as of March 31, 2001, and the unaudited condensed combined statement of earnings of Kraft and its Subsidiaries, the unaudited condensed combined statement of shareholder's equity and the unaudited condensed combined statement of cash flows, each for the three months then ended fairly present, in all material respects and subject to year-end audit adjustments, the consolidated financial position of Kraft and its Subsidiaries as at such date and the consolidated results of the operations of Kraft and its Subsidiaries for the three-month period ended on such date, all in accordance with accounting principles generally accepted in the United States. Except as disclosed in Kraft's Registration Statement, and in any Current Report on Form 8-K filed subsequent to June 13, 2001 but prior to July 24, 2001, since March 31, 2001 there has been no material adverse change in such condition or operations.

(f) There is no pending or threatened action or proceeding affecting it or any of its Subsidiaries before any court, governmental agency or arbitrator (a "Proceeding"), (i) that purports to affect the legality, validity or enforceability of this Agreement or (ii) except for Proceedings disclosed in Kraft's Registration Statement, any Current Report on Form 8-K filed subsequent to June 13, 2001 but prior to July 24, 2001 and, with respect to Proceedings commenced after the date of the most recent such document but prior to July 24, 2001, a certificate delivered to the Lenders, that may materially adversely affect the financial position or results of operations of Kraft and its Subsidiaries taken as a whole.

(g) It owns directly or indirectly 100% of the capital stock of each other Borrower.

(h) None of the proceeds of any Advance will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any Margin Stock or for any other purpose that would constitute the Advances as a "purpose credit" within the meaning of Regulation U and, in each case, would constitute a violation of Regulation U.

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ARTICLE V

COVENANTS OF KRAFT

Section 5.01. Affirmative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, Kraft will:

(a) Compliance with Laws, Etc. Comply, and cause each Major Subsidiary to comply, in all material respects, with all applicable laws, rules, regulations and orders (such compliance to include, without limitation, complying with ERISA and paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith), noncompliance with which would materially adversely affect the financial condition or operations of Kraft and its Subsidiaries taken as a whole.

(b) Maintenance of Net Worth. Maintain total shareholders' equity on the consolidated balance sheet of Kraft and its Subsidiaries of not less than \$18,200,000,000, which is equal to 80% of the As Adjusted Total shareholders' equity as of March 31, 2001, as reported in the Capitalization table in the Registration Statement.

(c) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of Kraft, an unaudited interim condensed consolidated balance sheet of Kraft and its Subsidiaries as of the end of such quarter and unaudited interim condensed consolidated statements of earnings of Kraft and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of Kraft;

(ii) as soon as available and in any event within 100 days after the end of each fiscal year of Kraft, a copy of the consolidated financial statements for such year for Kraft and its Subsidiaries, audited by PricewaterhouseCoopers LLP (or other independent accountants which, as of the date of this Agreement, are one of the "big five" accounting firms);

(iii) all reports which Kraft sends to any of its shareholders, and copies of all reports on Form 8-K (or any successor forms adopted by the Securities and Exchange Commission) which Kraft files with the Securities and Exchange Commission;



(iv) as soon as possible and in any event within five days after the occurrence of each Event of Default and each event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, continuing on the date of such statement, a statement of the chief financial officer or treasurer of Kraft setting forth details of such Event of Default or event and the action which Kraft has taken and proposes to take with respect thereto; and

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(v) such other information respecting the condition or operations, financial or otherwise, of Kraft or any Major Subsidiary as any Lender through Chase, as Administrative Agent, may from time to time reasonably request.

In lieu of furnishing the Lenders the items referred to in clauses (i), (ii) and (iii) above, Kraft may make such items available on the internet at [www.kraft.com](http://www.kraft.com) (which website includes an option to subscribe to a free service alerting subscribers by e-mail of new financial releases at [www.corporate-ir.net/ireye/ir\\_site.zhtml?ticker=KFT&script=1900](http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=KFT&script=1900)), or by similar electronic means.

Section 5.02. Negative Covenants. So long as any Advance shall remain unpaid or any Lender shall have any Commitment hereunder, Kraft will not:

(a) Liens, Etc. Create or suffer to exist, or permit any Major Subsidiary to create or suffer to exist, any lien, security interest or other charge or encumbrance (other than operating leases and licensed intellectual property), or any other type of preferential arrangement ("Liens"), upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any Major Subsidiary to assign, any right to receive income, in each case to secure or provide for the payment of any Debt of any Person, other than:

(i) Liens upon or in property acquired or held by it or any Major Subsidiary in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of such property;

(ii) Liens existing on property at the time of its acquisition (other than any such lien or security interest created in contemplation of such acquisition);

(iii) Liens existing on the date hereof securing Debt;

(iv) Liens on property financed through the issuance of industrial revenue bonds in favor of the holders of such bonds or any agent or trustee therefor;

(v) Liens existing on property of any Person acquired by Kraft or any Major Subsidiary;

(vi) Liens securing Debt in an aggregate amount not in excess of 15% of Consolidated Tangible Assets;

(vii) Liens upon or with respect to "margin stock" as that term is defined in Regulation U;

(viii) Liens in favor of Kraft or any Major Subsidiary;

(ix) precautionary Liens provided by Kraft or any Major Subsidiary in connection with the sale, assignment, transfer or other disposition of assets by Kraft or

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such Major Subsidiary which transaction is determined by the Board of Directors of Kraft or such Major Subsidiary to constitute a "sale" under accounting principles generally accepted in the United States; or

(x) any extension, renewal or replacement of the foregoing, provided that (a) such Lien does not secure any additional assets (other than a substitution of like assets), and (b) the amount of Debt secured by any such Lien is not increased.

(b) Mergers, Etc. Consolidate with or merge into, or convey or transfer its properties and assets substantially as an entirety to, any Person, or permit any Subsidiary directly or indirectly owned by it to do so, unless, immediately after giving effect thereto, no Default or Event of Default would exist and, in the case of any merger or consolidation to which it is a party, it is the surviving corporation and, in the case of any merger or consolidation to which a Borrower other than Kraft is a party, the corporation formed by such consolidation or into which such Borrower shall be merged shall be a corporation organized and existing under the laws of the United States of America or any State thereof, or the District of Columbia, and shall assume such Borrower's obligations under this Agreement by the execution and delivery of an instrument in form and substance satisfactory to the Required Lenders.

## ARTICLE VI

### EVENTS OF DEFAULT

Section 6.01. Events of Default. Each of the following events (each an "Event of Default") shall constitute an Event of Default:

(a) Any Borrower or Kraft shall fail to pay any principal of any Advance when the same becomes due and payable; or any Borrower shall fail to pay interest on any Advance, or Kraft shall fail to pay any fees payable under Section 2.09, within ten days after the same becomes due and payable; or

(b) Any representation or warranty made or deemed to have been made by any Borrower or Kraft herein or by any Borrower or Kraft (or any of their respective officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed to have been made; or

(c) Any Borrower or Kraft shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.01(b) or 5.02(b), (ii) any term, covenant or agreement contained in Section 5.02(a) if such failure shall remain unremedied for 15 days after written notice thereof shall have been given to Kraft by Chase, as Administrative Agent, or any Lender or (iii) any other term, covenant or agreement contained in this Agreement on its part to be performed or

(d) Any Borrower or Kraft or any Major Subsidiary shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least \$100,000,000 in the aggregate (but excluding Debt arising under this Agreement) of such Borrower or Kraft or such Major Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt unless adequate provision for any such payment has been made in form and substance satisfactory to the Required Lenders; or any Debt of any Borrower or Kraft or any Major Subsidiary which is outstanding in a principal amount of at least \$100,000,000 in the aggregate (but excluding Debt arising under this Agreement) shall be declared to be due and payable, or required to be prepaid (other than by a scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof unless adequate provision for the payment of such Debt has been made in form and substance satisfactory to the Required Lenders; or

(e) Any Borrower or Kraft or any Major Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borrower or Kraft or any Major Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any of its property constituting a substantial part of the property of Kraft and its Subsidiaries taken as a whole) shall occur; or any Borrower or Kraft or any Major Subsidiary shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of \$100,000,000 shall be rendered against any Borrower or Kraft or any Major Subsidiary and there shall be any period of 60 consecutive days during which a stay of enforcement of such unsatisfied judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any Borrower, Kraft or any ERISA Affiliate shall incur, or shall be reasonably likely to incur, liability in excess of \$500,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of any Borrower, Kraft or any ERISA Affiliate from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan; provided, however, that no Default or Event of Default under this clause (g) shall be deemed to have occurred if the Borrower, Kraft or any ERISA Affiliate shall have made arrangements satisfactory to the Required Lenders to discharge or otherwise satisfy such liability (including the posting of a bond or other security); or

(h) So long as any Subsidiary of Kraft is a Designated Subsidiary, the guaranty provided by Kraft under Article VIII hereof shall for any reason cease to be valid and binding on Kraft or Kraft shall so state in writing.

Section 6.02. Lenders' Rights upon Event of Default. If an Event of Default occurs or is continuing, then Chase, as Administrative Agent, shall at the request, or may with the consent, of the Required Lenders, by notice to Kraft and the Borrowers:

(a) declare the obligation of each Lender to make further Advances to be terminated, whereupon the same shall forthwith terminate, and

(b) declare all the Advances then outstanding, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances then outstanding, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers;

provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower under the Federal Bankruptcy Code, (i) the obligation of each Lender to make Advances shall automatically be terminated and (ii) the Advances then outstanding, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

## ARTICLE VII

### THE ADMINISTRATIVE AGENTS

Section 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agents to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agents by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agents shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of Notes; provided, however, that no Administrative Agent shall be required to take any action that exposes such Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. Each of the Administrative Agents agrees to give to each Lender prompt notice of each notice given to it by Kraft or any Borrower as required by the terms of this Agreement or at the request of Kraft or such Borrower, and any notice provided pursuant to Section 5.01(c)(iv).

Section 7.02. Administrative Agents' Reliance, Etc. Neither the Administrative Agents nor any of their directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agents:

(a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until Chase, as Administrative Agent, receives and accepts an Assignment and Acceptance entered into by such Lender, as assignor, and an Eligible Assignee, as assignee, as provided in Section 9.07;

(b) may consult with legal counsel (including counsel for Kraft or any Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts;

(c) make no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement;

(d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of Kraft or any Borrower or to inspect the property (including the books and records) of Kraft or such Borrower;

(e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and

(f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram or telex) believed by it to be genuine and signed or sent by the proper party or parties.

Section 7.03. Chase, Citibank and Affiliates. With respect to its Commitment and the Advances made by it, each of Chase and Citibank shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not an Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Chase and Citibank in their individual capacities. Chase and Citibank and their affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, Kraft, any Borrower, any of its Subsidiaries and any Person who may do business with or own securities of Kraft, any Borrower or any such Subsidiary, all as if Chase and Citibank were not Administrative Agents and without any duty to account therefor to the Lenders.

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Section 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon either Administrative Agent, either Syndication Agent, any Arranger and Documentation Agent, or any other Lender and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Administrative Agent, Syndication Agent, Arranger and Documentation Agent, or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

Section 7.05. Indemnification. The Lenders agree to indemnify each Administrative Agent (to the extent not reimbursed by Kraft or the Borrowers), ratably according to the respective principal amounts of the Pro Rata Advances then owing to each of them (or if no Pro Rata Advances are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Administrative Agent under this Agreement (collectively, the "Indemnified Costs"), provided that no Lender shall be liable for any portion of the Indemnified Costs resulting from such Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse such Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by such Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that such Administrative Agent is not reimbursed for such expenses by Kraft or the Borrowers. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by any Administrative Agent, any Lender or a third party.

Section 7.06. Successor Administrative Agents. An Administrative Agent may resign at any time by giving written notice thereof to the Lenders and Kraft and may be removed at any time with or without cause by the Required Lenders. Upon the resignation or removal of Chase, as Administrative Agent, Citibank, as Administrative Agent, shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of Chase, as Administrative Agent, and Chase, as Administrative Agent shall be discharged from its duties and obligations under this Agreement. Upon any other such resignation or removal which results in there being no Administrative Agent hereunder, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and

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having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 7.07. Syndication Agents and Arrangers and Documentation Agents. Credit Suisse First Boston and Deutsche Bank AG have been designated as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, have been designated as Arrangers and Documentation Agents, under this Agreement, but the use of such titles does not impose on any of them any duties or obligations greater than those of any other Lender.

ARTICLE VIII

GUARANTY

Section 8.01. Guaranty. Kraft hereby unconditionally and irrevocably guarantees (the undertaking of Kraft contained in this Article VIII being the "Guaranty") the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of each Borrower now or hereafter existing under this Agreement, whether for principal, interest, fees, expenses or otherwise (such obligations being the "Obligations"), and any and all expenses (including counsel fees and expenses) incurred by Chase, as Administrative Agent, or the Lenders in enforcing any rights under the Guaranty.

Section 8.02. Guaranty Absolute. Kraft guarantees that the Obligations will be paid strictly in accordance with the terms of this Agreement, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Chase, as Administrative Agent, or the Lenders with respect thereto. The liability of Kraft under this Guaranty shall be absolute and unconditional irrespective of:

- (i) any lack of validity, enforceability or genuineness of any provision of this Agreement or any other agreement or instrument relating thereto;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement;
- (iii) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or

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- (iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, a Borrower or Kraft.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by Chase, as Administrative Agent, or any Lender upon the insolvency, bankruptcy or reorganization of a Borrower or otherwise, all as though such payment had not been made.

Section 8.03. Waivers. (a) Kraft hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty and any requirement that Chase, as Administrative Agent, or any Lender protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against a Borrower or any other Person or any collateral.

(b) Kraft hereby irrevocably waives any claims or other rights that it may now or hereafter acquire against any Borrower that arise from the existence, payment, performance or enforcement of Kraft's obligations under this Guaranty or this Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of Chase, as Administrative Agent, or any Lender against such Borrower or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from such Borrower, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to Kraft in violation of the preceding sentence at any time prior to the later of the cash payment in full of the Obligations and all other amounts payable under this Guaranty and the Termination Date, such amount shall be held in trust for the benefit of Chase, as Administrative Agent, and the Lenders and shall forthwith be paid to Chase, as Administrative Agent, to be credited and applied to the Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of this Agreement and this Guaranty, or to be held as collateral for any Obligations or other amounts payable under this Guaranty thereafter arising. Kraft acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Agreement and this Guaranty and that the waiver set forth in this Section 8.03(b) is knowingly made in contemplation of such benefits.

Section 8.04. Continuing Guaranty. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until payment in full (after the Termination Date) of the Obligations and all other amounts payable under this Guaranty, (b) be binding upon Kraft, its successors and assigns, and (c) inure to the benefit of and be enforceable by the Lenders, Chase, as Administrative Agent, and their respective successors, transferees and assigns.

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ARTICLE IX

MISCELLANEOUS

Section 9.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by any Borrower or Kraft therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (a) waive any of the conditions specified in Sections 3.01 and 3.02, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Pro Rata Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Pro Rata Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Pro Rata Advances, or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) release Kraft from any of its obligations under Article VIII or (g) amend this Section 9.01; provided further that no waiver of the conditions specified in Section 3.04 in connection with any Competitive Bid Borrowing shall be effective unless consented to by all Lenders making Competitive Bid Advances as part of such Competitive Bid Borrowing; and provided further that no amendment, waiver or consent shall, unless in writing and signed by Chase, as Administrative Agent, in addition to the Lenders required above to take such action, affect the rights or duties of Chase, as Administrative Agent, under this Agreement or any Pro Rata Advance.

Section 9.02. Notices, Etc. (a) Addresses. All notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied, or delivered, as follows:

if to any Borrower:

c/o Kraft Foods Inc.  
Three Lakes Drive  
Northfield, Illinois 60093  
Attention: Senior Vice President and Chief Financial Officer  
Fax number: (847) 646-7759;

with a copy to:

Philip Morris Management Corp.  
120 Park Avenue  
New York, New York 10017  
Attention: Treasury Department – Debt Administration  
Fax number: (917) 663-5310;

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if to Kraft, as guarantor:

Kraft Foods Inc.  
Three Lakes Drive  
Northfield, Illinois 60093  
Attention: Secretary  
Fax number: (847) 646-2950;

if to any Initial Lender, at its Domestic Lending Office specified opposite its name on Schedule I hereto;

if to any other Lender, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender;

if to Chase, as Administrative Agent:

c/o The Chase Manhattan Bank  
270 Park Avenue, 47<sup>th</sup> Floor  
New York, New York 10017  
Attention: Robert Sacks  
Fax number: (212) 270-5120;

with a copy to:

The Chase Manhattan Bank  
1 Chase Manhattan Plaza, 8<sup>th</sup> Floor  
New York, New York 10081  
Attention: Margaret Swales  
Fax number: (212) 552-5662; or

as to any Borrower, Kraft or Chase, as Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to Kraft and Chase, as Administrative Agent.

(b) Effectiveness of Notices. All such notices and communications shall, when mailed or telecopied, be effective when deposited in the mail or telecopied, respectively, except that notices and communications to Chase, as Administrative Agent, pursuant to Article II, III or VII shall not be effective until received by Chase, as Administrative Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

Section 9.03. No Waiver; Remedies. No failure on the part of any Lender or Chase, as Administrative Agent, to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any

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such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 9.04. Costs and Expenses. (a) Administrative Agent; Enforcement. Kraft agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution, delivery, administration (excluding any cost or expenses for administration related to the overhead of Chase, as Administrative Agent), modification and amendment of this Agreement and the documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for Chase, as Administrative Agent, with respect thereto and with respect to advising Chase, as Administrative Agent, as to its rights and responsibilities under this Agreement, and all costs and expenses of the Lenders and Chase, as Administrative Agent, if any (including, without limitation, reasonable counsel fees and expenses of the Lenders and Chase, as Administrative Agent), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder.

(b) Prepayment of LIBO Rate Advances or Floating Rate Bid Advances. If any payment of principal of LIBO Rate Advance or Floating Rate Bid Advance is made other than on the last day of the Interest Period for such Advance or at its maturity, as a result of a payment pursuant to Section 2.11, acceleration of the maturity of the Advances pursuant to Section 6.02, an assignment made as a result of a demand by Kraft pursuant to Section 9.07(a) or for any other reason, Kraft shall, upon demand by any Lender (with a copy of such demand to Chase, as Administrative Agent), pay to Chase, as Administrative Agent,

for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. Without prejudice to the survival of any other agreement of any Borrower or Kraft hereunder, the agreements and obligations of each Borrower and Kraft contained in Section 2.02(c), 2.05, 2.12, 2.15 and this Section 9.04(b) shall survive the payment in full of principal and interest hereunder.

(c) Indemnification. Each Borrower and Kraft jointly and severally agree to indemnify and hold harmless the Administrative Agents and each Lender and each of their respective affiliates, control persons, directors, officers, employees, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel) which may be incurred by or asserted against any Indemnified Party, in each case in connection with or arising out of, or in connection with the preparation for or defense of, any investigation, litigation, or proceeding (i) related to any transaction or proposed transaction (whether or not consummated) in which any proceeds of any Borrowing are applied or proposed to be applied, directly or indirectly, by any Borrower, whether or not such Indemnified Party is a party to such transaction or (ii) related to any Borrower's or Kraft's entering into this Agreement, or to any actions or omissions of any Borrower or Kraft, any of their respective Subsidiaries or affiliates (other than Philip Morris Companies Inc. and its non-Kraft Subsidiaries or affiliates) or any of its

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or their respective officers, directors, employees or agents in connection therewith, in each case whether or not an Indemnified Party is a party thereto and whether or not such investigation, litigation or proceeding is brought by Kraft or any Borrower or any other Person; provided, however, that neither any Borrower nor Kraft shall be required to indemnify any such Indemnified Party from or against any portion of such claims, damages, losses, liabilities or expenses that is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

Section 9.05. Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.02 to authorize Chase, as Administrative Agent, to declare the Advances due and payable pursuant to the provisions of Section 6.02, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of Kraft or any Borrower against any and all of the obligations of any Borrower or Kraft now or hereafter existing under this Agreement, whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. Each Lender shall promptly notify the appropriate Borrower or Kraft, as the case may be, after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender and its Affiliates under this Section 9.05 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender and its Affiliates may have.

Section 9.06. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Kraft, Chase, as Administrative Agent, Chase, as Administrative Agent, and each Lender and their respective successors and assigns, except that neither any Borrower nor Kraft shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

Section 9.07. Assignments and Participations. (a) Assignment of Lender Obligations. Each Lender may and, if demanded by Kraft upon at least five Business Days' notice to such Lender and Chase, as Administrative Agent, will assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Pro Rata Advances owing to it), subject to the following:

(i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement (other than, except in the case of an assignment made as a result of a demand by Kraft pursuant to this Section 9.07(a), any Competitive Bid Advances owing to such Lender or any Competitive Bid Notes held by it);

(ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than

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\$10,000,000 (subject to reduction at the sole discretion of Kraft) and shall be an integral multiple of \$1,000,000;

(iii) each such assignment shall be to an Eligible Assignee;

(iv) each such assignment made as a result of a demand by Kraft pursuant to this Section 9.07(a) shall be arranged by Kraft after consultation with Chase, as Administrative Agent, and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments which together cover all of the rights and obligations of the assigning Lender under this Agreement;

(v) no Lender shall be obligated to make any such assignment as a result of a demand by Kraft pursuant to this Section 9.07(a) unless and until such Lender shall have received one or more payments from either the Borrowers to which it has outstanding Advances or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement; and

(vi) the parties to each such assignment shall execute and deliver to Chase, as Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, provided that, if such assignment is made as a result of a demand by Kraft under this Section 9.07(a), Kraft shall pay or cause to be paid such \$3,500 fee.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than those provided under Section 9.04) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto).

(b) Assignment and Acceptance. By executing and delivering an Assignment and Acceptance, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document

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furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or Kraft or the performance or observance by any Borrower or Kraft of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon Chase, as Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee represents that (A) the source of any funds it is using to acquire the Assignor's interest or to make any Advance is not and will not be plan assets as defined under the regulations of the Department of Labor of any Plan subject to Title I of ERISA or Section 4975 of the Code or (B) the assignment or Advance is not and will not be a non-exempt prohibited transaction as defined in Section 406 of ERISA; (vii) such assignee appoints and authorizes Chase, as Administrative Agent, to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to Chase, as Administrative Agent, by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

(c) Agent's Acceptance. Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with any Pro Rata Note or Notes subject to such assignment, Chase, as Administrative Agent, shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to Kraft.

(d) Register. Chase, as Administrative Agent, shall maintain at its address referred to in Section 9.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Advances owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Kraft, the Borrowers, Chase, as Administrative Agent, and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Kraft, any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Sale of Participation. Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and any Note or Notes held by it), subject to the following:

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- (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to Kraft hereunder) shall remain unchanged,
  - (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,
  - (iii) Kraft, the other Borrowers, Chase, as Administrative Agent, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and
  - (iv) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by any Borrower or Kraft therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Disclosure of Information. Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to Kraft or any Borrower furnished to such Lender by or on behalf of Kraft or any Borrower; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any confidential information relating to Kraft received by it from such Lender.

(g) Regulation A Security Interest. Notwithstanding any other provision set forth in this Agreement, any Lender may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and any Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board.

Section 9.08. Designated Subsidiaries. (a) Designation. Kraft may at any time, and from time to time, by delivery to Chase, as Administrative Agent, of a Designation Agreement duly executed by Kraft and the respective Subsidiary and substantially in the form of Exhibit D hereto, designate such Subsidiary as a "Designated Subsidiary" for purposes of this Agreement and such Subsidiary shall thereupon become a "Designated Subsidiary" for purposes of this Agreement and, as such, shall have all of the rights and obligations of a Borrower hereunder. Chase, as Administrative Agent, shall promptly notify each Lender of each such designation by Kraft and the identity of the respective Subsidiary.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement of any Designated Subsidiary then, so long as at the time no Notice of Pro Rata Borrowing or Notice of Competitive Bid Borrowing

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in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from Chase, as Administrative Agent, to the Lenders (which notice Chase, as Administrative Agent, shall give promptly, and only upon its receipt of a request therefor from Kraft). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such former Designated Subsidiary until such time as it has been redesignated a Designated Subsidiary by Kraft pursuant to Section 9.08(a).

Section 9.09. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 9.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.11. Jurisdiction, Etc. (a) Submission to Jurisdiction; Service of Process. Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York state court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York state court or, to the extent permitted by law, in such Federal court. Kraft and each Borrower hereby agree that service of process in any such action or proceeding brought in any such New York state court or in such Federal court may be made upon the process agent appointed pursuant to Section 9.11(b) (the "Process Agent") and each Designated Subsidiary hereby irrevocably appoints the Process Agent its authorized agent to accept such service of process, and agrees that the failure of the Process Agent to give any notice of any such service shall not impair or affect the validity of such service or of any judgment rendered in any action or proceeding based thereon. Each Borrower hereby further irrevocably consents to the service of process in any action or proceeding in such courts by the mailing thereof by any parties hereto by registered or certified mail, postage prepaid, to such Borrower at its address specified pursuant to Section 9.02. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to serve legal process in any other manner permitted by law or to bring any action or proceeding relating to this Agreement or the Notes in the courts of any jurisdiction.

(b) Appointment of Process Agent. Kraft agrees to appoint a Process Agent from the Effective Date through the Termination Date (i) to receive on behalf of Kraft, each Borrower and each Designated Subsidiary and their respective property service of copies of the summons and

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complaint and any other process which may be served in any action or proceeding in any New York State or Federal court sitting in New York City arising out of or relating to this Agreement and (ii) to forward forthwith to Kraft, each Borrower and each Designated Subsidiary at their respective addresses copies of any summons, complaint and other process which such Process Agent receives in connection with its appointment. Kraft will give Chase, as Administrative Agent, prompt notice of such Process Agent's address.

(c) Waivers. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Notes in any New York state or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 9.12. Confidentiality. None of the Agents nor any Lender shall disclose any confidential information relating to Kraft or any Borrower to any other Person without the consent of Kraft, other than (a) to such Agent's or such Lender's affiliates and their officers, directors, employees, agents and advisors and, as contemplated by Section 9.07(f), to actual or prospective assignees and participants, and then, in each such case, only on a confidential basis; provided, however, that such actual or prospective assignee or participant shall have been made aware of this Section 9.12 and shall have agreed to be bound by its provisions as if it were a party to this Agreement, (b) as required by any law, rule or regulation or judicial process, and (c) as requested or required by any state, federal or foreign authority or examiner regulating banks or banking.

Section 9.13. Integration. This Agreement and the Notes represent the agreement of Kraft, the other Borrowers, the Administrative Agents and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agents, Kraft, the other Borrowers or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the Notes other than the matters referred to in Section 2.09(b) and except for Confidentiality Agreements entered into between Kraft and each Lender in connection with this Agreement.

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[signature pages omitted]

EXHIBIT A-1 – FORM OF  
PRO RATA NOTE

Dated: \_\_\_\_\_, 200\_

U.S.\$ \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office on the Termination Date (each as defined in the Credit Agreement referred to below) the principal sum of U.S.\$[amount of the Lender's Commitment in figures] or, if less, the aggregate principal amount of the Pro Rata Advances outstanding on the Termination Date made by the Lender to the Borrower pursuant to the 5-Year Revolving Credit Agreement dated as of July 24, 2001 among Kraft Foods Inc., the Lender and certain other lenders parties thereto, The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V.,





EXHIBIT A-2 – FORM OF  
COMPETITIVE BID NOTE

U.S.\$ \_\_\_\_\_

Dated: \_\_\_\_\_, 200\_

FOR VALUE RECEIVED, the undersigned, [NAME OF BORROWER], a \_\_\_\_\_ corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of \_\_\_\_\_ (the "Lender") for the account of its Applicable Lending Office (as defined in the 5-Year Revolving Credit Agreement dated as of July 24, 2001 among Kraft Foods Inc., the Lender and certain other lenders parties thereto, The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for the Lender and such other lenders (as amended or modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined)), on \_\_\_\_\_, 200\_, the principal amount of U.S.\$[\_\_\_\_\_].

The Borrower promises to pay interest on the unpaid principal amount hereof from the date hereof until such principal amount is paid in full, at the interest rate and payable on the interest payment date or dates provided below:

Interest Rate Basis: \_\_\_\_\_.

Day Count Convention: \_\_\_\_\_.

Interest Payment Date(s): \_\_\_\_\_.

Both principal and interest are payable in Dollars to The Chase Manhattan Bank, as Administrative Agent, for the account of the Lender at the office of The Chase Manhattan Bank located at 270 Park Avenue, New York, New York 10017 in same day funds.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Borrower hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF BORROWER]

By \_\_\_\_\_

Name:

Title:

EXHIBIT B-1 – FORM OF NOTICE OF  
PRO RATA BORROWING

[Date]

The Chase Manhattan Bank, as Administrative Agent

for the Lenders parties  
to the Credit Agreement  
referred to below

Attention: \_\_\_\_\_

Ladies and Gentlemen:

[NAME OF BORROWER], refers to the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Kraft Foods Inc., the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.02 of the Credit Agreement that the undersigned hereby requests a Pro Rata Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Pro Rata Borrowing (the "Proposed Pro Rata Borrowing") as required by Section 2.02(a) of the Credit Agreement:

- (i) The date of the Proposed Pro Rata Borrowing is \_\_\_\_\_, 200\_.
- (ii) The Type of Advances comprising the Proposed Pro Rata Borrowing is [Base Rate Advances] [LIBO Rate Advances].
- (iii) The aggregate amount of the Proposed Pro Rata Borrowing is U.S.\$[\_\_\_\_\_].

[(iv) The initial Interest Period for each LIBO Rate Advance made as part of the Proposed Pro Rata Borrowing is \_\_\_\_\_ month(s).]

The undersigned, as applicable, hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Pro Rata Borrowing:

(A) the representations and warranties contained in Section 4.01 of the Credit Agreement (except the representations set forth in the last sentence of subsection (e) thereof and in subsection (f) thereof (other than clause (i) thereof)) and are correct, before

and after giving effect to the Proposed Pro Rata Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

[if the Borrower is a Designated Subsidiary: the representations and warranties of such Designated Subsidiary contained in its Designation Agreement are correct, before and after giving effect to the Proposed Pro Rata Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;]

(B) after giving effect to the application of the proceeds of all Borrowings on the date of such Pro Rata Borrowing (together with any other resources of the Borrower applied together therewith) no event has occurred and is continuing, or would result from such Pro Rata Borrowing, that constitutes a Default or Event of Default;

(C) if such Proposed Pro Rata Borrowing is in an aggregate principal amount equal to or greater than \$500,000,000 and is being made in connection with any purchase of shares of the Borrower's capital stock or the capital stock of any other Person, or any purchase of all or substantially all of the assets of any Person (whether in one transaction or a series of transactions) or any transaction of the type referred to in Section 5.02(b) of the Credit Agreement, the statement in clause (B) above will be true on a pro forma basis as if such transaction or purchase shall have been completed; and

(D) the aggregate principal amount of the Proposed Pro Rata Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate unused Commitments of the Lenders.

Very truly yours,

KRAFT FOODS INC.

By \_\_\_\_\_

Name:  
Title:

[NAME OF BORROWER]

By \_\_\_\_\_

Name:  
Title:

EXHIBIT B-2 – FORM OF NOTICE OF COMPETITIVE BID BORROWING

[Date]

The Chase Manhattan Bank, as Administrative Agent

for the Lenders parties  
to the Credit Agreement  
referred to below

Attention: \_\_\_\_\_

Ladies and Gentlemen:

[NAME OF BORROWER], refers to the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Kraft Foods Inc., the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.07 of the Credit Agreement that the undersigned hereby requests a Competitive Bid Borrowing under the Credit Agreement, and in that connection sets forth the terms on which such Competitive Bid Borrowing (the "Proposed Competitive Bid Borrowing") is requested to be made:

(A) Date of Competitive Bid Borrowing

(B) Amount of Competitive Bid Borrowing

(C) Interest rate basis

- (D) Day count convention
- (E) [Interest Period] [Maturity date]
- (F) Interest payment date(s)
- (G) Borrower's account location
- (H) \_\_\_\_\_

The undersigned, as applicable, hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Competitive Bid Borrowing:

(a) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct, before and after giving effect to the Proposed Competitive Bid

Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

[if the Borrower is a Designated Subsidiary: the representations and warranties of such Designated Subsidiary contained in its Designation Agreement are correct, before and after giving effect to the Proposed Competitive Bid Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;]

(b) after giving effect to the application of the proceeds of all Borrowings on the date of such Competitive Bid Borrowing (together with any other resources of the Borrower applied together therewith), no event has occurred and is continuing, or would result from such Proposed Competitive Bid Borrowing, that constitutes a Default or Event of Default; and

(c) the aggregate principal amount of the Proposed Competitive Bid Borrowing and all other Borrowings to be made on the same day under the Credit Agreement is within the aggregate unused Commitments of the Lenders.

The undersigned hereby confirms that the Proposed Competitive Bid Borrowing is to be made available to it in accordance with Section 2.07(e) of the Credit Agreement.

Very truly yours,

KRAFT FOODS INC.

By \_\_\_\_\_

Name:  
Title:

[NAME OF BORROWER]

By \_\_\_\_\_

Name:  
Title:

EXHIBIT C – FORM OF  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Kraft Foods Inc., a Virginia corporation, the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders.

The "Assignor" and the "Assignee" referred to on Schedule 1 hereto agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to the Assignor's rights and obligations under the Credit Agreement as of the date hereof (other than in respect of Competitive Bid Advances and Competitive Bid Notes) equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement (other than in respect of Competitive Bid Advances and Competitive Bid Notes). After giving effect to such sale and assignment, the Assignee's Commitment and the amount of the Pro Rata Advances owing to the Assignee will be as set forth on Schedule 1 hereto. Each of the Assignor and the Assignee represents and warrants that it is authorized to execute and deliver this Assignment and Acceptance.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or Kraft or the performance or observance by any Borrower or Kraft of any of its obligations under the Credit Agreement or any other instrument or document furnished pursuant thereto.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon Chase, as Administrative Agent, any other Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (iii) confirms that it is an Eligible Assignee; (iv) represents that (A) the source of any funds it is using to acquire the Assignor's interest or to make any Advance is not and will not be plan assets as defined under the regulations of the Department of Labor of any Plan subject to Title I of ERISA or Section 4975 of the Code or (B) the assignment or Advance is not and will be not be a non-exempt prohibited transaction as defined in Section 406

of ERISA; (v) appoints and authorizes Chase, as Administrative Agent, to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to Chase, as Administrative Agent, by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all of the obligations that by the terms of the Credit Agreement are required to be performed by it as a Lender.

4. This Assignment and Acceptance will be delivered to Chase, as Administrative Agent, for acceptance and recording by Chase, as Administrative Agent following its execution. The effective date for this Assignment and Acceptance (the "Effective Date") shall be the date of acceptance hereof by Chase, as Administrative Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by Chase, as Administrative Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. Upon such acceptance and recording by Chase, as Administrative Agent, from and after the Effective Date, Chase, as Administrative Agent, shall make all payments under the Credit Agreement in respect of the interest assigned hereby (including, without limitation, all payments of principal, interest and facility fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Effective Date directly between themselves.

7. This Assignment and Acceptance shall be governed by, and construed in accordance with, the laws of the State of New York.

8. This Assignment and Acceptance may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Assignment and Acceptance by telecopier shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused Schedule 1 to this Assignment and Acceptance to be executed by their officers thereunto duly authorized as of the date specified thereon.

Schedule 1  
to  
Assignment and Acceptance

Percentage interest assigned: \_\_\_\_\_%

Assignee's Commitment: U.S.\$\_\_\_\_\_

Aggregate outstanding principal amount of Pro Rata Advances assigned:  
U.S.\$\_\_\_\_\_

Effective Date<sup>1</sup>: \_\_\_\_\_, 200\_\_

[NAME OF ASSIGNOR], as Assignor

By \_\_\_\_\_

Title:

Dated: \_\_\_\_\_, 200\_\_

[NAME OF ASSIGNEE], as Assignee

By \_\_\_\_\_

Title:

Dated: \_\_\_\_\_, 200\_\_

Accepted this

\_\_\_\_\_ day of \_\_\_\_\_, 200\_\_

THE CHASE MANHATTAN BANK, as Administrative Agent

By \_\_\_\_\_

Title:

[Approved this \_\_\_\_\_ day  
of \_\_\_\_\_, 200\_\_

[NAME OF BORROWER]<sup>2</sup>

By \_\_\_\_\_

Title:

<sup>1</sup> This date should be no earlier than five Business Days after the delivery of this Assignment and Acceptance to Chase, as Administrative Agent.

<sup>2</sup> Required if the Assignee is an Eligible Assignee solely by reason of clause (viii) of the definition of "Eligible Assignee."

EXHIBIT D – FORM OF  
DESIGNATION AGREEMENT

[Date]

The Chase Manhattan Bank, as Administrative Agent  
for the Lenders parties to the Credit Agreement  
referred to below

Ladies and Gentlemen:

Reference is made to the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (as amended or modified from time to time, the "Credit Agreement", the terms defined therein being used herein as therein defined), among Kraft Foods Inc., [certain other borrowers parties thereto], the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders.

Please be advised that Kraft hereby designates its undersigned wholly-owned Subsidiary, \_\_\_\_\_ ("Designated Subsidiary"), as a "Designated Subsidiary" under and for all purposes of the Credit Agreement.

The Designated Subsidiary, in consideration of each Lender's agreement to extend credit to it under and on the terms and conditions set forth in the Credit Agreement, does hereby assume each of the obligations imposed upon a "Designated Subsidiary" and a "Borrower" under the Credit Agreement and agrees to be bound by the terms and conditions of the Credit Agreement. In furtherance of the foregoing, the Designated Subsidiary hereby represents and warrants to each Lender as follows:

(a) The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of \_\_\_\_\_.

(b) The execution, delivery and performance by the Designated Subsidiary of this Designation Agreement, the Credit Agreement and the Notes to be delivered by it are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Designated Subsidiary's charter or by-laws or (ii) in any material respect, any law, rule, regulation or order of any court or governmental agency or contractual restriction binding on or affecting it.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Designated Subsidiary of this Designation Agreement, the Credit Agreement or the Notes to be delivered by it.

(d) This Designation Agreement is, and the Notes to be delivered by the Designated Subsidiary when delivered will be, legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and an implied covenant of fair dealing.

(e) There is no pending or threatened action or proceeding affecting the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator that purports to affect the legality, validity or enforceability of this Designation Agreement, the Credit Agreement or any Note of the Designated Subsidiary.

Very truly yours,

KRAFT FOODS INC.

By

\_\_\_\_\_  
Name:

Title:

[DESIGNATED SUBSIDIARY]

By

\_\_\_\_\_  
Name:

Title:

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EXHIBIT E-1 – FORM OF  
OPINION OF COUNSEL  
FOR KRAFT

[Letterhead of Hunton & Williams]

[Effective Date]

To each of the Lenders parties

to the 5-Year Revolving Credit Agreement dated  
as of July 24, 2001  
among Kraft Foods Inc.,  
said Lenders and The Chase Manhattan Bank, as  
Administrative Agent for said Lenders, and  
to Citibank, N.A. as Administrative Agent

Kraft Foods Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(e)(iii) of the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (the "Credit Agreement"), among Kraft Foods Inc., the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders. Terms defined in the Credit Agreement are used herein as therein defined.

We have acted as counsel for Kraft in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection, we have examined:

- (1) The Credit Agreement.
- (2) The documents furnished by Kraft pursuant to Article III of the Credit Agreement.
- (3) The Articles of Incorporation of Kraft and all amendments thereto (the "Charter").
- (4) The by-laws of Kraft and all amendments thereto (the "By-laws").

We have also examined the originals, or copies certified to our satisfaction, of such corporate records of Kraft, certificates of public officials and of officers of Kraft, and agreements, instruments and other documents, as we have deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when

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relevant facts were not independently established by us, relied upon certificates of Kraft or its officers or of public officials. We have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and Chase, as Administrative Agent.

Our opinions expressed below are limited to the law of the State of New York, the Commonwealth of Virginia and the Federal law of the United States.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. Kraft is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia.
2. The execution, delivery and performance by Kraft of the Credit Agreement and the Notes, and the consummation of the transactions contemplated thereby, are within Kraft's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to Kraft (including, without limitation, Regulation X of the Board of Governors of the

Federal Reserve System) or (iii) to our knowledge, any contractual or legal restriction binding on or affecting Kraft. The Credit Agreement and any Notes delivered on the date hereof have been duly executed and delivered on behalf of Kraft.

3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by Kraft of the Credit Agreement and the Notes.

4. The Credit Agreement is the legal, valid and binding obligation of Kraft enforceable against Kraft in accordance with its terms. The Notes issued on the date hereof, if any, are the legal, valid and binding obligations of Kraft, enforceable against Kraft in accordance with their respective terms.

The opinion set forth in paragraph 4 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity and an implied covenant of good faith and fair dealing.

We express no opinion with respect to:

(A) The effect of any provision of the Credit Agreement which is intended to permit modification thereof only by means of an agreement in writing by the parties thereto;

(B) The effect of any provision of the Credit Agreement insofar as it provides that any Person purchasing a participation from a Lender or other Person may exercise set-off or similar rights with respect to such participation or that any Lender or other Person may exercise set-off or similar rights other than in accordance with applicable law;

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(C) The effect of any provision of the Credit Agreement imposing penalties or forfeitures;

(D) The enforceability of any provision of the Credit Agreement to the extent that such provision constitutes a waiver of illegality as a defense to performance of contract obligations; or

(E) The effect of any provision of the Credit Agreement relating to indemnification or exculpation in connection with violations of any securities laws or relating to indemnification, contribution or exculpation in connection with willful, reckless or criminal acts or gross negligence of the indemnified or exculpated Person or the Person receiving contribution.

In connection with the provisions of the Credit Agreement which relate to forum selection (including, without limitation, any waiver of any objection to venue or any objection that a court is an inconvenient forum), we note that under NYCPLR § 510 a New York State court may have discretion to transfer the place of trial, and under 28 U.S.C. § 1404(a) a United States District Court has discretion to transfer an action from one Federal court to another.

This opinion is being furnished to you pursuant to Section 3.01(e)(iii) of the Credit Agreement, is solely for the benefit of you and your counsel, and is not intended for, and may not be relied upon by, any other person or entity without our prior written consent. We undertake no duty to inform you of events occurring subsequent to the date hereof.

Very truly yours,

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EXHIBIT E-2 – FORM OF  
OPINION OF COUNSEL  
FOR KRAFT

[Effective Date]

To each of the Lenders parties

to the 5-Year Revolving Credit Agreement dated  
as of July 24, 2001  
among Kraft Foods Inc.,  
said Lenders and The Chase Manhattan Bank, as  
Administrative Agent for said Lenders, and  
to Citibank, N.A. as Administrative Agent

Kraft Foods Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.01(e)(iii) of the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (the "Credit Agreement"), among Kraft Foods Inc. ("Kraft"), the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders. Terms defined in the Credit Agreement are used herein as therein defined.

I have acted as counsel for Kraft in connection with the preparation, execution and delivery of the Credit Agreement.

In that connection, I have examined originals, or copies certified to my satisfaction, of such corporate records of Kraft, certificates of public officials and of officers of Kraft, and agreements, instruments and other documents, as I have deemed necessary as a basis for the opinions expressed below. As to questions of



fact material to such opinions, I have, when relevant facts were not independently established by me, relied upon certificates of Kraft or its officers or of public officials.

Based upon the foregoing and upon such investigation as I have deemed necessary, I am of the opinion that, to the best of my knowledge, (i) there is no pending or threatened action or proceeding against Kraft or its Subsidiaries before any court, governmental agency or arbitrator (a "Proceeding") that purports to affect the legality, validity, binding effect or enforceability of the Credit Agreement or the Notes, if any, or the consummation of the transactions contemplated thereby, and (ii) except for Proceedings disclosed in the Registration Statement of Kraft effective as of June 12, 2001, any Current Reports on Form 8-K filed subsequent to June 13, 2001 but prior to July 24, 2001, or, with respect to Proceedings commenced after the date of the most recent such document but prior to July 24, 2001, a certificate delivered to the Lenders and

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attached hereto, there are no Proceedings that are likely to have a materially adverse effect upon the financial position or results of operations of Kraft and its Subsidiaries taken as a whole.

Very truly yours,

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EXHIBIT F – FORM OF  
OPINION OF COUNSEL  
FOR DESIGNATED SUBSIDIARY

[Effective Date]

To each of the Lenders parties

to the 5-Year Revolving Credit Agreement dated as of July 24, 2001 among Kraft Foods Inc., said Lenders and The Chase Manhattan Bank, as Administrative Agent for said Lenders, and to Citibank, N.A. as Administrative Agent

Kraft Foods Inc.

Ladies and Gentlemen:

This opinion is furnished to you pursuant to Section 3.02(e) of the 5-Year Revolving Credit Agreement, dated as of July 24, 2001 (the "Credit Agreement"), among Kraft Foods Inc. ("Kraft"), the Lenders parties thereto and The Chase Manhattan Bank, as Administrative Agent, Citibank, N.A., as Administrative Agent, Credit Suisse First Boston and Deutsche Bank AG New York Branch and/or Cayman Islands Branch, as Syndication Agents, and ABN AMRO Bank N.V., BNP Paribas, Dresdner Bank AG, New York and Grand Cayman Branches and HSBC Bank USA, as Arrangers and Documentation Agents for such Lenders. Terms defined in the Credit Agreement are used herein as therein defined.

We have acted as counsel for \_\_\_\_\_ (the "Designated Subsidiary") in connection with the preparation, execution and delivery of the Designation Agreement.

In that connection, we have examined:

- (1) The Designation Agreement.
- (2) The Credit Agreement.
- (3) The documents furnished by the Designated Subsidiary pursuant to Article III of the Credit Agreement.
- (4) The [Articles] [Certificate] of Incorporation of the Designated Subsidiary and all amendments thereto (the "Charter").
- (5) The by-laws of the Designated Subsidiary and all amendments thereto (the "By-laws").

We have also examined the originals, or copies certified to our satisfaction, of such corporate records of the Designated Subsidiary, certificates of public officials and of officers of the Designated Subsidiary, and agreements, instruments and other documents, as we have

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deemed necessary as a basis for the opinions expressed below. As to questions of fact material to such opinions, we have, when relevant facts were not independently established by us, relied upon certificates of the Designated Subsidiary or its officers or of public officials. We have assumed the due execution and delivery, pursuant to due authorization, of the Credit Agreement by the Initial Lenders and Chase, as Administrative Agent.

Based upon the foregoing and upon such investigation as we have deemed necessary, we are of the following opinion:

1. The Designated Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of \_\_\_\_\_.
2. The execution, delivery and performance by the Designated Subsidiary of the Designation Agreement, the Credit Agreement and the Notes to be delivered by it, and the consummation of the transactions contemplated thereby, are within the Designated Subsidiary's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Charter or the By-laws or (ii) any law, rule or regulation applicable to the Designated Subsidiary (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System) or (iii) to our knowledge,

any contractual or legal restriction binding on or affecting the Designated Subsidiary. The Designation Agreement, the Credit Agreement and the Notes delivered by the Designated Subsidiary on the date hereof have been duly executed and delivered on behalf of the Designated Subsidiary.

3. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery and performance by the Designated Subsidiary of the Designation Agreement, the Credit Agreement and the Notes delivered by the Designated Subsidiary.

4. The Designation Agreement and the Credit Agreement are the legal, valid and binding obligations of the Designated Subsidiary enforceable against the Designated Subsidiary in accordance with their respective terms. The Notes issued on the date hereof, if any, by the Designated Subsidiary are the legal, valid and binding obligations of the Designated Subsidiary, enforceable against the Designated Subsidiary in accordance with their respective terms.

5. There is, to the best of my knowledge, no pending or threatened action or proceeding against the Designated Subsidiary or any of its Subsidiaries before any court, governmental agency or arbitrator that purport to affect the legality, validity, binding effect or enforceability of the Designation Agreement, the Credit Agreement or any of the Notes delivered by the Designated Subsidiary or the consummation of the transactions contemplated thereby.

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The opinion set forth in paragraph 4 above as to enforceability is subject to the effect of any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity and an implied covenant of good faith and fair dealing.

Very truly yours,

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EXHIBIT G  
FORM OF OPINION OF  
COUNSEL FOR CHASE,  
AS ADMINISTRATIVE AGENT

[Letterhead of Simpson Thacher & Bartlett]

July 24, 2001

The Chase Manhattan Bank and Citibank, N.A.,  
as Administrative Agents

The Lenders listed on Schedule I hereto  
which are parties to the Credit Agreement  
on the date hereof

Re: 5-Year Revolving Credit Agreement dated as  
of July 24, 2001 (the "Credit Agreement")  
among Kraft Foods Inc. (the "Company"), and  
Credit Suisse First Boston and Deutsche Bank  
AG New York Branch and/or Cayman Islands  
Branch, as Syndication Agents, and ABN  
AMRO Bank N.V., BNP Paribas, Dresdner  
Bank AG, New York and Grand Cayman  
Branches and HSBC Bank USA, as Arrangers  
and Documentation Agents

Ladies and Gentlemen:

We have acted as counsel to The Chase Manhattan Bank, as Administrative Agent, in connection with the preparation, execution and delivery of the Credit Agreement.

This opinion is delivered to you pursuant to Section 3.01(e)(iv) of the Credit Agreement. Terms used herein which are defined in the Credit Agreement shall have the respective meanings set forth in the Credit Agreement, unless otherwise defined herein.

In connection with this opinion, we have examined a copy of the Credit Agreement signed by the Company and by the Administrative Agents and the Lenders.

We also have examined the originals, or duplicates or certified or conformed copies, of such records, agreements, instruments and other documents and have made such other investigations as we have deemed relevant and necessary in connection with the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon

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certificates of public officials and of officers and representatives of the Company. In addition, we have examined, and have relied as to matters of fact upon, the representations made in the Credit Agreement.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents.

In rendering the opinion set forth below we have assumed that (1) the Credit Agreement is a valid and legally binding obligation of each of the Lenders parties thereto, (2) the Company is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is organized and of each other jurisdiction in which the conduct of its business or ownership of its property makes such qualification necessary, has the corporate power and authority to execute, deliver and perform its obligations under the Credit Agreement and has duly authorized, executed and delivered the Credit Agreement in accordance with its Certificate of Incorporation and By-laws or other similar organizational documents, and (3)(a) execution, delivery and performance by the Company of the Credit Agreement do not contravene its Certificate of Incorporation or By-laws or other similar organizational documents, (b) execution, delivery and performance by the Company of the Credit Agreement do not violate, or require any consent not obtained under, the laws of the jurisdiction in which it is organized or any other applicable laws or regulations or any order, writ, injunction or decree of any court or other governmental authority binding on the Company, and (c) execution, delivery and performance by the Company of the Credit Agreement do not constitute a breach or violation of, or require any consent not obtained under, any agreement or instrument which is binding upon the Company.

Based upon and subject to the foregoing, and subject to the qualifications and limitations set forth herein, we are of the opinion that the Credit Agreement constitutes the valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms.

Our opinion set forth above is subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

We express no opinion with respect to:

(A) the effect of any provision of the Credit Agreement which is intended to permit modification thereof only by means of an agreement in writing by the parties thereto;

(B) the effect of any provision of the Credit Agreement insofar as it provides that any Person purchasing a participation from a Lender or other Person may exercise set-off or similar rights with respect to such participation or that any Lender or other Person may exercise set-off or similar rights other than in accordance with applicable law;

(C) the effect of any provision of the Credit Agreement imposing penalties or forfeitures;

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(D) the enforceability of any provision of the Credit Agreement to the extent that such provision constitutes a waiver of illegality as a defense to performance of contract obligations; or

(E) the effect of any provision of the Credit Agreement relating to indemnification or exculpation in connection with violations of any securities laws or relating to indemnification, contribution or exculpation in connection with willful, reckless or criminal acts or gross negligence of the indemnified or exculpated Person or the Person receiving contribution.

In connection with the provisions of the Credit Agreement which relate to forum selection (including, without limitation, any waiver of any objection to venue or any objection that a court is an inconvenient forum), we note that under NYCPLR § 510 a New York State court may have discretion to transfer the place of trial, and under 28 U.S.C. § 1404(a) a United States District Court has discretion to transfer an action from one Federal court to another.

We are members of the Bar of the State of New York, and we do not express any opinion herein concerning any law other than the law of the State of New York and the Federal law of the United States.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This opinion letter may be furnished to, but may not be relied upon by, a regulatory authority entitled to receive it.

Very truly yours,

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QuickLinks

[Schedule 1 to Assignment and Acceptance](#)

KRAFT FOODS INC.

2001 STOCK COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS  
(As Amended and Restated as of April 21, 2003)

SECTION 1. Purpose; Definitions.

The purposes of the Plan are (i) to assist the Company in promoting a greater identity of interest between the Company's Non-Employee Directors and the Company's shareholders; and (ii) to assist the Company in attracting and retaining Non-Employee Directors by affording them an opportunity to share in the future successes of the Company.

For purposes of the Plan, the following terms are defined as set forth below:

- a. "Award" means a grant under the Plan of Stock and/or Stock Options.
  - b. "Black-Scholes Value" means the value of a Stock Option determined pursuant to the option pricing model commonly known as the Black-Scholes method. The Black-Scholes Value shall be calculated as of the first day of the Plan Year, based on the applicable assumptions used in calculating values of stock options in the Company's then current annual meeting proxy statement and/or annual report with such adjustments as may be necessary to reflect different grant dates and terms.
  - c. "Board" means the Board of Directors of the Company.
  - d. "Committee" means the Compensation and Governance Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.
  - e. "Common Stock" or "Stock" means the Class A Common Stock of the Company.
  - f. "Company" means Kraft Foods Inc., a corporation organized under the laws of the Commonwealth of Virginia, or any successor thereto.
  - g. "Deferred Stock" means an unfunded obligation of the Company, represented by an entry on the books and records of the Company, to pay an amount equal to the value of one share of Common Stock.
  - h. "Deferred Stock Account" means the unfunded deferred compensation account established by the Company with respect to each participant who elects to participate in the Deferred Stock Program in accordance with Section 7 of the Plan.
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- i. "Deferred Stock Program" means the provisions of Section 7 of the Plan that permit participants to defer all or part of any Award of Stock pursuant to Section 5(a)(i) of the Plan.
  - j. "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange-Composite Transactions or, if no such sale of Common Stock is reported on such date, the fair market value of the Stock as determined by the Committee in good faith; provided, however, that the Committee may in its discretion designate the actual sales price as Fair Market Value in the case of dispositions of Common Stock under the Plan.
  - k. "Non-Employee Director" means each member of the Board who is not a full-time employee of the Company or Altria Group, Inc. or of any corporation in which the Company or Altria Group, Inc. owns, directly or indirectly, stock possessing at least 50% of the total combined voting power of all classes of stock entitled to vote in the election of directors in such corporation.
  - l. "Plan" means this 2001 Stock Compensation Plan for Non-Employee Directors, as amended from time to time.
  - m. "Plan Year" means the period commencing at the opening of business on the day on which the Company's annual meeting of stockholders is held and ending on the day immediately preceding the day on which the Company's next annual meeting of stockholders is held.
  - n. "Stock Option" means the right to purchase a share of Stock at a price equal to Fair Market Value on the date of grant. All Stock Options granted under the Plan shall be nonqualified stock options.

SECTION 2. Administration.

The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which Non-Employee Directors reside or are citizens of and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee shall have the authority to determine the amount, type and terms (including vesting and forfeiture) of each Award.

Any determination made by the Committee in accordance with the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee, and all

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decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

### SECTION 3. Eligibility.

Only Non-Employee Directors shall be granted Awards under the Plan.

### SECTION 4. Common Stock Subject to the Plan.

The total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 500,000 shares. If any Award is forfeited or expires without the delivery of Common Stock to a participant, the shares subject to such Award shall again be available for distribution in connection with other Awards under the Plan. Any shares of Common Stock that are used by a participant as full or partial payment of withholding or other taxes or as payment for the exercise price of a Stock Option shall be available for distribution in connection with other Awards under the Plan.

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 initial public offering of the Common Stock, the Board is authorized, to the extent it deems appropriate, to make substitutions or adjustments in the aggregate number and kind of shares of Common Stock reserved for issuance under the Plan, in the number, kind and price of shares of Common Stock subject to outstanding Awards and in the Award limits set forth in Section 5 (or to make provision for cash payments to the holders of Awards).

### SECTION 5. Awards.

- (a) **Award Dates.** Effective upon an individual's initial election or appointment as a Non-Employee Director and on the first day of each Plan Year thereafter, each Non-Employee Director serving as such immediately after the annual meeting held on such day shall be awarded a number of shares of Stock and/or Stock Options as determined from time to time by the Committee and subject to the terms determined by the Committee.
- (b) **Terms of Awards.**
  - (i) Certain awards of Stock are eligible for participation in the Deferred Stock Program described in Section 7.
  - (ii) The term of each Stock Option shall be ten years. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept (including a copy of

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instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the purchase price). As determined by the Committee, payment in full or in part may also be made in the form of Common Stock already owned by the Non-Employee Director valued at Fair Market Value; provided, however, that such Common Stock shall not have been acquired by the optionee within the preceding six months.

### SECTION 6. Plan Amendment and Termination.

The Board may amend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval if such approval is required under applicable law, or if such amendment would: (i) decrease the grant or exercise price of any Stock Option to less than the Fair Market Value on the date of grant or (ii) increase the total number of shares of Common Stock that may be distributed under the Plan. Except as may be necessary to comply with a change in the laws, regulations or accounting principles of a foreign country applicable to participants subject to the laws of such foreign country, the Committee may not, without stockholder approval, cancel any option and substitute therefor a new Stock Option with a lower option price. Except as set forth in any Award agreement, no amendment or termination of the Plan may materially and adversely affect any outstanding Award under the Plan without the Award recipient's consent.

### SECTION 7. Payments and Payment Deferrals.

The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Stock equivalents.

Each participant may elect to participate in a Deferred Stock Program with respect to Awards of Stock. Any election to have the Company establish a Deferred Stock Account shall be made in terms of integral multiples of 25% of the value of the Common Stock that the participant otherwise would have been granted on each date of grant, and any such election shall remain in effect for purposes of the Plan until the participant executes a new election not to participate in the Deferred Stock Program for any future grants of Common Stock. The Deferred Stock Account of a participant who elects to participate in the Deferred Stock Program shall be credited with that number of shares of Deferred Stock that is equal to the number of shares in the Stock Award that the participant elected to receive as Deferred Stock. The Deferred Stock Account shall be credited with earnings and charged with losses, if any, and shall be subject to other adjustments on the same basis as the Common Stock. The Deferred Stock Program shall otherwise be administered under such rules and procedures as the Committee may, from time to time establish, including rules with respect to elections to defer, beneficiary designations and distributions under the Deferred Stock Program.

### SECTION 8. Transferability.

Unless otherwise required by law, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution.

### SECTION 9. Award Agreements.

Each Award of a Stock Option or Common Stock with a vesting period under the Plan shall be evidenced by a written agreement (which need not be signed by the Award recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each such Award. Each Award shall vest i.e., become exercisable, in not less than six months (or such longer period set forth in the Award agreement) and shall be forfeited if the participant does not continue to be a Non-Employee Director for the duration of the vesting period. The Committee may amend an Award agreement, provided that no such amendment may materially and adversely affect an Award without the Award recipient's consent.

## SECTION 10. Unfunded Status Plan.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

## SECTION 11. General Provisions.

(a) The Committee may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission (or any successor agency), any stock exchange upon which the Common Stock is then listed, and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in the Plan shall prevent the Company from adopting other or additional compensation arrangements for Non-Employee Directors.

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(c) No later than the date as of which an amount first becomes includible in the gross income of the participant for income tax purposes with respect to any Award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind which are required by law or applicable regulation to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Common Stock, including Common Stock that is part of, or is received upon exercise of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Common Stock.

(d) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

(e) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be enforced and construed as if such provision had not been included.

(f) Except as otherwise provided by the Board, no Awards shall be made after the Awards made immediately following the 2006 Annual Meeting of Stockholders, provided that any Awards granted prior to that date may extend beyond it.

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## QuickLinks

[2001 STOCK COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS \(As Amended and Restated as of April 21, 2003\)](#)

KRAFT FOODS INC. AND SUBSIDIARIES  
Computation of Ratios of Earnings to Fixed Charges  
(in millions of dollars)

		Three Months Ended March 31, 2003
Earnings before income taxes and minority interest	\$	1,309
Add (Deduct):		
Equity in net earnings of less than 50% owned affiliates		(7)
Dividends from less than 50% owned affiliates		37
Fixed charges		217
Earnings available for fixed charges	\$	1,556
Fixed charges:		
Interest incurred:		
Interest expense	\$	180
Capitalized interest		1
		181
Portion of rent expense deemed to represent interest factor		36
Fixed charges	\$	217
Ratio of earnings to fixed charges		7.2

KRAFT FOODS INC. AND SUBSIDIARIES  
Computation of Ratios of Earnings to Fixed Charges  
(in millions of dollars)

	Years Ended December 31,				
	2002	2001	2000	1999	1998
Earnings before income taxes and minority interest	\$ 5,267	\$ 3,447	\$ 3,415	\$ 3,040	\$ 2,999
Add (Deduct):					
Equity in net earnings of less than 50% owned affiliates	(51)	(41)	(50)	(51)	(28)
Dividends from less than 50% owned affiliates	28	21	12	10	9
Fixed charges	1,003	1,581	710	646	638
Interest capitalized, net of amortization	(1)	(3)	-	(2)	(1)
Earnings available for fixed charges	\$ 6,246	\$ 5,005	\$ 4,087	\$ 3,643	\$ 3,617
Fixed charges:					
Interest incurred:					
Interest expense	\$ 854	\$ 1,452	\$ 615	\$ 547	\$ 549
Capitalized interest	4	5	3	4	3
	858	1,457	618	551	552
Portion of rent expense deemed to represent interest factor	145	124	92	95	86
Fixed charges	\$ 1,003	\$ 1,581	\$ 710	\$ 646	\$ 638
Ratio of earnings to fixed charges	6.2	3.2	5.8	5.6	5.7

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QuickLinks

[KRAFT FOODS INC. AND SUBSIDIARIES Computation of Ratios of Earnings to Fixed Charges \(in millions of dollars\)](#)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kraft Foods Inc. (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roger K. Deromedi, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROGER K. DEROMEDI

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Roger K. Deromedi  
Co-Chief Executive Officer  
May 14, 2003

*A signed original 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.*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kraft Foods Inc. (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Betsy D. Holden, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BETSY D. HOLDEN

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Betsy D. Holden  
Co-Chief Executive Officer  
May 14, 2003

*A signed original 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.*

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kraft Foods Inc. (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Dollive, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES P. DOLLIVE

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James P. Dollive  
Senior Vice President and  
Chief Financial Officer  
May 14, 2003

## QuickLinks

[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)