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 September 30, 2007

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

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

Not Applicable
(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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

At September 30, 2007, there were 1,547,195,209 shares of the registrant's common stock outstanding.

KRAFT FOODS INC.

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In this report, "Kraft," "we," "us" and "our" refers to Kraft Foods Inc. and subsidiaries, and "Common Stock" refers to Kraft's Class A common stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 498	$ 239
Receivables (less allowances of $80 in 2007 and $84 in 2006)	3,942	3,869
Inventories:		
Raw materials	1,754	1,389
Finished product	2,621	2,117
Total inventories	4,375	3,506
Deferred income taxes	386	387
Other current assets	343	253
Total current assets	9,544	8,254
Property, plant and equipment, at cost	18,358	17,050
Less accumulated depreciation	8,391	7,357
Property, plant and equipment, net	9,967	9,693
Goodwill	25,768	25,553
Other intangible assets, net	9,992	10,177
Prepaid pension assets	1,270	1,168
Other assets	818	729
TOTAL ASSETS	$ 57,359	$ 55,574
LIABILITIES		
Short-term borrowings	$ 2,836	$ 1,715
Current portion of long-term debt	20	1,418
Due to Altria Group, Inc. and affiliates	–	607
Accounts payable	2,908	2,602
Accrued liabilities:		
Marketing	1,614	1,626
Employment costs	746	750
Dividends payable	423	45
Other	1,566	1,559
Income taxes	81	151
Total current liabilities	10,194	10,473
Long-term debt	10,600	7,081
Deferred income taxes	3,837	3,930
Accrued pension costs	1,032	1,022
Accrued postretirement health care costs	2,914	3,014
Other liabilities	1,900	1,499
TOTAL LIABILITIES	30,477	27,019
Contingencies (Note 8)		
SHAREHOLDERS' EQUITY		
Class A common stock, no par value (1,735,000,000 shares issued in 2007 and 555,000,000 shares issued and outstanding in 2006)		
Class B common stock, no par value (1,180,000,000 shares issued and outstanding in 2006)		
Additional paid-in capital	23,388	23,626
Retained earnings	12,058	11,128
Accumulated other comprehensive losses	(2,496)	(3,069)
Treasury stock, at cost	(6,068)	(3,130)
TOTAL SHAREHOLDERS' EQUITY	26,882	28,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 57,359	$ 55,574

See notes to condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
Net revenues	$ 9,054	$ 8,243	$ 26,845	$ 24,985
Cost of sales	5,995	5,243	17,475	15,869
Gross profit	3,059	3,000	9,370	9,116
Marketing, administration and research costs	1,901	1,767	5,742	5,246
Asset impairment and exit costs	174	125	348	553
Gain on redemption of United Biscuits investment	–	(251)	–	(251)
(Gains) / losses on sales of businesses, net	–	3	(20)	14
Amortization of intangibles	3	1	9	6
Operating income	981	1,355	3,291	3,548
Interest and other debt expense, net	165	134	378	377
Earnings before income taxes	816	1,221	2,913	3,171
Provision for income taxes	220	473	908	735
Net earnings	$ 596	$ 748	$ 2,005	$ 2,436
Per share data:				
Basic earnings per share	$ 0.38	$ 0.46	$ 1.26	$ 1.48
Diluted earnings per share	$ 0.38	$ 0.45	$ 1.25	$ 1.47
Dividends declared	$ 0.27	$ 0.25	$ 0.77	$ 0.71

See notes to condensed consolidated financial statements.

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

	Class A and B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Losses	Treasury Stock	Total Shareholders' Equity
Balances at January 1, 2006	$ –	$ 23,835	$ 9,453	$ (1,663)	$ (2,032)	$ 29,593
Comprehensive earnings:						
Net earnings	–	–	3,060	–	–	3,060
Other comprehensive earnings, net of income taxes	–	–	–	645	–	645
Total comprehensive earnings *						3,705
Initial adoption of FASB Statement No. 158, net of income taxes	–	–	–	(2,051)	–	(2,051)
Exercise of stock options and issuance of other stock awards	–	(209)	202	–	152	145
Cash dividends declared ($0.96 per share)	–	–	(1,587)	–	–	(1,587)
Common Stock repurchased	–	–	–	–	(1,250)	(1,250)
Balances at December 31, 2006	–	23,626	11,128	(3,069)	(3,130)	28,555
Comprehensive earnings:						
Net earnings	–	–	2,005	–	–	2,005
Other comprehensive earnings, net of income taxes	–	–	–	573	–	573
Total comprehensive earnings *						2,578
Initial adoption of FIN 48 (Note 15)	–	–	213	–	–	213
Exercise of stock options and issuance of other stock awards	–	(24)	(60)	–	248	164
Net settlement of employee stock awards with Altria Group, Inc. (Note 6)	–	(179)	–	–	–	(179)
Cash dividends declared ($0.77 per share)	–	–	(1,228)	–	–	(1,228)
Common Stock repurchased	–	–	–	–	(3,186)	(3,186)
Other	–	(35)	–	–	–	(35)
Balances at September 30, 2007	$ –	$ 23,388	$ 12,058	$ (2,496)	$ (6,068)	$ 26,882

* Total comprehensive earnings were $774 million for the quarter ended September 30, 2007, $697 million for the quarter ended September 30, 2006 and $2,843 million for the nine months ended September 30, 2006.

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 Nine Months Ended September 30,	
	2007	2006
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net earnings	$ 2,005	$ 2,436
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	662	654
Deferred income tax benefit	(214)	(29)
Gain on redemption of United Biscuits investment	–	(251)
(Gains) / losses on sales of businesses	(20)	14
Asset impairment and exit costs, net of cash paid	171	389
Change in assets and liabilities, excluding the effects of acquisitions and divestitures:		
Receivables, net	96	38
Inventories	(739)	(526)
Accounts payable	36	84
Income taxes	13	130
Amounts due to Altria Group, Inc. and affiliates	(93)	(214)
Other working capital items	(268)	(139)
Change in pension assets and postretirement liabilities, net	128	75
Other	503	135
Net cash provided by operating activities	2,280	2,796
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(858)	(687)
Proceeds from sales of businesses	203	674
Other	15	82
Net cash (used in) / provided by investing activities	(640)	69
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		
Net issuance / (repayment) of short-term borrowings	1,102	(317)
Long-term debt proceeds	3,550	49
Long-term debt repayments	(1,454)	(57)
(Decrease) / increase in amounts due to Altria Group, Inc. and affiliates	(149)	9
Repurchase of Common Stock	(3,171)	(943)
Dividends paid	(1,214)	(1,150)
Other	(67)	(147)
Net cash used in financing activities	(1,403)	(2,556)
Effect of exchange rate changes on cash and cash equivalents	22	30
Cash and cash equivalents:		
Increase	259	339
Balance at beginning of period	239	316
Balance at end of period	$ 498	$ 655

See notes to condensed consolidated financial statements.

Note 1. Accounting Policies:

Basis of Presentation:

Our interim condensed consolidated financial statements are unaudited. We prepared the condensed consolidated financial statements following the requirements of the SEC for interim reporting. As permitted under those rules, a number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America have been condensed or omitted. It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of annual results.

You should read these statements in conjunction with our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2006.

In the first quarter of 2007, Altria Group, Inc. ("Altria") spun off its entire interest (89.0%) in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, all Kraft shares owned by Altria were distributed to Altria's stockholders, and our separation from Altria was completed (the "Distribution"). Before the Distribution, Altria converted all of its Class B shares of Kraft common stock into Class A shares of Kraft common stock. The Distribution ratio was calculated by dividing the number of shares of Kraft Common Stock held by Altria by the number of Altria shares outstanding on the date of record, March 16, 2007. Based on the calculation, the distribution ratio was 0.692024 shares of Kraft Common Stock for every share of Altria common stock outstanding. Following the Distribution, we only have Class A common stock outstanding.

New Accounting Pronouncements:

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. The provisions are effective for Kraft as of January 1, 2008. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. We do not expect the adoption of this statement to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*. The provisions are effective for Kraft as of January 1, 2008. This statement permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings. We do not expect the adoption of this statement to have a material impact on our financial statements.

Reclassification:

We reclassified minority interest in earnings in the prior year statement of earnings from a separate line item into general corporate expenses within marketing, administration and research costs to conform with the current year's presentation. Additionally, we reclassified dividends payable in the prior year balance sheet from other accrued liabilities to a separate line item to conform with the current year's presentation.

Note 2. Asset Impairment, Exit and Implementation Costs:

Restructuring Program

In January 2004, we announced a three-year restructuring program (the "Restructuring Program") and, in January 2006, extended it through 2008. The objectives of this program are to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program we anticipate:

- incurring approximately $3.0 billion in pre-tax charges reflecting asset disposals, severance and implementation costs, including approximately $500 million in 2007;
- closing up to 40 facilities and eliminating approximately 14,000 positions; and
- using cash to pay for approximately $1.9 billion of the $3.0 billion in charges.

We have incurred $1.9 billion in charges since the inception of the Restructuring Program, including $326 million during the nine months ended September 30, 2007.

In September 2007, we announced that we are implementing a new operating structure built on three core elements: accountable business units; shared services that leverage the scale of our global portfolio; and a streamlined corporate staff. We expect to complete the roll-out of this new structure by early 2008. The primary objective of this initiative is improved effectiveness. As a result, we expect some job eliminations as we streamline our headquarter functions.

During the second quarter of 2006, we entered into a seven-year, $1.7 billion agreement to receive information technology services from Electronic Data Systems ("EDS"). On June 1, 2006, we began using EDS's data centers, and EDS started providing us with web hosting, telecommunications and IT workplace services. During the nine months ended September 30, 2007, we reversed $7 million in restructuring costs because our severance costs were lower than originally anticipated, and we incurred implementation costs of $42 million related to the EDS transition. These amounts are included in the total Restructuring Program charges discussed above.

Restructuring Costs:

Under the Restructuring Program, we recorded asset impairment and exit costs of $54 million during the three months and $228 million during the nine months ended September 30, 2007. We announced the closure of two plants during the first nine months of 2007; we have now announced the closure of 29 facilities since the program began in 2004. We expect to pay cash for approximately $171 million of the charges that we incurred during the first nine months of 2007.

Restructuring liability activity for the nine months ended September 30, 2007 was as follows:

	Severance	Asset Write-downs	Other	Total
		(in millions)		
Liability balance, January 1, 2007	$ 165	$ –	$ 32	$ 197
Charges	104	67	57	228
Cash spent	(108)	4	(73)	(177)
Charges against assets	(19)	(74)	(1)	(94)
Currency	7	3	–	10
Liability balance, September 30, 2007	$ 149	$ –	$ 15	$ 164

Severance costs include the cost of benefits received by terminated employees. We expect to eliminate approximately 10,800 positions in connection with initiatives announced since 2004. As of September 30, 2007, we had eliminated approximately 10,400 of these positions. Severance charges against assets primarily relate to incremental pension costs, which reduce prepaid pension assets. Asset write-downs relate to the impairment of assets caused by plant closings and related activity. We incurred other costs related primarily to the renegotiation of supplier contract costs, workforce reductions associated with the plant closings and the termination of leasing agreements.

Implementation Costs:

We recorded implementation costs associated with the Restructuring Program of $27 million during the three months and $98 million during the nine months ended September 30, 2007. These costs primarily include incremental expenses related to the closure of facilities and the EDS transition discussed above. Substantially all implementation costs incurred in 2007 will require cash payments. We recorded these costs on the condensed consolidated statements of earnings as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Cost of sales	$ 17	$ 2	$ 47	$ 13
Marketing, administration and research costs	10	21	51	40
Total implementation costs	$ 27	$ 23	$ 98	$ 53

Asset Impairment Charges

In October 2007, we announced and closed the sale of our flavored water and juice brand assets and related trademarks, including *Veryfine* and *Fruit2O*. In recognition of the anticipated sale, we recorded a $120 million asset impairment charge for these assets in the third quarter. The charge, which included the write-off of the associated goodwill, intangible assets and property, plant and equipment, was recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

During the first quarter of 2007, we sold our hot cereal assets and trademarks for a pre-tax gain of $12 million. We previously incurred an asset impairment charge of $69 million in the fourth quarter of 2006 in connection with this sale. The charge included the write-off of a portion of the associated goodwill, intangible assets and property, plant and equipment. We recorded the charge as asset impairment and exit costs on the 2006 consolidated statement of earnings, and no further charges were incurred in 2007 for this divestiture.

During the first quarter of 2007, we completed our annual review of goodwill and intangible assets. No impairments resulted from this review.

Total – Asset Impairment, Exit and Implementation Costs

We included the asset impairment, exit and implementation costs discussed above, for the three and nine months ended September 30, 2007 and 2006 in segment operating income as follows:

	For the Three Months Ended September 30, 2007				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs	Implementation Costs	Total
			(in millions)		
North America Beverages	$ 2	$ 120	$ 122	$ –	$ 122
North America Cheese & Foodservice	12	–	12	4	16
North America Convenient Meals	6	–	6	5	11
North America Grocery	3	–	3	2	5
North America Snacks & Cereals	7	–	7	3	10
European Union	14	–	14	10	24
Developing Markets [(1)]	10	–	10	3	13
Total	$ 54	$ 120	$ 174	$ 27	$ 201

	For the Three Months Ended September 30, 2006				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs	Implementation Costs	Total
			(in millions)		
North America Beverages	$ 8	$ –	$ 8	$ 2	$ 10
North America Cheese & Foodservice	14	–	14	6	20
North America Convenient Meals	22	–	22	5	27
North America Grocery	5	–	5	3	8
North America Snacks & Cereals	13	–	13	5	18
European Union	62	–	62	2	64
Developing Markets [1]	1	–	1	–	1
Total	$ 125	$ –	$ 125	$ 23	$ 148

	For the Nine Months Ended September 30, 2007				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs	Implementation Costs	Total
			(in millions)		
North America Beverages	$ 9	$ 120	$ 129	$ 4	$ 133
North America Cheese & Foodservice	53	–	53	22	75
North America Convenient Meals	17	–	17	12	29
North America Grocery	20	–	20	5	25
North America Snacks & Cereals	13	–	13	13	26
European Union	91	–	91	32	123
Developing Markets [1]	25	–	25	10	35
Total	$ 228	$ 120	$ 348	$ 98	$ 446

	For the Nine Months Ended September 30, 2006				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs	Implementation Costs	Total
			(in millions)		
North America Beverages	$ 17	$ –	$ 17	$ 6	$ 23
North America Cheese & Foodservice	80	–	80	7	87
North America Convenient Meals	74	–	74	9	83
North America Grocery	18	–	18	7	25
North America Snacks & Cereals	28	99	127	9	136
European Union	161	–	161	11	172
Developing Markets [1]	65	11	76	4	80
Total	$ 443	$ 110	$ 553	$ 53	$ 606

(1) This segment was formerly known as Developing Markets, Oceania & North Asia

Note 3. Transactions with Altria Group, Inc.:

On March 30, 2007, we entered into a post-spin Transition Services Agreement with Altria's subsidiary, Altria Corporate Services, Inc. ("ALCS"). Under the agreement, ALCS is providing information technology services to Kraft during the EDS transition. In the first quarter of 2007, ALCS provided pre-spin administrative services to us under a separate Corporate Services agreement that expired on March 30, 2007. Billings for all services were $4 million for the three months and $27 million for the nine months ended September 30, 2007. The remaining services provided by ALCS will cease by the end of the year.

On March 30, 2007, we also entered into Employee Matters and Tax Sharing Agreements with Altria. The Employee Matters Agreement sets out each company's obligations for employee transfers, equity compensation and other employee benefits matters for individuals moving, or who previously moved between companies. The Tax Sharing Agreement identifies Altria's and Kraft's rights, responsibilities and obligations with respect to our income taxes following the Distribution. It also places certain restrictions on us, including a 2-year limit on share repurchases of no more than 20% of our Common Stock outstanding at the time of the Distribution.

At March 31, 2007, we had short-term amounts payable to Altria of $449 million, including $364 million of accrued dividends, which we paid in April 2007.

In the first quarter 2007, we repurchased 1.4 million shares of our Common Stock from Altria at a cost of $46.5 million. We paid $32.085 per share, which was the average of the high and the low price of Kraft Common Stock as reported on the NYSE on March 1, 2007. This repurchase was in accordance with the Distribution agreement.

Note 4. Acquisitions:

On October 29, 2007, we announced that we have signed final agreements to acquire the global biscuit business of Groupe Danone S.A. ("Danone Biscuit") for €5.3 billion (approximately $7.5 billion) in cash subject to purchase price adjustments. This follows the announcement of our binding offer in July which, according to French law, was subject to consultation with Groupe Danone S.A.'s works councils. The recent conclusion of these consultations has allowed the Group Danone S.A. Board of Directors to approve the transaction and both parties to sign the final sale agreement. Danone Biscuit generated global revenues of approximately $2.7 billion during 2006. Completion of this transaction is subject to customary closing conditions, including regulatory approval. We expect the transaction to close by the end of the year.

In September 2006, we acquired the Spanish and Portuguese operations of United Biscuits ("UB") for approximately $1.1 billion. The non-cash acquisition was financed by our assumption of $541 million of debt issued by the acquired business immediately prior to the acquisition, as well as $530 million of value for the redemption of our outstanding investment in UB, primarily deep-discount securities. As part of the transaction, we also recovered the rights to all Nabisco trademarks in the European Union, Eastern Europe, the Middle East and Africa, which UB had held since 2000. These businesses contributed net revenues of approximately $129 million during the three months and $344 million during the nine months ended September 30, 2007. Due to the timing of closing of the acquisition, our financial statements for the period ended September 30, 2006, do not reflect results from these operations, the amounts of which were not material.

Note 5. Divestitures:

During the second quarter of 2007, we sold sugar confectionery assets in Romania and related trademarks. During the first quarter of 2007, we sold our hot cereal assets and trademarks. In aggregate, we received $203 million in proceeds, and recorded pre-tax gains of $20 million on these sales. The aggregate operating results of these divestitures were not material to our financial statements in any of the periods presented.

In October 2007, we announced and closed the sale of our flavored water and juice brand assets and related trademarks.

Note 6. Stock Plans:

On May 3, 2007, our Board of Directors approved a stock option grant to Irene Rosenfeld to recognize her election as our Chairman. Ms. Rosenfeld received 300,000 stock options under the 2005 Performance Incentive Plan, which vest under varying market and service conditions and expire ten years after the grant date.

At Distribution, as described in Note 1, *Accounting Policies*, Altria stock awards were modified through the issuance of Kraft stock awards, and accordingly the Altria stock awards were split into two instruments. Holders of Altria stock options received: 1) a new Kraft option to acquire shares of Kraft Common Stock; and 2) an adjusted Altria stock option for the same number of shares of Altria common stock previously held, but with a proportionally reduced exercise price. For each employee stock option outstanding, the aggregate intrinsic value immediately after the Distribution was not greater than the aggregate intrinsic value immediately prior to the Distribution. Holders of Altria restricted stock or stock rights awarded before January 31, 2007, retained their existing awards and received restricted stock or stock rights in Kraft Common Stock. Recipients of Altria restricted stock or stock rights awarded on or after January 31, 2007, did not receive Kraft restricted stock or stock rights because Altria had announced the Distribution at that time. We reimbursed Altria $179 million for net settlement of the employee stock awards as detailed below. We determined the fair value of the stock options using the Black-Scholes option valuation model; and adjusted the fair value of the restricted stock and stock rights by the value of projected forfeitures.

In April 2007, we paid the following to Altria (in millions):

Kraft stock options received by Altria employees	$	240
Altria stock options received by Kraft employees		(440)
Kraft stock awards received by holders of Altria stock awards		33
Altria stock awards received by holders of Kraft stock awards		(12)
Net payment to Altria	$	(179)

Based upon the number of Altria stock awards outstanding at Distribution, we granted stock options for approximately 24.1 million shares of Kraft Common Stock at a weighted-average price of $15.75. The options expire between 2007 and 2012. In addition, we issued approximately 3.0 million shares of restricted stock and stock rights. The market value per restricted share or right was $31.66 on the date of grant. Restrictions on the majority of these restricted stock and stock rights lapse in the first quarter of either 2008 or 2009.

In January 2007, we issued approximately 5.2 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees as part of our annual incentive program. Restrictions on these shares and rights lapse in the first quarter of 2010. The market value per restricted share or right was $34.655 on the date of grant. Additionally, in the normal course of business we issued approximately 0.1 million shares of restricted stock and stock rights during the nine months ended September 30, 2007. The weighted-average market value per restricted share or right was $32.987 on the date of grant. The total number of restricted shares and rights issued in the nine months ended September 30, 2007 was 8.3 million, including those issued as a result of the Distribution.

During the nine months ended September 30, 2007, approximately 4.5 million shares of restricted stock and stock rights vested at a market value of $151 million.

The total intrinsic value of the 0.9 million Kraft stock options exercised during the third quarter of 2007 was $12.4 million. The total intrinsic value of the 4.9 million Kraft stock options exercised during the first nine months of 2007 was $68.2 million.

Note 7. Earnings Per Share:

Basic and diluted EPS were calculated as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions, except per share data)			
Net earnings	$ 596	$ 748	$ 2,005	$ 2,436
Weighted average shares for basic EPS	1,557	1,638	1,590	1,648
Plus incremental shares from assumed conversions of stock options, restricted stock and stock rights	19	10	18	10
Weighted average shares for diluted EPS	1,576	1,648	1,608	1,658
Basic earnings per share	$ 0.38	$ 0.46	$ 1.26	$ 1.48
Diluted earnings per share	$ 0.38	$ 0.45	$ 1.25	$ 1.47

For the three and nine months ended September 30, 2007 and 2006, we excluded an insignificant number of Kraft stock options from the calculation of weighted average shares for diluted EPS, because they were antidilutive.

Note 8. Contingencies:

Legal Proceedings: We are defendants in a variety of legal proceedings. Plaintiffs in a few of those cases seek substantial damages. We cannot predict with certainty the results of these proceedings. However, we believe that the final outcome of these proceedings will not materially affect our financial results.

Third-Party Guarantees: We have third-party guarantees because of our acquisition, divestiture and construction activities. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At September 30, 2007, our third-party guarantees were approximately $30 million, of which approximately $7 million have no specified expiration dates. Substantially all of the remainder expire at various times through 2016. We had a liability of $24 million on our condensed consolidated balance sheet at September 30, 2007, relating to these guarantees.

Note 9. Goodwill and Other Intangible Assets, Net:

Goodwill by reportable segment was as follows:

	September 30, 2007	December 31, 2006
	(in millions)	
North America Beverages	$ 1,370	$ 1,372
North America Cheese & Foodservice	4,210	4,218
North America Convenient Meals	2,171	2,167
North America Grocery	3,053	3,058
North America Snacks & Cereals	8,599	8,696
European Union	5,280	5,004
Developing Markets	1,085	1,038
Total goodwill	$ 25,768	$ 25,553

Other intangible assets were as follows:

	September 30, 2007		December 31, 2006	
	Intangible Assets, at cost	Accumulated Amortization	Intangible Assets, at cost	Accumulated Amortization
	(in millions)		(in millions)	
Non-amortizable intangible assets	$ 9,864	$ –	$ 10,150	$ –
Amortizable intangible assets	186	58	94	67
Total other intangible assets	$ 10,050	$ 58	$ 10,244	$ 67

Non-amortizable intangible assets consist substantially of brand names purchased through the Nabisco Holdings Corp. and UB acquisitions. Amortizable intangible assets consist primarily of trademark licenses and non-compete agreements. We made the following significant adjustments to goodwill and intangible assets during the nine months ended September 30, 2007:

- reduced goodwill by $85 million upon the adoption of FIN 48 (see Note 15, *Income Taxes*, for further details) and increased goodwill by $28 million in connection with the UB acquisition (included within other below);
- reduced goodwill by $45 million and intangible assets by $132 million primarily due to the divestiture our hot cereal assets and trademarks;
- recorded an asset impairment charge of $70 million to intangible assets in anticipation of our flavored water and juice brand assets and related trademarks sale;
- completed the purchase price allocation and reclassified $101 million from non-amortizable to amortizable intangible assets as part of the UB acquisition; and
- removed a fully amortized intangible asset for $18 million.

The movement in goodwill and intangible assets from December 31, 2006 is as follows:

	Goodwill	Intangible Assets, at cost
	(in millions)	
Balance at December 31, 2006	$ 25,553	$ 10,244
Changes due to:		
Currency	317	26
Divestitures	(45)	(132)
Asset Impairment	(3)	(70)
Other	(54)	(18)
Balance at September 30, 2007	$ 25,768	$ 10,050

Amortization expense for intangible assets was $3 million in the third quarter of 2007 and $9 million in the first nine months of 2007. We currently estimate amortization expense for each of the next five years to be approximately $11 million or less.

Note 10. Debt and Borrowing Arrangements:

On August 13, 2007, we issued $3.5 billion of senior unsecured notes, which was the remaining amount available under our shelf registration. We used the net proceeds ($3,462 million) from the sale of the offered securities for general corporate purposes, including the repayment of outstanding commercial paper. The $3.5 billion of notes bear the following general terms:

- $250,000,000 total principal notes due August 11, 2010 at a fixed, annual interest rate of 5.625%. Interest is payable semiannually beginning February 11, 2008.
- $750,000,000 total principal notes due February 11, 2013 at a fixed, annual interest rate of 6.000%. Interest is payable semiannually beginning February 11, 2008.
- $1,500,000,000 total principal notes due August 11, 2017 at a fixed, annual interest rate of 6.500%. Interest is payable semiannually beginning February 11, 2008.
- $750,000,000 total principal notes due August 11, 2037 at a fixed, annual interest rate of 7.000%. Interest is payable semiannually beginning February 11, 2008.
- $250,000,000 total principal notes due August 11, 2010 at a floating, annual interest rate of LIBOR plus 50 basis points that resets quarterly. The rate as of September 30, 2007 was 6.000%. Interest on the floating rate notes is payable quarterly, beginning on November 13, 2007.

Each of these notes contain covenants that restrict our ability to incur debt secured by liens, and engage in sale/leaseback transactions. If we experience a “change in control” triggering event, which results in below investment grade credit ratings by the three major rating agencies, we may be required to offer to purchase the notes from holders.

On October 12, 2007, we entered into a 364-day bridge facility agreement for €5.3 billion (approximately $7.5 billion) for our pending acquisition of Danone Biscuit. We intend to reduce borrowings or commitments under this facility with proceeds from the issuance of investment grade bonds or other securities. According to the credit agreement, the commitment of the lenders or drawings under the facility will be reduced by the proceeds from equity offerings and by the net cash proceeds in excess of $1.0 billion from aggregate debt offerings having a maturity of greater than one year. Additionally, drawings under this facility may be reduced by the proceeds in excess of $1.0 billion from the aggregate sale or divestiture of assets. This facility replaces a commitment letter we entered into upon the announcement of the Danone Biscuit acquisition.

On May 24, 2007, we entered into a $1.5 billion, 364-day revolving credit agreement. According to the terms of this credit agreement, it was terminated upon the issuance of the $3.5 billion of senior unsecured notes in August 2007.

At September 30, 2007 and December 31, 2006, our long-term debt consisted of the following:

	2007	2006
	(in millions)	
Notes, 4.00% to 7.55% (average effective rate 5.87%), due through 2037	$ 10,392	$ 8,290
7% Debenture (effective rate 11.32%), $200 million face amount, due 2011	174	170
Foreign currency obligations	15	15
Other	39	24
Total long-term debt	10,620	8,499
Less current portion of long-term debt	(20)	(1,418)
Long-term debt	$ 10,600	$ 7,081

Aggregate maturities of long-term debt for the years ended September 30, are as follows (in millions):

2008	$ 20
2009	707
2010	1,256
2011	203
2012	3,502
Thereafter	4,966

Based on market quotes, where available, or interest rates currently available to us for issuance of debt with similar terms and remaining maturities, the aggregate fair value of our long-term debt, including the current portion of long-term debt, was $10,788 million at September 30, 2007.

Note 11. Accumulated Other Comprehensive Losses:

The components of accumulated other comprehensive losses are as follows:

	Currency Translation Adjustments	Pension and Other Benefits	Derivatives Accounted for as Hedges	Total
		(in millions)		
Balances at December 31, 2006	$ (723)	$ (2,342)	$ (4)	$ (3,069)
Other comprehensive earnings/ (losses), net of income taxes:				
Currency translation adjustments	367	(54)	–	313
Amortization of experience losses and prior service costs	–	150	–	150
Valuation update	–	75	–	75
Change in fair value of derivatives accounted for as hedges	–	–	35	35
Total other comprehensive earnings				573
Balances at September 30, 2007	$ (356)	$ (2,171)	$ 31	$ (2,496)

Note 12. Segment Reporting:

Kraft manufactures and markets packaged food products, including beverages, cheese, snacks, convenient meals and various packaged grocery products. We manage and report operating results through two commercial units, Kraft North America and Kraft International. We manage Kraft North America's operations by product category, and its reportable segments are North America Beverages; North America Cheese & Foodservice; North America Convenient Meals; North America Grocery; and North America Snacks & Cereals. We manage Kraft International's operations by geographic location, and its reportable segments are European Union and Developing Markets (formerly known as Developing Markets, Oceania & North Asia).

In September 2007 we announced that we are implementing a new operating structure effective in early 2008. We expect to finalize our new reporting structure thereafter.

Management uses segment operating income to evaluate segment performance and allocate resources. Segment operating income excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. We centrally manage interest and other debt expense and the provision for income taxes. Accordingly, we do not present these items by segment because they are excluded from the segment profitability measure that management reviews. Our assets are principally located in the U.S. and Europe and are managed geographically.

Segment data were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Net revenues:				
North America Beverages	$ 773	$ 731	$ 2,453	$ 2,345
North America Cheese & Foodservice	1,537	1,446	4,545	4,410
North America Convenient Meals	1,311	1,232	3,831	3,676
North America Grocery	602	597	2,001	2,019
North America Snacks & Cereals	1,655	1,585	4,812	4,729
European Union	1,855	1,544	5,446	4,550
Developing Markets	1,321	1,108	3,757	3,256
Net revenues	$ 9,054	$ 8,243	$ 26,845	$ 24,985

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Earnings before income taxes:				
Operating income:				
Segment operating income:				
North America Beverages	$ (4)	$ 83	$ 269	$ 345
North America Cheese & Foodservice	159	233	501	615
North America Convenient Meals	185	183	526	568
North America Grocery	184	176	651	674
North America Snacks & Cereals	240	255	754	666
European Union	129	347	372	562
Developing Markets	137	122	366	255
General corporate expenses	(46)	(43)	(139)	(131)
Amortization of intangibles	(3)	(1)	(9)	(6)
Operating income	981	1,355	3,291	3,548
Interest and other debt expense, net	(165)	(134)	(378)	(377)
Earnings before income taxes	$ 816	$ 1,221	$ 2,913	$ 3,171

We incurred asset impairment, exit and implementation costs of $201 million during the three months and $446 million during the nine months ended September 30, 2007. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for a breakout of charges by segment.

During the second quarter of 2007, we sold sugar confectionery assets in Romania and related trademarks and recorded a pre-tax gain of $8 million. We included this gain in the segment operating income of the Developing Markets segment. During the first quarter of 2007, we sold our hot cereal assets and trademarks and recorded a pre-tax gain of $12 million. We included this gain in the segment operating income of the North America Snacks & Cereals segment.

Net revenues by consumer sector, which includes the separation of Foodservice and Kraft International into sector components and Cereals into the Grocery sector, were as follows:

	For the Three Months Ended September 30, 2007			For the Three Months Ended September 30, 2006		
	Kraft North America	Kraft International	Total	Kraft North America	Kraft International	Total
		(in millions)			(in millions)	
Snacks	$ 1,439	$ 1,296	$ 2,735	$ 1,372	$ 994	$ 2,366
Beverages	840	1,084	1,924	795	955	1,750
Cheese & Dairy	1,231	436	1,667	1,142	391	1,533
Grocery	995	239	1,234	981	202	1,183
Convenient Meals	1,373	121	1,494	1,301	110	1,411
Total net revenues	$ 5,878	$ 3,176	$ 9,054	$ 5,591	$ 2,652	$ 8,243

	For the Nine Months Ended September 30, 2007			For the Nine Months Ended September 30, 2006		
	Kraft North America	Kraft International	Total	Kraft North America	Kraft International	Total
		(in millions)			(in millions)	
Snacks	$ 4,146	$ 3,767	$ 7,913	$ 3,994	$ 2,988	$ 6,982
Beverages	2,648	3,201	5,849	2,539	2,823	5,362
Cheese & Dairy	3,648	1,228	4,876	3,485	1,135	4,620
Grocery	3,184	670	3,854	3,276	571	3,847
Convenient Meals	4,016	337	4,353	3,885	289	4,174
Total net revenues	$ 17,642	$ 9,203	$ 26,845	$ 17,179	$ 7,806	$ 24,985

Note 13. Financial Instruments:

Kraft is exposed to price risk related to forecasted purchases of certain commodities that we primarily use as raw materials. Accordingly, we use commodity forward contracts as cash flow hedges, primarily for coffee, milk, sugar and cocoa. Commodity forward contracts generally qualify for the normal purchase exception under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, ("SFAS 133") and are, therefore, not subject to its provisions. We also use commodity futures and options to hedge the price of certain commodities, including cheese, milk, coffee, cocoa, wheat, corn, sugar, soybean oil and natural gas. Net unrealized gains on all of our commodity positions were insignificant at September 30, 2007 and December 31, 2006. Some of these derivative instruments are highly effective and qualify for hedge accounting under SFAS 133. We defer the effective portion of the unrealized gains and losses on commodity futures and option contracts as a component of accumulated other comprehensive earnings / (losses). We recognize the deferred portion as a component of cost of sales in our condensed consolidated statement of earnings when the related inventory is sold. We expect to transfer an insignificant amount of unrealized gains / (losses) to earnings during the next 12 months, and recognized an insignificant amount during the three and nine months ended September 30, 2007. Ineffectiveness is recorded as a component of interest and other debt expense in our condensed consolidated statement of earnings, and it was insignificant during the three and nine months ended September 30, 2007. For the derivative instruments that we considered economic hedges but did not designate for hedge accounting under SFAS 133, we recognized net gains of $13 million during the three months and $29 million during the nine months ended September 30, 2007 directly as a component of cost of sales in our condensed consolidated statement of earnings. In aggregate, we had net long commodity positions of $497 million at September 30, 2007, and $533 million at December 31, 2006. As of September 30, 2007, we had hedged forecasted commodity transactions for periods not exceeding the next 18 months.

We also use various financial instruments to mitigate our exposure to changes in exchange rates from third-party and intercompany actual and forecasted transactions. Based on the size and location of our businesses, the primary currencies we are exposed to include the euro, Swiss franc, British pound and Canadian dollar. These instruments include forward foreign exchange contracts, foreign currency swaps and foreign currency options. Net unrealized losses on all of our foreign currency positions were approximately $196 million at September 30, 2007, and net unrealized gains were insignificant at December 31, 2006. Substantially all of these derivative instruments are highly effective and qualify for hedge accounting under SFAS 133. We defer the effective portion of unrealized gains and losses associated with forward, swap and option contracts as a component of accumulated other comprehensive earnings / (losses) until the underlying hedged transactions are reported in our condensed consolidated statement of earnings. We recognize the deferred portion as a component of cost of sales in our condensed consolidated statement of earnings when the related inventory is sold or as foreign currency translation gain or loss for our hedges of intercompany loans when the payments are made. We expect to transfer an insignificant amount of unrealized gains / (losses) to earnings during the next 12 months, and recognized an insignificant amount during the three and nine months ended September 30, 2007. Ineffectiveness is recorded as a component of interest and other debt expense in our condensed consolidated statement of earnings, and it was insignificant during the three and nine months ended September 30, 2007. For the derivative instruments that we consider economic hedges but do not designate for hedge accounting under SFAS 133, we recognize gains and losses directly as a component of cost of sales or foreign currency translation loss in our condensed consolidated statement of earnings, depending on the nature of the underlying transaction. For these derivative instruments, we recognized net losses of $129 million during the three months and $90 million during the nine months ended September 30, 2007 in our condensed consolidated statement of earnings. The majority of these losses were attributable to intercompany loans with offsetting foreign currency gains from the intercompany receivable. In aggregate, we had forward foreign exchange contracts, foreign currency swaps and foreign exchange options with aggregate notional amounts of $5.6 billion at September 30, 2007, and $2.6 billion at December 31, 2006. As of September 30, 2007, we had hedged forecasted foreign currency transactions for periods not exceeding the next 51 months. During the first quarter of 2007, we hedged currency exposure related to new, longer term intercompany loans with foreign subsidiaries. Excluding these intercompany loans, we had hedged forecasted foreign currency transactions for periods not exceeding the next nine months.

Hedging activities affected accumulated other comprehensive losses, net of income taxes, as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Accumulated gain / (loss) at beginning of period	$ 28	$ (3)	$ (4)	$ (4)
Transfer of realized (gains) / losses in fair value to earnings	(4)	(3)	(7)	7
Unrealized gain / (loss) in fair value	7	(32)	42	(41)
Accumulated gain / (loss) at September 30	$ 31	$ (38)	$ 31	$ (38)

Note 14. Benefit Plans:

We sponsor noncontributory defined benefit pension plans covering most U.S. employees. As appropriate, we provide pension coverage for employees of our non-U.S. subsidiaries through separate plans. Local statutory requirements govern many of these plans. In addition, our U.S. and Canadian subsidiaries provide health care and other benefits to most retired employees. Local government plans generally cover health care benefits for retirees outside the U.S. and Canada.

Pension Plans:

Components of Net Periodic Pension Cost

Net periodic pension cost consisted of the following for the three and nine months ended September 30, 2007 and 2006:

	U.S. Plans For the Three Months Ended September 30,		Non-U.S. Plans For the Three Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Service cost	$ 40	$ 42	$ 25	$ 24
Interest cost	91	89	49	42
Expected return on plan assets	(131)	(126)	(64)	(50)
Amortization:				
Net loss from experience differences	35	50	18	20
Prior service cost	1	1	2	2
Other expense	19	–	–	2
Net periodic pension cost	$ 55	$ 56	$ 30	$ 40

	U.S. Plans For the Nine Months Ended September 30,		Non-U.S. Plans For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Service cost	$ 119	$ 127	$ 73	$ 70
Interest cost	273	266	142	125
Expected return on plan assets	(393)	(378)	(184)	(149)
Amortization:				
Net loss from experience differences	105	149	50	54
Prior service cost	4	4	6	6
Other expense	53	–	–	2
Net periodic pension cost	$ 161	$ 168	$ 87	$ 108

Employees left Kraft under workforce reduction initiatives, resulting in settlement losses for the U.S. plans of $4 million in the third quarter of 2007 and $19 million in the nine months ended September 30, 2007. In addition, retiring employees elected lump-sum payments, resulting in settlement losses for U.S. plans of $15 million in the third quarter of 2007 and $34 million in the nine months ended September 30, 2007. These costs are included in other expense, above.

Employer Contributions

We make contributions to our U.S. and non-U.S. pension plans to the extent that they are tax deductible and do not generate an excise tax liability. During the nine months ended September 30, 2007, we contributed $14 million to our U.S. plans and $113 million to our non-U.S. plans. We currently plan to make additional contributions of approximately $2 million to our U.S. plans and approximately $44 million to our non-U.S. plans during the remainder of 2007. However, our actual contributions may be different due to many factors. Those factors include changes in tax and other benefit laws, pension asset performance that differs significantly from the expected performance, or significant changes in interest rates.

Postretirement Benefit Plans:

Net postretirement health care costs consisted of the following for the three and nine months ended September 30, 2007 and 2006:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Service cost	$ 11	$ 12	$ 35	$ 37
Interest cost	44	44	132	131
Amortization:				
Net loss from experience differences	15	17	44	58
Prior service credit	(7)	(6)	(20)	(19)
Net postretirement health care costs	$ 63	$ 67	$ 191	$ 207

Postemployment Benefit Plans:

Net postemployment costs consisted of the following for the three and nine months ended September 30, 2007 and 2006:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Service cost	$ 1	$ 1	$ 3	$ 4
Interest cost	1	1	4	3
Amortization of unrecognized net gains	(1)	(2)	(2)	(6)
Other expense	26	54	85	170
Net postemployment costs	$ 27	$ 54	$ 90	$ 171

As previously discussed in Note 2, *Asset Impairment, Exit and Implementation Costs*, we announced several workforce reduction initiatives as part of the Restructuring Program. The postemployment benefit plan cost of these initiatives was $26 million during the three months and $85 million during the nine months ended September 30, 2007. These costs are included in other expense, above.

Note 15. Income Taxes:

Kraft accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Prior to the Distribution, Altria included our U.S. accounts in its consolidated federal income tax return, and we generally computed income taxes on a separate company basis. However, some of our foreign tax credits, capital losses and other credits could not be used on a separate company basis. To the extent that Altria used our foreign tax credits and other tax benefits in its consolidated federal income tax return, we recognized the benefit in the calculation of our provision for income taxes. We made payments to, or were reimbursed by, Altria for the tax effects resulting from being included in Altria's tax return, including current taxes payable and net changes in tax provisions. As of March 31, 2007, we are no longer a member of the Altria consolidated tax return group and will file our own federal consolidated income tax return. Altria also previously carried our federal tax contingencies on its balance sheet and reported them in its financial statements. As a result of the Distribution, Altria transferred our federal tax contingencies of $375 million to our balance sheet and related interest income of $77 million at the end of the first quarter of 2007. During the second quarter, Altria paid us $305 million for the federal tax contingencies held by them, less the impact of federal reserves reversed due to the adoption of FASB Interpretation No. 48. This amount is reflected as a component of other within the net cash provided by operating activities section of the condensed consolidated statement of cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for the Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"). The provisions of FIN 48 became effective for us as of January 1, 2007. FIN 48 clarifies when tax benefits should be recorded in the financial statements and provides measurement criteria for valuing such benefits. In order for us

to recognize benefits, our tax position must be more-likely-than-not to be sustained upon audit. The amount we recognize is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Before the implementation of FIN 48, we established additional provisions for certain positions that were likely to be challenged even though we believe that those existing tax positions were fully supportable. The adoption of FIN 48 resulted in an increase to shareholders' equity as of January 1, 2007 of $213 million and resulted from:

- a $265 million decrease in the liability for unrecognized tax benefits, comprised of $247 million in tax and $18 million in interest;
- a reduction in goodwill of $85 million; and
- an increase to federal and state deferred tax assets of $33 million.

As of January 1, 2007, after the implementation of FIN 48, our unrecognized tax benefits were $667 million. If we had recognized all of these benefits, the net impact on our income tax provision would have been $530 million. There were no material changes due to settlements with tax authorities or the expiration of the statute of limitations during the nine months ended September 30, 2007. As a result, the change in our unrecognized tax benefits during the nine months ended September 30, 2007 was insignificant. We expect that the amount of unrecognized tax benefits will increase by approximately $70-$85 million from a variety of federal, state and foreign tax positions during the next 12 months. We include accrued interest and penalties related to uncertain tax positions in our tax provision. As of January 1, 2007, we had $125 million of accrued interest and penalties. The change in accrued interest and penalties during the nine months ended September 30, 2007 was insignificant.

We are regularly examined by federal and various state and foreign tax authorities. The U.S. federal statute of limitations remains open for the year 2000 and onward, with years 2000 through 2003 currently under examination by the IRS. Taxing authorities in various U.S. state and foreign jurisdictions are also currently examining us. U.S. state and foreign jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Years still open to examination by foreign tax authorities in major jurisdictions include Germany (1999 onward), Brazil (2001 onward), Canada (2001 onward) and Spain (2001 onward).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Description of the Company

Kraft manufactures and markets packaged food products, including beverages, cheese, snacks, convenient meals and various packaged grocery products. We manage and report operating results through two commercial units, Kraft North America and Kraft International. We manage Kraft North America's operations by product category, and Kraft International's operations by geographic location.

In the first quarter of 2007, Altria Group, Inc. ("Altria") spun off its entire interest (89.0%) in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, all Kraft shares owned by Altria were distributed to Altria's stockholders, and our separation from Altria was completed (the "Distribution"). Before the Distribution, Altria converted its Class B shares of Kraft common stock into Class A shares of our common stock. The Distribution ratio was calculated by dividing the number of shares of Kraft Common Stock held by Altria by the number of Altria shares outstanding on the date of record, March 16, 2007. Based on the calculation, the Distribution ratio was 0.692024 shares of Kraft Common Stock for every share of Altria common stock outstanding. Following the Distribution, we only have Class A common stock outstanding.

Executive Summary

The following executive summary provides significant highlights of the Discussion and Analysis that follows.

- Net revenues in the third quarter of 2007 increased 9.8% to $9.1 billion and increased 7.4% to $26.8 billion in the first nine months of 2007.
- Diluted EPS in the third quarter of 2007 decreased 15.6% to $0.38 and decreased 15.0% to $1.25 in the first nine months of 2007.

- We made solid progress executing our long-term growth strategy, which focuses on: rewiring the organization for growth; reframing our categories; exploiting our sales capabilities; and driving down costs without compromising quality.

- On October 29, 2007, we announced that we have signed final agreements to acquire the global biscuit business of Groupe Danone S.A. for €5.3 billion (approximately $7.5 billion) in cash. The transaction is subject to customary closing conditions, including regulatory approval, and we expect it to close by the end of the year.

- We recorded Restructuring Program charges of $81 million during the three months and $326 million during the nine months ended September 30, 2007.

- In August 2007, we issued $3.5 billion of senior unsecured notes. We used the net proceeds ($3,462 million) from the sale of the offered securities for general corporate purposes, including the repayment of outstanding commercial paper.

- A new $5.0 billion, two-year share repurchase program went into effect immediately following the Distribution. During the third quarter of 2007, we repurchased 30.2 million shares of our Common Stock for approximately $1.0 billion, bringing total repurchases since the beginning of the program to 90.9 million shares for $3.0 billion.

- In the third quarter of 2007, our Board of Directors approved an 8.0% increase in the current quarterly dividend rate to $0.27 per share on our Common Stock. As a result, our present annualized dividend rate is $1.08 per common share.

Discussion and Analysis

Growth Strategy

At the Lehman Brothers Back-To-School Consumer Conference in September 2007, our Chairman and CEO, Irene Rosenfeld, highlighted the solid progress that we made executing our long-term growth strategy. Below is a summary of our four growth strategies and the developments within each.

Rewire the organization for growth – We are making significant changes to our leadership, reward systems and structure. Over the past year, we have built a new management team, with roughly half of our top executives new to Kraft or their positions. That includes Tim McLevish as our new CFO effective October 1, 2007 and the two leaders of our commercial units, Rick Searer, the president of Kraft North America, and Sanjay Khosla, the president of Kraft International. Additionally, we directly linked our annual incentive program with business unit performance and our long-term incentive program with key drivers such as operating income growth. Furthermore, we expect to complete the implementation of a new structure by early 2008 built on three core elements: accountable business units; shared services that leverage the scale of our global portfolio; and a streamlined corporate staff. We expect some job eliminations as we improve effectiveness and streamline our headquarter functions.

Reframe our categories – We compared each of our categories to those of our competitors, focusing on: growth potential; relative market share position; and profitability. Our assessment allowed us to prioritize exactly “where” to invest to best accelerate our growth. For those businesses that we determine no longer fit our long-term growth plan, we will explore options for divestitures in a tax efficient manner, as well as outright sales.

A framework was also established to define “how” we will invest. The reframing of our categories is predicated on four clear consumer growth trends in the food industry: Snacking; Quick Meals; Health and Wellness; and Premium Quality. Through this framework that we call the “Growth Diamond,” we are building a robust pipeline of new ideas across Kraft.

In 2007, we plan to spend on the high end of an incremental $300-$400 million primarily on product quality improvements, new products and increased marketing to jumpstart growth. We have incurred approximately $250 million of these incremental costs during the nine months ended September 30, 2007. In Kraft North America, we are focusing these incremental investments on large, highly profitable categories, including macaroni & cheese, pizza, biscuits, cheese and coffee. In Kraft International, we are building our core brands, particularly in our chocolate and coffee categories in the European Union.

Exploit our sales capabilities – We are using our scale to combine the executional benefits of direct store delivery used in our Biscuit business unit with the economics of our warehouse delivery to drive faster growth in Kraft North America. We are creating a sustainable competitive advantage as one sales representative covers an entire store "Wall-to-Wall." Wall-to-Wall will increase the frequency of our retail visits and build stronger, ongoing relationships with store management allowing us to: reduce out-of-stocks; get new items to the shelves more quickly; and increase the number and quality of displays. We plan to complete the full rollout in North America by mid-2008.

Kraft International is expanding our reach to the traditional trade in key developing markets. In select markets, we invested to expand our reach to the traditional trade, and have seen positive results. By expanding our distribution reach in countries with rapidly growing demand, we plan to build profitable scale.

Drive down costs without compromising product quality – We plan to contain administrative overhead costs while investing in quality, R&D, marketing, sales and other capabilities that support growth. We anticipate completing our Restructuring Program in 2008 with total annualized savings of at least $1.0 billion. We are seeking ways to expand margins while providing the funding to drive growth. We believe the new organizational structure will be a key enabler.

Summary of Financial Results

The following table shows the significant changes in our net earnings and diluted EPS between the three months ended September 30, 2007 and 2006, and between the nine months ended September 30, 2007 and 2006 (in millions, except per share data):

	For the Three Months Ended		For the Nine Months Ended	
	Net Earnings	Diluted EPS	Net Earnings	Diluted EPS
September 30, 2006	$ 748	$ 0.45	$ 2,436	$ 1.47
2007 Losses on divestitures	–	–	(2)	–
2006 Losses on divestitures	60	0.04	70	0.04
2006 Gain on redemption of United Biscuits investment	(148)	(0.09)	(148)	(0.09)
2007 Restructuring Program	(51)	(0.03)	(208)	(0.13)
2006 Restructuring Program	94	0.06	331	0.20
2007 Asset impairment charges	(52)	(0.03)	(52)	(0.03)
2006 Asset impairment charges	–	–	78	0.05
Change in tax rate	16	0.01	11	0.01
Interest from tax reserve transfers from Altria Group, Inc.	–	–	50	0.03
Favorable resolution of the Altria Group, Inc. 1996-1999 IRS Tax Audit	–	–	(405)	(0.24)
Shares outstanding	–	0.02	–	0.04
Consolidated Results of Operations	(71)	(0.05)	(156)	(0.10)
September 30, 2007	$ 596	$ 0.38	$ 2,005	$ 1.25

See below for a discussion of those events affecting comparability and a discussion of operating results.

Acquisitions and Divestitures

On October 29, 2007, we announced that we have signed final agreements to acquire the global biscuit business of Groupe Danone S.A. ("Danone Biscuit") for €5.3 billion (approximately $7.5 billion) in cash subject to purchase price adjustments. This follows the announcement of our binding offer in July which, according to French law, was subject to consultation with Groupe Danone S.A.'s works councils. The recent conclusion of these consultations has allowed the Group Danone S.A. Board of Directors to approve the transaction and both parties to sign the final sale agreement. Danone Biscuit generated global revenues of approximately $2.7 billion during 2006. Completion of this transaction is subject to customary closing conditions, including regulatory approval. We expect it to close by the end of the year.

In October 2007, we announced and closed the sale of our flavored water and juice brand assets and related trademarks, including *Veryfine* and *Fruit2O*.

In September 2006, we acquired the Spanish and Portuguese operations of United Biscuits ("UB") for approximately $1.1 billion. The non-cash acquisition was financed by our assumption of $541 million of debt issued by the acquired business immediately prior to the acquisition, as well as $530 million of value for the redemption of our outstanding investment in UB, primarily deep-discount securities. The redemption of our outstanding investment resulted in a gain on closing of approximately $251 million or $0.09 per diluted share in the third quarter of 2006. As part of the transaction, we also recovered the rights to all Nabisco trademarks in the European Union, Eastern Europe, the Middle East and Africa, which UB had held since 2000. The Spanish and Portuguese operations of UB include its biscuits, dry desserts, canned meats, tomato and fruit juice businesses. The operations also include seven manufacturing facilities and 1,300 employees. These businesses contributed net revenues of approximately $129 million during the three months and $344 million during the nine months ended September 30, 2007. Due to the timing of closing of the acquisition, our financial statements for the period ended September 30, 2006 do not reflect results from these operations, the amounts of which were not material.

During the second quarter of 2007, we sold sugar confectionery assets in Romania and related trademarks. During the first quarter of 2007, we sold our hot cereal assets and trademarks. In aggregate, we received $203 million in proceeds, and recorded pre-tax gains of $20 million on these sales. We recorded an after-tax loss of $2 million on these divestitures primarily due to the differing tax bases of our hot cereal assets and trademarks.

In the nine months ended September 30, 2006, we received $674 million in proceeds and recorded pre-tax losses of $14 million, or $0.04 per diluted share after-taxes, on the following sales. During the first quarter of 2006, we sold certain Canadian assets and a small U.S. biscuit brand. During the second quarter of 2006, we sold our industrial coconut assets. During the third quarter of 2006, we sold our pet snacks brand and assets.

The aggregate operating results of the businesses sold were not material to our financial statements in any of the periods presented.

Restructuring Program

In January 2004, we announced a three-year restructuring program (the "Restructuring Program") and, in January 2006, extended it through 2008. The objectives of this program are to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program we anticipate:

- incurring approximately $3.0 billion in pre-tax charges reflecting asset disposals, severance and implementation costs, including approximately $500 million of the charges during 2007;
- closing up to 40 facilities and eliminating approximately 14,000 positions;
- using cash to pay for approximately $1.9 billion of the $3.0 billion in charges; and
- annual savings of at least $1.0 billion upon completion.

In September 2007, we announced that we are implementing a new operating structure built on three core elements: accountable business units; shared services that leverage the scale of our global portfolio; and a streamlined corporate staff. We expect to complete the roll-out of this new structure by early 2008. The primary objective of this initiative is improved effectiveness, and as a result, we expect some job eliminations as we streamline our headquarter functions.

We incurred charges under the Restructuring Program of $81 million, or $0.03 per diluted share, during the three months and $326 million, or $0.13 per diluted share, during the nine months ended September 30, 2007, and $148 million, or $0.06 per diluted share, during the three months and $496 million, or $0.20 per diluted share, during the nine months ended September 30, 2006. In total, we have incurred $1.9 billion in charges since the inception of the Restructuring Program. We expect to pay cash for approximately 60% of the charges. In connection with severance initiatives announced since 2004, we expect to eliminate approximately 10,800 positions. As of September 30, 2007, we had eliminated approximately 10,400 of these positions.

In addition, we expect to spend approximately $550 million in capital to implement the Restructuring Program. We have spent $334 million in capital since the inception of the Restructuring Program, including $89 million spent in the first nine months of 2007. Cumulative annualized cost savings resulting from the Restructuring Program were approximately $540 million through 2006. Incremental cost savings totaled approximately $180 million in the first nine months of 2007, resulting in cumulative annualized

savings under the Restructuring Program of approximately $720 million to date. We expect these savings to reach approximately $775 million by the end of 2007. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for further details of our Restructuring Program.

Asset Impairment Charges

In October 2007, we announced and closed the sale of our flavored water and juice brand assets and related trademarks. In recognition of the anticipated sale, we recorded a $120 million, or $0.03 per diluted share, asset impairment charge for these assets in the third quarter. The charge, which included the write-off of the associated goodwill, intangible assets and property, plant and equipment, was recorded as asset impairment and exit costs on the condensed consolidated statement of earnings.

During the first quarter of 2007, we completed our annual review of goodwill and intangible assets. No impairments resulted from this review. During the first quarter of 2006, we completed our annual review of goodwill and intangible assets and recorded a $24 million non-cash charge for impairment of biscuits assets in Egypt and hot cereal assets in the U.S. We recorded these charges as asset impairment and exit costs on the condensed consolidated statement of earnings.

In the first quarter of 2006, we incurred an asset impairment charge of $86 million in anticipation of the pet snacks brand and assets sale. The charge, which included the write-off of a portion of the associated goodwill, intangible assets and property, plant and equipment, was recorded as asset impairment and exit costs on the 2006 consolidated statement of earnings. We recorded aggregate asset impairment charges in the nine months ended September 30, 2006 amounting to $110 million, or $0.05 per diluted share.

Provision for Income Taxes

Our tax rate was 27.0% in the third quarter of 2007 and 31.2% in the first nine months of 2007. Our provision for income taxes includes a net benefit of $98 million in the third quarter of 2007 primarily resulting from the tax consequences of the impairment of our flavored water and juice brand assets and related trademarks as of the end of the quarter, and various foreign tax law changes enacted during the quarter. For the first nine months of 2007, the provision includes a net tax benefit of $106 million primarily resulting from the third quarter impairment and tax law changes plus the second quarter resolution of outstanding items in our international operations and various state jurisdictions, partially offset by tax costs associated with the sale of our hot cereal assets and trademarks in the first quarter.

As discussed in Note 15, *Income Taxes*, Altria transferred our federal tax contingencies of $375 million to our balance sheet and related interest income of $77 million, or $0.03 per diluted share, at the end of the first quarter of 2007 as a result of the Distribution. Following the Distribution, we are no longer a member of the Altria consolidated tax return group, and we will file our own federal consolidated income tax return. As a result of filing separately, we currently estimate the annual amount of lost tax benefits to be in the range of $50 million to $75 million.

In the first quarter of 2006, the IRS concluded its examination of Altria's consolidated tax returns for the years 1996 through 1999. The IRS issued a final Revenue Agents Report on March 15, 2006. Consequently, Altria reimbursed us $337 million for federal tax reserves that were no longer necessary and $46 million for interest ($29 million net of tax). We also recognized net state tax reversals of $39 million, for a total tax provision benefit of $376 million ($337 million federal plus $39 million state). The total benefit to net earnings that we recognized in the first quarter of 2006 due to the IRS settlement was $405 million, or $0.24 per diluted share.

Consolidated Results of Operations

The following discussion compares our consolidated results of operations for the three months ended September 30, 2007 and 2006, and for the nine months ended September 30, 2007 and 2006.

Many factors impact the timing of sales to our customers. These factors include, among others, the timing of holidays and other annual or special events, seasonality, significant weather conditions, timing of our own or customer incentive programs and pricing actions, customer inventory programs, our initiatives to improve supply chain efficiency, the financial condition of our customers and general economic conditions. For instance, changes in the timing of the Easter holiday will often affect first and second quarter comparisons with the prior year.

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions, except per share data)			
Net revenues	$ 9,054	$ 8,243	$ 811	9.8%
Operating income	981	1,355	(374)	(27.6%)
Net earnings	$ 596	$ 748	(152)	(20.3%)
Weighted average shares for diluted earnings per share	1,576	1,648		
Diluted earnings per share	$ 0.38	$ 0.45		

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions, except per share data)			
Net revenues	$ 26,845	$ 24,985	$ 1,860	7.4%
Operating income	3,291	3,548	(257)	(7.2%)
Net earnings	$ 2,005	$ 2,436	(431)	(17.7%)
Weighted average shares for diluted earnings per share	1,608	1,658		
Diluted earnings per share	$ 1.25	$ 1.47		

Three Months Ended September 30:
Net Revenues – Net revenues increased $811 million (9.8%), due to favorable currency (2.5 pp), higher pricing, net of increased promotional spending (2.3 pp), higher volume (2.0 pp), favorable mix (1.9 pp), and the impact of acquisitions (1.6 pp), partially offset by the impact of divestitures (0.5 pp). Currency movements increased net revenues by $212 million, due primarily to the continuing weakness of the U.S. dollar against the euro, Canadian dollar and Brazilian real. Total volume increased 3.7% (1.7pp due to acquisitions net of divestitures), resulting from higher shipments in European Union and Developing Markets, partially offset by declines in our North American segments, including the impact of divestitures.

Operating Income – Operating income declined $374 million (27.6%), due primarily to the prior year $251 million gain on the redemption of our UB investment, higher total manufacturing costs, including higher commodity costs, net of the impact of higher pricing ($117 million), an asset impairment charge related to our flavored water and juice brand assets and related trademarks ($120 million) and higher marketing, administration and research costs ($89 million, including higher marketing support). These items were partially offset by favorable volume/mix ($116 million), and lower Restructuring Program charges ($67 million). Currency movements increased operating income by $27 million due primarily to the continuing weakness of the U.S. dollar against the euro and Canadian dollar.

Net Earnings – Net earnings of $596 million decreased by $152 million (20.3%), due to operating income declines and higher interest expense, partially offset by a favorable tax rate.

Earnings per Share – Third quarter 2007 diluted earnings per share were $0.38, down 15.6% from $0.45 in 2006. During the third quarter of 2007, we incurred $0.03 per diluted share ($81 million before taxes) in Restructuring Program costs as compared to $0.06 per diluted share ($148 million before taxes) in the third quarter of 2006. Additionally in the third quarter of 2007, we recorded an asset impairment charge related to the divestiture of our flavored water and juice brand assets and related trademarks amounting to $120 million or $0.03 per diluted share. During the third quarter of 2006, we recorded a gain on the redemption of our UB investment amounting to $0.09 per diluted share. Additionally, in the third quarter of 2006, we incurred a $0.04 per diluted share loss on divestitures.

Nine Months Ended September 30:

Net Revenues – Net revenues increased $1,860 million (7.4%), due primarily to favorable mix (2.4 pp), favorable currency (2.3 pp), the impact of acquisitions (1.4 pp), higher pricing, net of increased promotional spending (1.4 pp) and higher volume (0.8 pp), partially offset by the impact of divestitures (0.9 pp). Currency movements increased net revenues by $574 million, due primarily to the continuing weakness of the U.S. dollar against the euro. Total volume increased 1.4% (0.6pp due to acquisitions net of divestitures), driven by higher shipments in the European Union and Developing Markets, partially offset by lower volume in all North American segments due primarily to the impact of divestitures, the discontinuation of select lower margin foodservice products and declines in ready-to-drink beverages.

Operating Income – Operating income declined $257 million (7.2%), due primarily to higher marketing, administration and research costs ($346 million, including higher marketing support), the prior year $251 million gain on the redemption of our UB investment, higher total manufacturing costs, including higher commodity costs, net of the impact of higher pricing ($194 million) and an asset impairment charge related to our flavored water and juice brand assets and related trademarks ($120 million). These items were partially offset by favorable volume/mix ($326 million), lower Restructuring Program charges ($170 million) and 2006 asset impairment charges related to the divested pet snacks and hot cereal assets and trademarks and biscuits assets in Egypt ($110 million). Currency movements increased operating income by $67 million due primarily to the continuing weakness of the U.S. dollar against the euro.

Net Earnings – Net earnings of $2,005 million decreased by $431 million (17.7%), due primarily to operating income declines and a favorable tax rate in 2006 from a significant tax resolution.

Earnings per Share – In the first nine months of 2007 diluted earnings per share were $1.25, down 15.0% from $1.47 in 2006. During the first nine months of 2007, we incurred $0.13 per diluted share ($326 million before taxes) in Restructuring Program costs as compared to $0.20 per diluted share ($496 million before taxes) in the first nine months of 2006. Additionally, during the first nine months of 2007, we incurred $0.03 per diluted share ($120 million before taxes) in asset impairment charges as compared to $0.05 per diluted share ($110 million before taxes) in the first nine months of 2006. Due to the Distribution, we recognized interest income of $0.03 per diluted share ($77 million before taxes) from tax reserve transfers from Altria. In the first quarter of 2006, we benefited from favorable federal and state tax resolutions amounting to $405 million, or $0.24 per diluted share. Additionally, in the first nine months of 2006, we incurred a $0.04 per diluted share loss on divestitures.

Results of Operations by Business Segment

The following discussion compares our operating results of each of our reportable segments for the three months ended September 30, 2007 and 2006, and for the nine months ended September 30, 2007 and 2006.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Net revenues:				
North America Beverages	$ 773	$ 731	$ 2,453	$ 2,345
North America Cheese & Foodservice	1,537	1,446	4,545	4,410
North America Convenient Meals	1,311	1,232	3,831	3,676
North America Grocery	602	597	2,001	2,019
North America Snacks & Cereals	1,655	1,585	4,812	4,729
European Union	1,855	1,544	5,446	4,550
Developing Markets [1]	1,321	1,108	3,757	3,256
Net revenues	$ 9,054	$ 8,243	$ 26,845	$ 24,985

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Operating income:				
Segment operating income:				
North America Beverages	$ (4)	$ 83	$ 269	$ 345
North America Cheese & Foodservice	159	233	501	615
North America Convenient Meals	185	183	526	568
North America Grocery	184	176	651	674
North America Snacks & Cereals	240	255	754	666
European Union	129	347	372	562
Developing Markets [1]	137	122	366	255
General corporate expenses	(46)	(43)	(139)	(131)
Amortization of intangibles	(3)	(1)	(9)	(6)
Operating income	$ 981	$ 1,355	$ 3,291	$ 3,548

(1) This segment was formerly known as Developing Markets, Oceania & North Asia

As discussed in Note 12, *Segment Reporting*, our management uses segment operating income to evaluate segment performance and allocate resources. Segment operating income excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. We incurred asset impairment, exit and implementation costs of $201 million during the three months and $446 million during the nine months ended September 30, 2007. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for a breakout of charges by segment.

In September 2007 we announced that we are implementing a new operating structure effective in early 2008. We expect to finalize the new reporting structure thereafter.

North America Beverages

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 773	$ 731	$ 42	5.7%
Segment operating income	(4)	83	(87)	(100+%)

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 2,453	$ 2,345	$ 108	4.6%
Segment operating income	269	345	(76)	(22.0%)

Three Months Ended September 30:
Net revenues increased $42 million (5.7%), due primarily to favorable mix (2.2 pp), higher net pricing (1.8 pp) and higher volume (1.3 pp). Favorable mix was driven by *Crystal Light On the Go* base growth and new products, and growth in premium coffee. Higher commodity related pricing in coffee was partially offset by higher promotional spending in powdered beverages. Volume growth in the quarter was driven by ready-to-drink beverages, primarily *Capri Sun*.

Segment operating income decreased $87 million (100.0+%), due primarily to an asset impairment charge related to our flavored water and juice brand assets and related trademarks and higher commodity costs (primarily coffee), partially offset by favorable mix and higher pricing.

Nine Months Ended September 30:
Net revenues increased $108 million (4.6%), due primarily to favorable mix (5.2 pp) and higher net pricing (0.9 pp), which were partially offset by lower volume (1.6 pp). Favorable mix from *Crystal Light On the Go* sticks and premium coffee drove higher net revenues. Higher commodity-based pricing in coffee was partially offset by increased promotional spending in ready-to-drink beverages and powdered beverages. Net revenues growth was tempered by lower shipments of ready-to-drink beverages, powdered beverages and *Maxwell House* coffee.

Segment operating income decreased $76 million (22.0%), due primarily to asset impairment charges related to our flavored water and juice brand assets and related trademarks and higher commodity costs (primarily coffee and packaging), partially offset by favorable mix and higher pricing.

North America Cheese & Foodservice

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 1,537	$ 1,446	$ 91	6.3%
Segment operating income	159	233	(74)	(31.8%)

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 4,545	$ 4,410	$ 135	3.1%
Segment operating income	501	615	(114)	(18.5%)

Three Months Ended September 30:
Net revenues increased $91 million (6.3%), due primarily to higher commodity-based net pricing (7.3 pp), favorable currency (0.9 pp) and favorable mix (0.5 pp), partially offset by lower volume (2.2 pp). Cheese net revenues increased, driven by commodity-based pricing and favorable mix from new product introductions, partially offset by lower shipments. In foodservice, net revenues growth

from commodity-based pricing was partially offset by lower volume due to the discontinuation of lower margin product lines and unfavorable mix.

Segment operating income decreased $74 million (31.8%), as the favorable impact of pricing and lower fixed manufacturing costs were more than offset by higher commodity costs and higher marketing, administration and research costs (including higher marketing support).

Nine Months Ended September 30:
Net revenues increased $135 million (3.1%), due primarily to higher commodity-based net pricing (4.2 pp) and favorable mix (0.4 pp), partially offset by lower volume (1.5 pp). Cheese net revenues increased driven by higher commodity-based pricing and favorable mix from new product introductions, partially offset by lower shipments. In foodservice, net revenues growth from higher commodity-based net pricing was partially offset by lower volume due to the discontinuation of lower margin product lines and unfavorable mix.

Segment operating income decreased $114 million (18.5%), due primarily to higher commodity costs and higher marketing, administration and research costs (including higher marketing support). These unfavorable variances were partially offset by higher pricing, lower Restructuring Program charges and a 2006 loss on the sale of industrial coconut assets.

North America Convenient Meals

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 1,311	$ 1,232	$ 79	6.4%
Segment operating income	185	183	2	1.1%

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 3,831	$ 3,676	$ 155	4.2%
Segment operating income	526	568	(42)	(7.4%)

Three Months Ended September 30:
Net revenues increased $79 million (6.4%), due primarily to favorable mix (3.5 pp), higher volume (2.7 pp) and higher net pricing (1.8 pp), partially offset by the impact of the divested rice brand and assets (1.9 pp). Favorable product mix and higher volume from new product introductions including *Oscar Mayer Deli Creations*, *Oscar Mayer Lunchables Jr.* and *DiGiorno Ultimate* pizza and the continued success of *Oscar Mayer Deli Shaved* sandwich meat, *California Pizza Kitchen* pizza and *Kraft Easy Mac* cups drove higher net revenues. Higher volume from new products was partially offset by lower shipments of chicken strips due to a first quarter recall. Meat net revenues also grew, driven by higher commodity-based net pricing, primarily in bacon.

Segment operating income increased $2 million (1.1%), as gains from higher pricing, favorable volume/mix and lower Restructuring Program charges were partially offset by higher commodity costs, higher marketing support costs and the impact of divestitures.

Nine Months Ended September 30:
Net revenues increased $155 million (4.2%), due primarily to favorable mix (3.1 pp), higher volume (1.7 pp) and higher net pricing (1.2 pp), partially offset by the impact of divestitures (2.0 pp). Net revenues increased in meat due to higher shipments of sandwich meat, new product introductions, favorable mix and higher commodity-based net pricing, partially offset by lower shipments of chicken strips due to a first quarter recall. In pizza, net revenues increased due to the introduction of *DiGiorno Ultimate* and higher shipments of *California Pizza Kitchen* products. Macaroni and cheese net revenues also increased due to higher pricing, net of increased promotional spending, favorable mix and higher volume.

Segment operating income decreased $42 million (7.4%), as lower Restructuring Program charges, higher pricing and favorable volume/mix were more than offset by higher commodity costs, higher marketing, administration and research costs (including higher marketing support) and the impact of divestitures.

North America Grocery

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 602	$ 597	$ 5	0.8%
Segment operating income	184	176	8	4.5%

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 2,001	$ 2,019	$ (18)	(0.9%)
Segment operating income	651	674	(23)	(3.4%)

Three Months Ended September 30:
Net revenues increased $5 million (0.8%), due to higher net pricing (2.5 pp) and favorable currency (1.0 pp), partially offset by lower volume (2.2 pp) and unfavorable mix (0.5 pp). Net revenues increased due to higher net pricing in dry packaged desserts, pourable salad dressings and ready-to-eat desserts. Net revenues growth was partially offset by lower shipments in pourable and spoonable salad dressings, dry packaged desserts and ready-to-eat desserts.

Segment operating income increased $8 million (4.5%), due primarily to lower marketing, administration and research costs (including lower marketing support) and lower Restructuring Program charges partially offset by unfavorable volume/mix.

Nine Months Ended September 30:
Net revenues decreased $18 million (0.9%), due primarily to lower volume (1.7 pp) and the impact of divestitures (0.4 pp), partially offset by higher net pricing (1.3 pp). The impact of lower shipments in barbeque sauce, spoonable and pourable salad dressings and dry packaged desserts was partially offset by higher net pricing in spoonable salad dressings and dry packaged desserts.

Segment operating income decreased $23 million (3.4%), due primarily to unfavorable volume/mix.

North America Snacks & Cereals

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 1,655	$ 1,585	$ 70	4.4%
Segment operating income	240	255	(15)	(5.9%)

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 4,812	$ 4,729	$ 83	1.8%
Segment operating income	754	666	88	13.2%

Three Months Ended September 30:
Net revenues increased $70 million (4.4%), due to favorable mix (2.4 pp), higher volume (1.6 pp), higher net pricing (0.6 pp) and favorable currency (0.6 pp), partially offset by the impact of the pet snack and hot cereal divestitures (0.8 pp). Biscuit net revenues increased, driven by favorable mix in cookies and crackers and higher volume, due to new product introductions including *Oreo Cakesters*, *Lorna Doone* 100 Calorie Packs and *Garden Harvest* Toasted Chips, as well as base volume gains in *Triscuits* and *Chips Ahoy!*. Net revenues growth in bars was driven by higher volume due to the introduction of *Nabisco* 100 Calorie and *Back to Nature* bars. Net revenues growth in snack nuts was driven by favorable mix and higher volume due to new products, as well as base volume growth in *Planters*.

Segment operating income decreased $15 million (5.9%), due primarily to higher manufacturing costs and higher marketing, administration and research costs (including higher marketing support), partially offset by favorable volume/mix.

Nine Months Ended September 30:
Net revenues increased $83 million (1.8%), due primarily to favorable mix (2.4 pp) and higher volume (1.7 pp), partially offset by the impact of divestitures (2.5 pp). Favorable mix and higher shipments in cookies and crackers due to new product introductions drove higher net revenues. Bar net revenues increased due to new product introductions and continued success of *South Beach Diet* bars. Snack nuts net revenues increased due to favorable mix and new product introductions.

Segment operating income increased $88 million (13.2%), due primarily to 2006 asset impairment charges related to the divested pet snacks and hot cereal assets and trademarks, favorable volume/mix and lower Restructuring Program charges. These favorabilities were partially offset by higher marketing, administration and research costs (including higher marketing support) and the impact of divestitures.

European Union

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 1,855	$ 1,544	$ 311	20.1%
Segment operating income	129	347	(218)	(62.8%)

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 5,446	$ 4,550	$ 896	19.7%
Segment operating income	372	562	(190)	(33.8%)

Three Months Ended September 30:
Net revenues increased $311 million (20.1%), due to the impact of the UB acquisition (8.2 pp), favorable currency (7.0 pp), higher volume (4.7 pp) and favorable mix (2.8 pp), partially offset by lower net pricing (2.6 pp). Net revenues increased, driven by volume growth (partially the result of unseasonably cool weather across Europe) and favorable mix in chocolate, coffee and cheese due to new product introductions and higher marketing support. Lower net pricing reflects higher promotional spending in chocolate (premium products), coffee (primarily in Central Europe) and cheese.

Segment operating income decreased $218 million (62.8%), due primarily to the prior year gain on the redemption of our UB investment, lower net pricing, higher marketing, administration and research costs and higher commodity costs. Partially offsetting these unfavorabilities were favorable volume/mix, lower Restructuring Program charges, favorable currency and the impact of the UB acquisition.

Nine Months Ended September 30:
Net revenues increased $896 million (19.7%), due to favorable currency (9.0 pp), the impact of the UB acquisition (7.4 pp), higher volume (3.1 pp) and favorable mix (2.2 pp), partially offset by lower net pricing (2.0 pp). Volume related growth and favorable mix were driven by premium chocolate, due to new product introductions and promotional activities, and higher shipments in mainstream coffee and cheese. Lower net pricing reflects higher promotional spending in chocolate, cheese and coffee (primarily in Germany).

Segment operating income decreased $190 million (33.8%), due primarily to the prior year gain on the redemption of our UB investment, lower net pricing, higher marketing, administration and research costs and higher commodity costs. Partially offsetting these unfavorabilities were favorable volume/mix, favorable currency, the impact of the UB acquisition, lower fixed manufacturing costs and lower Restructuring Program charges.

Developing Markets

	For the Three Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 1,321	$ 1,108	$ 213	19.2%
Segment operating income	137	122	15	12.3%

	For the Nine Months Ended September 30,			
	2007	2006	$ change	% change
	(in millions)			
Net revenues	$ 3,757	$ 3,256	$ 501	15.4%
Segment operating income	366	255	111	43.5%

Three Months Ended September 30:
Net revenues increased $213 million (19.2%), due primarily to higher volume (7.3 pp), favorable currency (6.1 pp) and higher net pricing (5.7 pp). In Eastern Europe, Middle East & Africa, net revenues increased, driven by growth in coffee and chocolate, pricing in Russia, Romania and Ukraine and favorable currency. Latin American net revenues increased, driven by favorable volume/mix and pricing in Brazil, favorable volume/mix and higher pricing in Argentina and higher pricing and volume in Venezuela. In Asia Pacific, net revenues increased, due primarily to higher volume in China and Southeast Asia and currency.

Segment operating income increased $15 million (12.3%), due primarily to the contribution of higher pricing and favorable volume/mix, partially offset by higher marketing, administration and research costs (including higher marketing support), higher manufacturing costs and higher Restructuring Program costs.

Nine Months Ended September 30:
Net revenues increased $501 million (15.4%), due primarily to higher net pricing (5.1 pp), higher volume (4.3 pp), favorable currency (4.1pp) and favorable mix (1.7 pp). In Eastern Europe, Middle East & Africa, net revenues increased due to higher pricing and growth in coffee and chocolate in Russia, Romania and Ukraine. In Latin America, net revenues increased due to higher pricing and favorable volume/mix, particularly in Brazil, Venezuela and Argentina. In Asia Pacific, net revenues increased, due primarily to currency and volume growth in China and Southeast Asia.

Segment operating income increased $111 million (43.5%), due primarily to higher pricing, favorable volume/mix, lower Restructuring Program costs, favorable currency and a 2006 asset impairment charge related to the biscuits assets in Egypt. This favorability was partially offset by higher marketing, administration and research costs (including higher marketing support costs) and higher commodity costs.

Liquidity

Net Cash Provided by Operating Activities:
During the first nine months of 2007, operating activities provided $2,280 million net cash, compared with $2,796 million in the comparable 2006 period. Operating cash flows decreased in the first nine months of 2007 in comparison with the same period in 2006 primarily because of $328 million in higher working capital costs and the $405 million 2006 tax reimbursement from Altria related to the closure of a tax audit. The working capital increases were primarily due to higher commodity costs. The decrease in operating cash flows was partially offset by the $305 million tax transfer from Altria for the federal tax contingencies held by them, less the impact of federal reserves reversed due to the adoption of FASB Interpretation No. 48. This amount is reflected within other in our condensed consolidated statements of cash flows.

Net Cash Used in Investing Activities:
During the first nine months of 2007, net cash used in investing activities was $640 million, compared with $69 million provided by investing activities in the first nine months of 2006. The increase in cash used in investing activities primarily relates to lower proceeds from the sales of businesses and higher capital expenditures in 2007. During the first nine months of 2007, we received proceeds of $203 million from the sales of hot cereal assets and trademarks, as well as sugar confectionery assets in Romania and related trademarks. During the first nine months of 2006, we sold our pet snacks brand and assets, industrial coconut assets, certain Canadian assets and a small U.S. biscuit brand for $674 million in proceeds.

Capital expenditures for the first nine months of 2007 were $858 million, compared with $687 million in the first nine months of 2006. We expect full-year capital expenditures to be in line with 2006 expenditures of $1.2 billion, including capital expenditures required for the Restructuring Program and systems investments. We continue to fund these expenditures from operations.

Net Cash Used in Financing Activities:
During the first nine months of 2007, we used $1,403 million net cash in financing activities, compared with $2,556 million that we used during the first nine months of 2006. The decrease in net cash used in financing activities is due primarily to the $3.5 billion long-term debt offering and the $1.4 billion increase of net commercial paper issuances, partially offset by a $2.2 billion increase in our Common Stock share repurchases and the $1.4 billion repayment of long-term debt that matured in 2007.

Debt:
Our total debt was $13.5 billion at September 30, 2007, and $10.8 billion at December 31, 2006. Our total debt balance at December 31, 2006, included amounts due to Altria and affiliates. Our debt-to-capitalization ratio was 0.33 at September 30, 2007, and 0.27 at December 31, 2006.

In August 2007, we issued $3.5 billion of senior unsecured notes. We used the net proceeds ($3,462 million) from the sale of the offered securities for general corporate purposes, including the repayment of outstanding commercial paper. Refer to Note 10, *Debt and Borrowing Arrangements*, for further details of the $3.5 billion debt offering.

At September 30, 2007 we had no short-term amounts payable to Altria and affiliates for transition services. At December 31, 2006 we had short-term amounts payable to Altria and affiliates of $607 million, which included $364 million of accrued dividends. Prior to the Distribution, the amounts payable to Altria generally included accrued dividends, taxes and service fees.

Credit Ratings:
Subsequent to the announcement of our binding offer to acquire Danone Biscuit, Moody’s downgraded our long-term credit rating from Baa1 to Baa2 with stable outlook and affirmed our short-term credit rating of P-2. Fitch also downgraded our long-term credit rating from A- to BBB+ with a negative outlook and affirmed the short-term credit rating at F2. Standard & Poor’s did not change our short-term credit rating of A-1 and our long-term debt rating of A-, but on October 31, 2007, they placed our ratings on watch negative. There have been no further actions taken on our credit ratings by the major rating agencies.

Credit Lines:
On October 12, 2007, we entered into a 364-day bridge facility agreement for €5.3 billion (approximately $7.5 billion) for our pending acquisition of Danone Biscuit. We intend to reduce borrowings or commitments under this facility with proceeds from the issuance of investment grade bonds or other securities. According to the credit agreement, the commitment of the lenders or drawings under the facility will be reduced by the proceeds from equity offerings and by the net cash proceeds in excess of $1.0 billion from aggregate debt offerings having a maturity of greater than one year. Additionally, drawings under this facility may be reduced by the proceeds in excess of $1.0 billion from the aggregate sale or divestiture of assets. This facility replaces a commitment letter we entered into upon the announcement of the Danone Biscuit acquisition.

On May 24, 2007, we entered into a $1.5 billion, 364-day revolving credit agreement. According to the terms of this credit agreement, it was terminated upon the issuance of the $3.5 billion of senior unsecured notes in August 2007.

We maintain a revolving credit facility that we have historically used for general corporate purposes and to support our commercial paper issuances. We have a $4.5 billion, multi-year revolving credit facility that expires in April 2010. No amounts were drawn on this facility at September 30, 2007.

Our revolving credit facility requires us to maintain a net worth of at least $20.0 billion. At September 30, 2007, we had a $26.9 billion net worth. We expect to continue to meet this covenant. The revolving credit facility has no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security. We refinance long-term and short-term debt from time to time. The nature and amount of our long-term and short-term debt and the proportionate amount of each varies as a result of future business requirements, market conditions and other factors.

In addition to the above, some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. These credit lines amounted to approximately $1.2 billion at September 30, 2007. At September 30, 2007, borrowings on these lines amounted to approximately $178 million.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the guarantees that are discussed below and the contractual obligations that are discussed below and in our Annual Report on Form 10-K for the year ended December 31, 2006.

Guarantees:
As discussed in Note 8, *Contingencies*, we have third-party guarantees because of our acquisition, divestiture and construction activities. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At September 30, 2007, our third-party guarantees were approximately $30 million, of which approximately $7 million have no specified expiration dates. Substantially all of the remainder expire at various times through 2016. We had a liability of $24 million on our condensed consolidated balance sheet at September 30, 2007, relating to these guarantees.

In addition, at September 30, 2007, we were contingently liable for $168 million of guarantees related to our own performance. These include surety bonds related to dairy commodity purchases and guarantees related to the payment of custom duties and taxes, and letters of credit.

Guarantees do not have, and we do not expect them to have, a significant impact on our liquidity.

Aggregate Contractual Obligations:
Our Annual Report on Form 10-K for the year ended December 31, 2006, contains a table that summarizes our known obligations to make future payments. Other than the items discussed below, there have been no significant changes to our future payment obligations since December 31, 2006.

As of September 30, 2007, our total liability for income taxes, including uncertain tax positions and associated accrued interest, was approximately $918 million. We expect to pay $81 million in the next 12 months. We are not able to reasonably estimate the timing of future cash flows beyond 12 months due to uncertainties in the timing of tax audit outcomes.

The following table summarizes our contractual obligations with respect to long-term debt and interest expense at September 30, 2007:

	Payments Due for the Year Ended September 30,				
	Total	2008	2009-10	2011-12	2013 and Thereafter
			(in millions)		
Long-term debt [1]	$ 10,654	$ 20	$ 1,963	$ 3,705	$ 4,966
Interest expense [2]	5,537	624	1,155	892	2,866

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

(2) Amounts represent the expected cash payments of our interest expense on our long-term debt. An insignificant amount of interest expense was excluded from the table for a portion of our foreign debt due to the complexities involved in forecasting expected interest payments. Interest calculated on our variable rate debt was forecasted using a LIBOR rate forward curve analysis.

We believe that our cash from operations and our existing credit facility will provide sufficient liquidity to meet our working capital needs (including the cash requirements of the Restructuring Program), planned capital expenditures, future contractual obligations and payment of our anticipated quarterly dividends.

Equity and Dividends

Stock Repurchases:
Our Board of Directors authorized the following Common Stock repurchase programs. We are not obligated to repurchase any of our Common Stock and may suspend any program at our discretion.

Share Repurchase Program authorized by the Board of Directors	$5.0 billion	$2.0 billion
Authorized/Completed period for repurchase	April 2007 – March 2009	March 2006 – March 2007
Aggregate cost of shares repurchased in third quarter 2007 (millions of shares)	$1.0 billion (30.2 shares)	
Aggregate cost of shares repurchased in 2007 (millions of shares)	$3.0 billion (90.9 shares)	$140 million (4.4 shares)
Aggregate cost of shares repurchased life-to-date under program (millions of shares)	$3.0 billion (90.9 shares)	$1.1 billion (34.7 shares)

The total repurchases under the above programs for the first nine months of 2007 were 95.3 million shares for approximately $3.1 billion.

Additionally, in March 2007, we repurchased 1.4 million shares of our Common Stock from Altria at a cost of $46.5 million. We paid $32.085 per share, which was the average of the high and the low price of Kraft Common Stock as reported on the NYSE on March 1, 2007. This repurchase was in accordance with the Distribution agreement.

Stock Awards:
As discussed in Note 6, *Stock Plans*, our Board of Directors approved a stock option grant to Irene Rosenfeld on May 3, 2007, to recognize her election as our Chairman. Ms. Rosenfeld received 300,000 stock options under the 2005 Performance Incentive Plan, which vest under varying market and service conditions and expire ten years after the grant date.

Based upon the number of Altria stock awards outstanding at Distribution, we granted stock options for approximately 24.1 million shares of Common Stock at a weighted-average price of $15.75. The options expire between 2007 and 2012. In addition, we issued approximately 3.0 million shares of restricted stock and stock rights. The market value per restricted share or right was $31.66 on the date of grant. Restrictions on the majority of these restricted stock and stock rights lapse in either the first quarter of 2008 or 2009.

In January 2007, we issued approximately 5.2 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees as part of our annual incentive program. Restrictions on these shares and rights lapse in the first quarter of 2010. The market value per restricted share or right was $34.655 on the date of grant. Additionally, in the normal course of business we issued approximately 0.1 million shares of restricted stock and stock rights during the nine months ended September 30, 2007. The weighted-average market value per restricted share or right was $32.987 on the date of grant. The total number of restricted shares and rights issued in the nine months ended September 30, 2007 was 8.3 million, including those issued as a result of the Distribution.

Dividends:
We paid dividends of $1,214 million in the first nine months of 2007 and $1,150 million in the first nine months of 2006. The 6% increase reflects a higher dividend rate in 2007, partially offset by a lower number of shares outstanding because of share repurchases. In the third quarter of 2007, our Board of Directors approved an 8.0% increase in the current quarterly dividend rate to $0.27 per share on our Common Stock. As a result, our present annualized dividend rate is $1.08 per common share. The declaration of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors that our Board of Directors deems relevant to its analysis and decision-making.

Business Environment

We face challenges that could negatively affect our businesses, performance or financial condition. These challenges, discussed briefly below and in more detail under the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2006, include:

- the intense competition for our products and markets, including price gaps with competitor products, the increasing price-consciousness of consumers and the increasing use of private-label products;
- the continuing consolidation of our customers' businesses that create large sophisticated customers with increased buying power that are capable of operating with decreased inventories;
- the increasing costs of the raw materials we use to make our products;
- having international business operations that require us to comply with numerous international laws and regulations, subject us to fluctuations in international currencies and make our sales vulnerable to tariffs, quotas, trade barriers and other similar restrictions;
- our ability to meet changing consumer preferences and our continuing ability to introduce new and improved products; and
- increased regulations and concerns about food safety, quality and health, including genetically modified organisms, trans-fatty acids and obesity.

2007 Outlook:

Expectations for fully diluted EPS of $1.60 to $1.62 are unchanged from those announced at the Lehman Brothers Back-To-School Consumer Conference. We remain on track for incremental investments in growth of $300-$400 million, and this guidance reflects a third quarter impairment charge related to the divestiture of our flavored water and juice brand assets and related trademarks of $0.03 per diluted share. It also reflects $0.03 per diluted share from the first quarter 2007 recognition of interest income related to tax reserve transfers from Altria, and $0.20 per diluted share in costs related to the Restructuring Program, down $0.03 from previous guidance.

Spending related to our Restructuring Program is now expected to total approximately $500 million in 2007, down from a previous expectation of $575 million. Additionally, cumulative annualized savings from the Restructuring Program are expected to reach approximately $775 million by year-end, up from previous guidance of $725 million, due to more effective execution of initatives implemented to date. Through September 30, 2007, cumulative annualized savings totaled approximately $720 million, up from approximately $540 million at the end of 2006.

Also reflected in our guidance, we now expect our 2007 full-year effective tax rate to average 31.8%, down from a previous expectation of 33.5%, largely due to the impairment charge related to the divestiture of our flavored water and juice brand assets and related trademarks and foreign tax law changes.

The factors described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2006, represent continuing risks to these forecasts.

Significant Accounting Estimates

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies are described in Note 2 to our consolidated financial statements in our 2006 Annual Report on Form 10-K. Our significant accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2006 Annual Report on Form 10-K. The impact of new accounting standards is discussed in the following section. There were no other changes in our accounting policies in the current period that had a material impact on our financial statements.

New Accounting Standards

See Notes 1 and 15 to the condensed consolidated financial statements for a discussion of new accounting standards.

Contingencies

See Note 8, *Contingencies*, and Part II – Other Information, Item 1. Legal Proceedings for a discussion of contingencies.

Forward-Looking Statements

This report contains forward-looking statements regarding our long-term growth strategy, namely, timing of completion of our implementation of our new structure, expected job eliminations, where to invest to best accelerate our growth, exploring options for divestitures and sales, the growth trends we see in the food industry, our planned spending on product quality improvements, new products and increased marketing, combining our direct store delivery and warehouse delivery to drive faster growth, creation of sustainable competitive advantage with Wall-to-Wall and our expected incremental revenue growth, our plan to build profitable scale, our plan to contain administrative overhead costs, our intent to further expand margins, and with regard to our Restructuring Program, our expected completion date and expected savings; with regard to our Restructuring Program, our expected pre-tax charges, our intent to close up to 40 facilities, the use of cash to pay approximately $1.9 billion of the total $3.0 billion charges, our intent to eliminate approximately 14,000 positions and our expected spending and cumulative annualized savings; our expectation regarding the closing and timing for closing the Danone Biscuit acquisition; expected annual lost tax benefits due to filing separately from Altria; full year capital expenditures and funding; our intent to use a bridge facility to finance the Danone Biscuit acquisition and our intent to reduce borrowings or commitments under the facility with proceeds from the issuance of investment grade bonds or other securities; our expectation to continue to meet financial covenants under our revolving credit facility; the effect of guarantees on our liquidity; our expected payment of income tax liability in the next 12 months; our expected cash payments of interest on long-term debt; our belief about our liquidity, and specifically our ability to meet our working capital needs, planned capital expenditures, future contractual obligations and payment of anticipated quarterly dividends; our 2007 Outlook, specifically diluted EPS, incremental investments in growth, savings and spending related to our Restructuring Program; and our 2007 full-year effective tax rate.

These forward-looking statements involve risks and uncertainties, and the cautionary statements in the “Business Environment” section of this report preceding our 2007 Outlook, as well as those set forth below and those contained in the “Risk Factors” found in our Annual Report of Form 10-K for the year ended December 31, 2006, identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Such factors, include, but are not limited to, unexpected safety or manufacturing issues, FDA or other regulatory actions or delays, delay in closing the Danone Biscuit acquisition, increased competition, pricing pressures and actions, difficulty in obtaining materials from suppliers, the rising cost of raw materials that we use in manufacturing our products, the ability to supply products and meet demand for our products, our ability to protect our intellectual and other proprietary rights, our ability to retain key employees, our ability to realize the expected cost savings from our planned Restructuring Program, unanticipated expenses such as litigation or legal settlement expenses, increased costs of sales, our indebtedness and ability to pay our indebtedness, the shift in product mix to lower margin offerings, our ability to differentiate our products from private label products, risks from operating internationally and changes in tax laws. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Kraft operates globally, with manufacturing and sales facilities in various locations around the world. We use certain financial instruments to manage our commodity and foreign currency exposures, principally to reduce exposure to fluctuations in commodity prices and foreign exchange rates by creating offsetting exposures. Our derivative holdings fluctuate during the year based on normal and recurring changes in purchasing and production activity. We occasionally use related futures to cross-hedge a commodity exposure, however we are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes.

Other than the items disclosed above and in Note 13, *Financial Instruments*, there have been no significant changes in our commodity or foreign currency exposures since December 31, 2006. Additionally, there have been no other changes in the types of derivative instruments used to hedge those exposures.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Management, together with our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

Management, together with our Chief Executive Officer and Chief Financial Officer, evaluated the changes in our internal control over financial reporting during the quarter ended September 30, 2007. In April 2006, we entered into a seven-year agreement to receive information technology services from Electronic Data Systems ("EDS"). Pursuant to this agreement, we transitioned some of our processes and procedures into the EDS control environment during the quarter ended September 30, 2007. As we migrate to the EDS environment, our management ensures that our key controls are mapped to applicable EDS controls, tests transition controls prior to the migration date of those controls, and as appropriate, maintains and evaluates controls over the flow of information to and from EDS. We expect the transition period to continue through 2008. We determined that there were no other changes in our internal control over financial reporting during the quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are defendants in a variety of legal proceedings. Plaintiffs in a few of those cases seek substantial damages. We cannot predict with certainty the results of these proceedings. However, we believe that the final outcome of these proceedings will not materially affect our financial results.

In October 2002, Mr. Mustapha Gaouar and five other family members (collectively "the Gaouars") filed suit in the Commercial Court of Casablanca against Kraft Foods Maroc and Mr. Omar Berrada claiming damages of approximately $31 million arising from a non-compete undertaking signed by Mr. Gaouar allegedly under duress. The non-compete clause was contained in an agreement concluded in 1986 between Mr. Gaouar and Mr. Berrada acting for himself and for his group of companies, including Les Cafes Ennasr (renamed Kraft Foods Maroc), which Kraft Foods International, Inc. acquired from Mr. Berrada in 2001. In June 2003, the court issued a preliminary judgment against Kraft Foods Maroc and Mr. Berrada holding that the Gaouars are entitled to damages for being deprived of the possibility of engaging in coffee roasting from 1986 due to such non-compete undertaking. At that time, the court appointed two experts to assess the amount of damages to be awarded. In December 2003, these experts delivered a report concluding that they could see no evidence of loss suffered by the Gaouars. The Gaouars asked the court that this report be set aside and new court experts be appointed. On April 15, 2004, the court delivered a judgment upholding the defenses of Kraft Foods Maroc and rejecting the claims of the Gaouars. The Gaouars appealed this judgment, and in July 2005, the Court of Appeal gave judgment in favor of Kraft Foods Maroc confirming the decision rendered by the Commercial Court. On November 29, 2005, the Gaouars filed their further appeal to the Moroccan Supreme Court. The Moroccan Supreme Court hearing took place on February 21, 2007. The case was transferred to the judges of both chambers of the Moroccan Supreme Court. On October 3, 2007, in final judgment of this matter, the Moroccan Supreme Court dismissed the Gaouars April 15, 2004 appeal in its entirety. This matter is now closed, and we intend to pursue recovery of all court costs and expenses that we incurred.

On August 27, 2007, The Procter & Gamble Company ("P&G") filed suit in the United States District Court for the Northern District of California against our wholly-owned subsidiary, Kraft Foods Global, Inc. ("KFGI"), for patent infringement. P&G alleges that the plastic packaging for our Maxwell House® brand coffee infringes their U.S. Patent Number 7,169,418, entitled "Packaging System to Provide Fresh Packed Coffee" ("P&G Patent"). P&G seeks, among other things, preliminary and permanent injunctions enjoining our use of the alleged infringing plastic packaging, and unspecified damages. The P&G Patent at issue is, at the same time, the subject of a pending *inter partes* reexamination proceeding before the United States Patent and Trademark Office, which could either invalidate, or validate, the patent, in its entirety or in part. For this reason, KFGI filed a Motion to Stay the patent infringement suit on grounds that the outcome of the *inter partes* reexamination could dispose of all or some of the asserted claims. On October 11, 2007, the Court granted KFGI's Motion to Stay, and no further activity is scheduled in this patent infringement suit pending the outcome of the *inter partes* reexamination.

Item 1A. Risk Factors.

There were no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006, in response to Item 1A to Part I of such report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Our share repurchase program activity for each of the three months ended September 30, 2007 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
July 1-31, 2007	–	$ –	60,674,940	$ 3,000,000,826
August 1-31, 2007	12,710,000	$ 32.03	73,384,940	$ 2,592,932,063
September 1-30, 2007	17,476,692	$ 33.93	90,861,632	$ 2,000,000,828
Pursuant to Publicly Announced Plans or Programs	30,186,692			
July 1-31, 2007 (c)	13,357	$ 33.73		
August 1-31, 2007 (c)	2,092	$ 34.32		
September 1-30, 2007 (c)	11,439	$ 33.27		
For the Quarter Ended September 30, 2007	30,213,580	$ 33.13		

(a) In February 2007, we announced a two-year $5.0 billion Common Stock repurchase program. The new program became effective upon the Distribution from Altria. We are not obligated to acquire any amount of our Common Stock and may suspend the program at our discretion.

(b) Aggregate number of shares repurchased under the share repurchase program as of the end of the period presented.

(c) Shares tendered to us by employees who vested in restricted stock and rights, and used shares to pay the related taxes.

Item 6. Exhibits.

10.1	Credit Agreement relating to a EURO 5,300,000,000 Bridge Loan Agreement, among Registrant and Goldman Sachs Credit Partners L.P., JPMorgan Chase Bank, N.A., Credit Suisse, Cayman Islands Branch, HSBC Bank USA, National Association, UBS Securities LLC and Societe Generale dated as of October 12, 2007.
10.2	Form of Kraft Foods Inc. 2005 Performance Incentive Plan Restricted Stock Agreement (Executive Sign-on).
10.3	Offer of Employment Letter between Registrant and Timothy R. McLevish dated August 24, 2007.
10.4	Master Sale and Purchase Agreement between Groupe Danone S.A. and Kraft Foods Global, Inc. dated October 20, 2007.*
12	Statement regarding computation of ratios of earnings to fixed charges.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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/ TIMOTHY R. MCLEVISH

Timothy R. McLevish, Executive Vice President and
Chief Financial Officer

November 2, 2007

EXHIBIT 10.1

EXECUTION COPY

€5,300,000,000

BRIDGE LOAN AGREEMENT

Dated as of October 12, 2007

Among

KRAFT FOODS INC.

and

THE INITIAL LENDERS NAMED HEREIN

and

JPMORGAN CHASE BANK, N.A.

as Administrative Agent

and

GOLDMAN SACHS CREDIT PARTNERS L.P.

as Syndication Agent

and

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,

HSBC BANK USA, NATIONAL ASSOCIATION,

UBS SECURITIES LLC,

SOCIÉTÉ GÉNÉRALE

as Documentation Agents

* * * * * * * * * *

GOLDMAN SACHS CREDIT PARTNERS L.P., JPMORGAN CHASE BANK, N.A., CREDIT SUISSE, CAYMAN ISLANDS BRANCH, HSBC BANK USA, NATIONAL ASSOCIATION, UBS SECURITIES LLC and SOCIÉTÉ GÉNÉRALE

as Joint Lead Arrangers and Joint Bookrunners

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BRIDGE LOAN AGREEMENT

Dated as of October 12, 2007

KRAFT FOODS INC., a Virginia corporation ("Kraft"), the banks, financial institutions and other institutional lenders listed on the signature pages hereof (the "Initial Lenders"), the other Lenders (as hereinafter defined) party hereto from time to time, JPMORGAN CHASE BANK, N.A. ("JPMorgan Chase"), as administrative agent (in such capacity, the "Administrative Agent"), GOLDMAN SACHS CREDIT PARTNERS L.P., as syndication agent (in such capacity, the "Syndication Agent"), and CREDIT SUISSE, CAYMAN ISLANDS BRANCH, HSBC BANK USA, NATIONAL ASSOCIATION, UBS SECURITIES LLC and SOCIÉTÉ GÉNÉRALE as documentation agents (each, in such capacity, a "Documentation Agent") for the Lenders, agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01. Certain Defined Terms. As used in this bridge loan agreement (as the same may be amended, restated, waived, supplemented or otherwise modified from time to time, 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):

"Acquisition" means the acquisition by Kraft and/or one or more of its Subsidiaries of the biscuit business of Groupe Danone S.A. from Groupe Danone S.A., pursuant to the terms of the Acquisition Agreement.

"Acquisition Agreement" means that certain acquisition agreement (or similar agreement) to be entered into between Kraft (and/or any of its wholly-owned Subsidiaries), as buyer, and Groupe Danone S.A. (and/or any of its affiliates), as seller, providing for the acquisition of the biscuit business of Groupe Danone S.A., as the same may be amended, restated, waived, supplemented or otherwise modified from time to time.

"Administrative Agent Account" means (a) in the case of LIBOR Advances, the account of the Administrative Agent, maintained by the Administrative Agent, at its office at 1111 Fannin Street, Floor 10, Houston, Texas 77002, Attention: Katie Rose, or (b) in the case of EURIBOR Advances, the account of the Administrative Agent, maintained by the Administrative Agent, at its office at 125 London Wall, Floor 9, EC2Y 5AJ London, Attention: Maxine Graves/Stephen Clarke, or (c) such other account of the Administrative Agent, as is designated in writing from time to time by the Administrative Agent, to Kraft and the Lenders for such purpose.

"Advance" means an advance by a Lender to a Borrower as part of a Borrowing and refers either (a) in the case of an Advance denominated in Euros, to a EURIBOR Advance or (b) in the case of an Advance denominated in Dollars, to a Base Rate Advance or a LIBOR Advance (each of which shall be a "Type" of an Advance).

"Agents" means, collectively, the Administrative Agent, the Syndication Agent and the Documentation Agents.

"Applicable Interest Rate Margin" means, for any Interest Period, a percentage per annum equal to 0.25%.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office or Eurocurrency Lending Office, as the case may be.

"Asset Sale" means the sale, transfer, license, lease or other disposition of any property by any Person (including any sale and leaseback transaction and any sale of capital stock, but excluding any issuance by such Person of its own capital stock), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by the 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:

(i) the rate of interest announced publicly by JPMorgan Chase in New York, New York, from time to time, as JPMorgan Chase's prime rate; and

(ii) 1/2 of 1% per annum above the Federal Funds Effective Rate.

"Base Rate Advance" means an Advance that bears interest as provided in Section 2.04(a)(ii)(x).

"Board" means the Board of Governors of the Federal Reserve System of the United States of America (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 borrowing consisting of simultaneous Advances of the same Type made, Converted or continued on the same date and, in the case of Eurocurrency Rate Advances, as to which a single Interest Period is in effect.

"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 (a) any LIBOR Advance, on which dealings are carried on in the London interbank market and banks are open for business in London and (b) any EURIBOR Advance, on any TARGET Day that is also a day on which banks are open for business in London.

"Casualty" means any casualty, damage, destruction or other similar loss with respect to real or personal property or improvements.

"Closing Date" means the date on which the conditions in Section 3.02 are satisfied (or waived in accordance with Section 9.01).

"Commitment" means, as to any Lender, (a) the Euro amount set forth opposite such Lender's name on Schedule I hereto, or (b) if such Lender has entered into an Assignment and Acceptance, the Euro amount set forth for such Lender in the Register by the Administrative Agent pursuant to Section 9.07(d), in each case as such amount may be reduced pursuant to Section 2.10.

"Condemnation" means any taking by a governmental authority of property or assets, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, by reason of any public improvement or condemnation or in any other manner.

"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 GAAP.

"Convert," "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.06, Section 2.07 or Section 2.11.

"Credit Documents" means any of this Agreement, the Notes (if any) and the Designation Agreements (if any).

"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 of America, 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.

"Debt Issuance" means the issuance or incurrence by Kraft or any of its wholly-owned Subsidiaries of any Debt, or any convertible or hybrid securities, in each case in excess of $100,000,000 per issuance or incurrence or related or series of issuances or incurrences as part of the same transaction (and in the case of any such issuance or incurrence comprising a revolving working capital credit facility, only to the extent any such related or series of incurrences or issuances as part of the same transaction results in outstanding Debt under such revolving working capital credit facility in excess of $100,000,000), other than Debt or convertible or hybrid securities (a) incurred under the Existing 5-Year Credit Agreement in an aggregate principal amount (together with accrued interest thereon) not to exceed $4,500,000,000, (b) incurred under other credit facilities in effect prior to July 2, 2007, without giving effect to any increases in the aggregate principal amount thereof as of such date, (c) issued or incurred under the

commercial paper program of Kraft, or (d) issued or incurred by Kraft in an aggregate principal amount not to exceed $1,000,000,000, the proceeds of which shall be used by Kraft to refinance Debt of Kraft or its Subsidiaries.

"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 E hereto signed by such Designated Subsidiary and Kraft.

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

"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 II 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 the Administrative Agent.

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

"Eligible Assignee" means (a) a commercial bank organized under the laws of the United States of America, or any State thereof, and having total assets in excess of $5,000,000,000; (b) 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; (c) the central bank of any country which is a member of the OECD; (d) a commercial finance company or finance Subsidiary of a corporation organized under the laws of the United States of America, or any State thereof, and having total assets in excess of $3,000,000,000; (e) an insurance company organized under the laws of the United States of America, or any State thereof, and having total assets in excess of $5,000,000,000; (f) any Lender; (g) an affiliate of any Lender; and (h) any other bank, commercial finance company, insurance company or other Person approved in writing by Kraft, which approval shall be notified to the Administrative Agent.

"EMU Legislation" means the legislative measures of the European Council for the introduction of, or changeover to, an operation of a single or unified European currency.

"Equity Capital Markets Transaction" means the issuance or sale in a registered public offering, Rule 144A/Regulation S transaction or private placement of capital stock (excluding any convertible or hybrid securities, but including any other equity-linked securities) of Kraft, other than issuances pursuant to employee stock plans of Kraft.

"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 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 termination of a Plan by the PBGC 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.

"EU Treaty" means the Treaty of Rome signed on March 25, 1957 as amended by the Single European Act 1986 and the Maastricht Treaty signed on February 7, 1992.

"EURIBOR" means, with respect to any Interest Period, an interest rate per annum equal to either:

(a) the offered rate per annum at which deposits in Euros appear on Reuters Screen EURIBOR01 (or any successor page) as of 11:00 A.M. (Brussels time) two Business Days before the first day of such Interest Period for a period equal to such Interest Period as determined by the Banking Federation of the European Union; or

(b) if EURIBOR does not appear on Reuters Screen EURIBOR01 (or any successor page), then EURIBOR 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 Euros are offered by the principal office of each of the Reference Banks to prime banks in the European interbank market as of 11:00 A.M. (Brussels 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 the Administrative Agent, in each case, subject, however, to the provisions of Section 2.07.

"EURIBOR Advance" means an Advance that bears interest as provided in Section 2.04(a)(i).

"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 II 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 the Administrative Agent.

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

"Eurocurrency Rate Advance" means a LIBOR Advance or a EURIBOR Advance.

"Eurocurrency Rate" means (a) with respect to an Interest Period for a LIBOR Advance, LIBOR for the applicable Interest Period, and (b) with respect to an Interest Period for a EURIBOR Advance, EURIBOR for the applicable Interest Period.

"Eurocurrency Rate Reserve Percentage" for any Interest Period, for all LIBOR Advances or EURIBOR Advances, as the case may be, owing to a Lender which is a member of the Federal Reserve System, means the reserve percentage applicable for such Lender 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 such LIBOR Advances or EURIBOR Advances, as the case may be, is determined) having a term equal to such Interest Period.

"Euros" and "€" each means the single currency of the Participating Member States of the European Union introduced in accordance with the procedures of Article 109(i)(4) of the EU Treaty.

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

"Exempted Asset Sale" means an Asset Sale (a) comprising a sale, transfer, license, lease or other disposition of inventory, plants, equipment and other property (including cash and cash equivalents) in the ordinary course of business, (b) comprising a substantially simultaneous transfer of properties or assets by Kraft or any of its Major Subsidiaries in which the consideration received by the transferor consists of properties or assets (other than cash or credit) of equivalent fair market value that will be used in a line of business similar to the business of Kraft or any of such Major Subsidiaries engaged in on the Effective Date or reasonably related, ancillary or complementary thereto, (c) of a Foreign Subsidiary (other than a Designated Subsidiary that is a Foreign Subsidiary) pursuant to which a dividend or distribution of the Net Cash Proceeds thereof to Kraft would result in adverse tax consequences for Kraft or its Subsidiaries, or (d) for which the Net Proceeds thereof do not exceed $50,000,000 per Asset Sale or related or series of Asset Sales.

"Existing 5-Year Credit Agreement" means Kraft's existing U.S. $4,500,000,000 5-Year revolving credit agreement, dated as of April 15, 2005, as the same may be amended, restated, replaced, waived, supplemented or otherwise modified from time to time.

"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 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 the Administrative Agent, from three Federal funds brokers of recognized standing selected by it.

"Foreign Subsidiary" means, with respect to any Person, each Subsidiary of such Person that is not organized under the laws of the United States of America or any political subdivision or any territory thereof.

"GAAP" has the meaning set forth in Section 1.03.

"Home Jurisdiction Non-U.S. Withholding Taxes" means in the case of a Designated Subsidiary that is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code, withholding taxes imposed by the jurisdiction under the laws of which such Designated Subsidiary is organized or any political subdivision thereof.

"Home Jurisdiction U.S. Withholding Taxes" means in the case of Kraft and a Designated Subsidiary that is a "United States person" within the meaning of Section 7701(a)(30) of the Internal Revenue Code, withholding for United States income taxes, United States back-up withholding taxes and United States withholding taxes.

"Interest Period" means, for each Eurocurrency Rate Advance, the period commencing on the date of such Eurocurrency Rate Advance or the date of Conversion of any Base Rate Advance into a LIBOR Advance and ending on the last day of the period selected by the Borrower requesting such Eurocurrency Rate Advance pursuant to the provisions below. Subject to any requirement for a seven day Interest Period set forth in Sections 2.06(a)(ii) or (b)(ii), the duration of each such Interest Period shall be one, two, three or six months, as such Borrower may select upon notice received by the Administrative Agent, not later than (x) 11:00 A.M. (New York City time) in the case of LIBOR Advances or (y) 11:00 A.M. (London time) in the case of EURIBOR Advances, in each case, 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 Maturity 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 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.

"Lead Arrangers" means each of Goldman Sachs Credit Partners L.P., JPMorgan Chase, Credit Suisse, Cayman Islands Branch, HSBC Bank USA, National Association, UBS Securities LLC and Société Générale.

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

"LIBOR" means, with respect to any Interest Period, an interest rate per annum equal to either:

(a) the offered rate per annum at which deposits in Dollars appear on Reuters Screen LIBOR01 Page (or any successor page) as of 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period equal to such Interest Period; or

(b) if LIBOR does not appear on Reuters Screen LIBOR01 Page (or any successor page), then LIBOR 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 the Administrative Agent, subject, however, to the provisions of Section 2.07.

"LIBOR Advance" means an Advance that bears interest as provided in Section 2.04(a)(ii)(y).

"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 of America 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.

"Mandatory Cost" means the percentage rate per annum calculated in accordance with Schedule III.

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

"Maturity Date" means the date occurring 364 days after the Closing Date.

"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 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.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale (i) the gross amount of all cash proceeds actually paid to or actually received by Kraft or one or more of its Major Subsidiaries in respect of such Asset Sale (including any cash proceeds received as income or other proceeds of any non-cash proceeds of any Asset Sale as and when received), less (ii) the sum of (w) the amount, if any, of all taxes (other than income taxes) and all income taxes (as estimated in good faith by a senior financial or senior accounting officer of Kraft giving effect to the overall tax position of Kraft and its Subsidiaries) (to the extent that the amount of such taxes shall have been set aside for the purpose of paying such taxes when due), and customary fees, brokerage fees, commissions, costs and other expenses (other than those payable to Kraft or one or more of its Major Subsidiaries) that are incurred in connection with such Asset Sale and are payable by Kraft or one or more of its Major Subsidiaries, but only to the extent not already deducted in arriving at the amount referred to in clause (i) above, (x) appropriate amounts that must be set aside as a reserve in accordance with GAAP against any liabilities associated with such Asset Sale, (y) if applicable, the principal amount, prepayment premium or penalty, if any, and accrued but unpaid interest on any Debt secured by a Lien permitted under this Agreement that has been repaid or refinanced in accordance with its terms with the proceeds of such Asset Sale, and (z) any payments to be made by Kraft or one or more of its Major Subsidiaries as agreed between Kraft or such Major Subsidiaries, as applicable, and the purchaser of any assets subject to an Asset Sale in connection therewith; and

(b) with respect to any Equity Capital Markets Transaction or Debt Issuance, the gross amount of cash proceeds paid to or received by a Borrower in respect of such Equity Capital Markets Transaction or by any Borrower or one or more of its wholly-owned Subsidiaries in respect of such Debt Issuance, as the case may be (including cash proceeds as and when subsequently received at any time in respect of such Equity Capital Markets Transaction or Debt Issuance from non-cash consideration initially received or otherwise), net of underwriting discounts and commissions or placement fees, investment banking fees, legal fees, consulting fees, accounting fees and other customary fees and expenses directly incurred by the applicable Borrower or one or more of its wholly-owned Subsidiaries, as applicable, in connection therewith (other than those payable to a Borrower or one or more of its wholly-owned Subsidiaries).

"Note" means a promissory note of a Borrower payable to the order of any Lender, delivered pursuant to a request made under Section 2.15 in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of such Borrower to such Lender resulting from the Advances made by such Lender to such Borrower.

"Notice of 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 2.13(b).

"Participating Member State" means each state so described in any EMU Legislation.

"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.

"Reference Banks" means JPMorgan Chase, Goldman Sachs Credit Partners L.P., Credit Suisse, Cayman Islands Branch, HSBC Bank USA, National Association, UBS AG, Stamford Branch and Société Générale.

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

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

"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 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.

"Spot Rate" has the meaning specified in Section 1.04.

"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.

"TARGET Day" means any day or which the Trans-European Automated Realtime Gross Settlement Express Transfer payment system is open for settlement of payments in Euros.

"Taxes" has the meaning specified in Section 2.13(a).

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 of America (subject to the exceptions set forth in this Section 1.03, "GAAP"), 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 year ended December 31, 2006, 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%.

Section 1.04. Currency Equivalents Generally. Any amount specified herein (other than in Sections 2.01 and 9.07(a)(ii)) or any of the other Credit Documents to be in Dollars shall also include the equivalent of such amount in Euros and such other currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Administrative Agent at such time on the basis of the Spot Rate (as defined below) for the purchase of such currency with Dollars. For purposes of this Section 1.04, the "Spot Rate" for a currency means the rate determined by the Administrative Agent to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 A.M. (New York City time) on the date two Business Days prior to the date of such determination; provided that the Administrative Agent may obtain such spot rate from another financial institution designated by the Administrative Agent if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES

Section 2.01. The Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make one or more Advances to any Borrower in Euros and/or Dollars (any such Advance in Dollars to be made as the Dollar equivalent of the applicable portion of such Lender's Commitment calculated on the basis of the Spot Rate for Euros on the Closing Date) on the Closing Date in an aggregate principal amount not to exceed such Lender's Commitment.

Section 2.02. Making the Advances.

(a) Notice of Borrowing. To request a Borrowing on the Closing Date, each Borrower requesting a Borrowing (or Kraft on behalf of any other Borrower) shall give the Administrative Agent irrevocable notice in the form of Exhibit B hereto (the "Notice of Borrowing"), which notice shall have been received not later than (x) 11:00 A.M. (New York City time) on the third Business Day prior to the Closing Date, in the case of a Borrowing

consisting of Eurocurrency Rate Advances, or (y) 9:00 A.M. (New York City time) on the Business Day immediately preceding the Closing Date, in the case of a Borrowing consisting of Base Rate Advances, and the Administrative Agent shall give to each Lender prompt notice thereof by telecopier. The Notice of Borrowing may be delivered to the Administrative Agent by telecopier, email or registered mail.

(b) Funding Advances. Each Lender shall, (x) before 11:00 A.M. (New York City time) in the case of Advances denominated in Dollars and (y) before 2:00 P.M. (London time) in the case of Advances denominated in Euros, on the Closing Date make available for the account of its Applicable Lending Office to the Administrative Agent for the account of the applicable Borrower, at the office of the Administrative Agent, in immediately available funds and in Euros in the case of Advances denominated in Euros and in Dollars in the case of Advances denominated in Dollars, such Lender's ratable portion of the Borrowing. After receipt of such funds by the Administrative Agent, and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the applicable Borrower at the office of the Administrative Agent, referred to in Section 9.02.

(c) Independent Lender Obligations. The failure of any Lender to make the Advance to be made by it as part of a Borrowing on the Closing Date shall not relieve any other Lender of its obligation hereunder to make its respective Advance on the Closing Date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the Closing Date.

(d) Irrevocable Notice. Each Notice of Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of LIBOR Advances or EURIBOR Advances, the Borrower requesting such 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 Borrowing for such 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 Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

Section 2.03. Repayment of Advances. Each Borrower shall repay to the Administrative Agent, for the ratable account of each Lender, on the Maturity Date the unpaid principal amount of the Advances of such Lender then outstanding, such repayment to be made in Euros in the case of Advances denominated in Euros and in Dollars in the case of Advances denominated in Dollars.

Section 2.04. Interest on Advances.

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

(i) in the case of Advances denominated in Euros, at a rate per annum equal at all times during each Interest Period for such Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such Advance plus (y) in the case such Advance is made by a Lender from its Eurocurrency Lending Office located in the United Kingdom or a Participating Member State, Mandatory Costs plus (z) 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 Eurocurrency Rate Advance shall be paid in full either prior to or on the Maturity Date; and

(ii) in the case of an Advance denominated in Dollars:

(x) during such periods as such 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 quarterly on the last Business Day of each of March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full either prior to or on the Maturity Date; or

(y) during such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (x) the Eurocurrency Rate for such Interest Period for such 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 Eurocurrency Rate Advance shall be Converted or paid in full either prior to or on the Maturity Date.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, each of the Borrowers shall pay interest on the unpaid principal amount of each Advance owing by such Borrower 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 Advance.

Section 2.05. Additional Interest on LIBOR Advances and EURIBOR 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 LIBOR Advance or EURIBOR Advance, as the case may be, of such Lender made 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 subtracting (i) LIBOR or EURIBOR, as the case may be, for the Interest Period for such Advance from (ii) the rate

obtained by dividing such LIBOR or EURIBOR, as the case may be, 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 the Administrative Agent.

Section 2.06. Conversion of Advances.

(a) Conversion Upon Absence of Interest Period. If any Borrower (or Kraft on behalf of any other Borrower) shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of the term "Interest Period," the Administrative Agent will forthwith so notify such Borrower, Kraft and the Lenders and such Advances will automatically, on the Closing Date or the last day of the then existing Interest Period therefor, as applicable, (i) in the case of a LIBOR Advance, be made as or Convert to a Base Rate Advance and (ii) in the case of a EURIBOR Advance, Convert to a EURIBOR Advance with an Interest Period of seven days.

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

(c) Voluntary Conversion. Subject to the provisions of Section 2.07(c) and Section 2.11, any Borrower may Convert all of such Borrower's Base Advances constituting the same Borrowing into LIBOR Advances on any Business Day or all of such Borrower's LIBOR Advances constituting the same Borrowing into Base Rate Advances on any Business Day, in each case, upon notice given to the 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 LIBOR Advance into a Base Rate Advance may be made on, and only on, the last day of an Interest Period for such LIBOR Advance. No EURIBOR Advances may be Converted into an Advance of any other Type. There shall be no more than five Interest Periods outstanding at any one time. Each such notice of a Conversion shall, within the restrictions specified above, specify:

(i) the date of such Conversion;

(ii) the Advances to be Converted; and

(iii) if such Conversion is into a LIBOR Advance, the duration of the Interest Period for each such Advance.

(d) Continuation of Interest Periods. Subject to the provisions of Section 2.07(c) and Section 2.11, any Borrower may upon the expiration of an Interest Period, elect to continue the applicable Eurocurrency Rate Advance for an additional Interest Period, upon notice to the Administrative Agent in accordance with the definition of "Interest Period".

Section 2.07. Eurocurrency Rate Determination.

(a) Methods to Determine Eurocurrency Rate. The Administrative Agent, shall determine the applicable Eurocurrency Rate by using the methods described in the definition of the term "EURIBOR" or "LIBOR", as applicable, and shall give prompt notice to Kraft and the Lenders of each such Eurocurrency Rate.

(b) Role of Reference Banks. In the event that EURIBOR or LIBOR cannot be determined by the method described in clause (a) of the definition of "EURIBOR" or "LIBOR", respectively, each Reference Bank agrees to furnish to the Administrative Agent timely information for the purpose of determining EURIBOR or LIBOR, as applicable, in accordance with the method described in clause (b) of the applicable definition thereof. If any one or more of the Reference Banks shall not furnish such timely information to the Administrative Agent, for the purpose of determining EURIBOR or LIBOR, the 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 the Administrative Agent for determining EURIBOR or LIBOR for any applicable Eurocurrency Rate Advance, then:

(i) the Administrative Agent shall forthwith notify Kraft and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances;

(ii) if such Eurocurrency Rate Advance is a LIBOR 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;

(iii) if such Eurocurrency Rate Advance is a EURIBOR Advance, then (x) within 15 days after any notice is delivered to Kraft pursuant to clause (i) above, the Administrative Agent and Kraft shall enter into negotiations in good faith with a view to agreeing to an alternative interest rate acceptable to Kraft and the Lenders to make or maintain Advances for the portion of the then existing Interest Period from and after the date specified in such notice as the first date for which the applicable interest rate ceases to be determinable and ending on the last day of such Interest Period and (y) if, at the expiration of 20 days from the giving of notice pursuant to clause (i), the Administrative Agent and Kraft shall not have reached an agreement, then such Advances held by each Lender will bear interest at a rate per annum specified in good faith by such Lender in a certificate (which sets out the details of the computation of the relevant rate) to represent its cost of funds therefor plus the Applicable Interest Rate Margin; and

(iv) the obligation of the Lenders to make EURIBOR Advances or LIBOR Advances, as applicable, or to Convert Base Rate Advances into LIBOR Advances shall be suspended until the Administrative Agent shall notify Kraft and the Lenders that the circumstances causing such suspension no longer exist.

The Administrative Agent shall give prompt notice to Kraft and the Lenders of the applicable interest rate determined by the 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)(i) or (a)(ii)(y) or the applicable EURIBOR or LIBOR.

(c) Inadequate Eurocurrency Rate. If, with respect to any Eurocurrency Rate Advances, the Required Lenders notify the Administrative Agent, that (i) they are unable to obtain matching deposits in (x) the London interbank market at or about 11:00 A.M. (London time) in the case of LIBOR Advances or (y) the European interbank market at or about 11:00 A.M. (Brussels time) in the case of EURIBOR Advances, in each case, on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective Eurocurrency Rate Advances as a part of the Borrowing during the Interest Period therefor or (ii) the Eurocurrency 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 Eurocurrency Rate Advances for such Interest Period (and in the case of this clause (ii), each such Lender shall certify its cost of funds for each Interest Period to the 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), then in each case:

(i) the Administrative Agent shall forthwith notify Kraft and the Lenders that the interest rate cannot be determined for such Eurocurrency Rate Advances;

(ii) if such Eurocurrency Rate Advance is a LIBOR 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;

(iii) if such Eurocurrency Rate Advance is a EURIBOR Advance, then (x) within 15 days after any notice is delivered to Kraft pursuant to clause (i) above, the Administrative Agent and Kraft shall enter into negotiations in good faith with a view to agreeing to an alternative interest rate acceptable to Kraft and the Lenders to make or maintain Advances for the portion of the then existing Interest Period from and after the date specified in such notice as the first date for which the applicable interest rate ceases to be determinable and ending on the last day of such Interest Period and (y) if, at the expiration of 20 days from the giving of notice pursuant to clause (i), the Administrative Agent and Kraft shall not have reached an agreement, then such Advances held by each Lender will bear interest at a rate per annum specified in good faith by such Lender in a certificate (which sets out the details of the computation of the relevant rate) to represent its cost of funds therefor plus the Applicable Interest Rate Margin; and

(iv) the obligation of the Lenders to make EURIBOR Advances or LIBOR Advances, as applicable, or to Convert Base Rate Advances into LIBOR Advances shall be suspended until the Administrative Agent shall notify Kraft and the Lenders that the circumstances causing such suspension no longer exist.

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

Section 2.08. Optional Termination or Reduction of the Commitments; Mandatory Reduction of the Commitments.

(a) Kraft shall have the right at any time prior to the Closing Date, upon at least three Business Days' notice to the 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 or the remaining balance if less than €50,000,000.

(b) In the event that Kraft or any of its wholly-owned domestic Subsidiaries consummates an Equity Capital Markets Transaction or a Debt Issuance during the period commencing on the Effective Date and ending on or prior to the Closing Date, the Commitments shall be automatically reduced on a Euro-for-Euro basis by an amount equal to 100% of the Net Cash Proceeds of such Equity Capital Markets Transaction or Debt Issuance.

Section 2.09. Optional and Mandatory Prepayments of Advances.

(a) Optional Prepayment. Each of the Borrowers may, upon at least five Business Days' written notice to the Administrative Agent, by 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 Advances comprising part of the same 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 of a Eurocurrency Rate Advance shall be in an aggregate principal amount of no less than €50,000,000 in the case of EURIBOR Advances and no less than $50,000,000 in the case of LIBOR Advances or the remaining balance if less than such amounts and (y) in the event of any such prepayment of a Eurocurrency Rate Advance, such Borrower shall be obligated to reimburse the Lenders in respect thereof pursuant to Section 9.04(b). Kraft may determine to which Borrowing or Borrowings each prepayment of outstanding Advances pursuant to this Section 2.09(a) shall be allocated.

(b) Mandatory Prepayment. Within five Business Days after the receipt by:

(i) any Borrower or any of its wholly owned Subsidiaries of proceeds from any Debt Issuance, such Borrower shall prepay the Advances in an aggregate amount equal to 100% of the Net Cash Proceeds of such Debt Issuance; or

(ii) Kraft of proceeds from any Equity Capital Markets Transaction, Kraft shall prepay the Advances in an aggregate amount equal to 100% of the Net Cash Proceeds of such Equity Capital Markets Transaction; or

(iii) Kraft or any of its Major Subsidiaries of proceeds from any Asset Sale (other than (x) any Exempted Asset Sale and (y) up to $1,000,000,000 in the aggregate for all other Asset Sales (measured by the Net Cash Proceeds thereof) occurring after the Closing Date), Casualty or Condemnation, Kraft shall prepay the Advances in an aggregate amount equal to 100% of the Net Cash Proceeds of such Asset Sale, Casualty or Condemnation, provided, that so long as no Default shall have occurred and be continuing, Kraft or such Major Subsidiary may reinvest all or any portion of such Net Cash Proceeds in long-term assets useful to the business of Kraft or any Subsidiary, provided, that such reinvestment is consummated within 12 months of the date of receipt of such Net Cash Proceeds, or, in the event such reinvestment is committed to in writing by Kraft or such Major Subsidiary within such 12-month period, such Net Cash Proceeds are used to consummate such reinvestment within 18 months of the receipt thereof,

and each prepayment of outstanding Advances pursuant to this Section 2.09(b) shall be required without penalty or premium (other than any obligation to reimburse the Lenders pursuant to Section 9.04(b)). Kraft may determine to which Borrowing or Borrowings each prepayment of outstanding Advances pursuant to this Section 2.09(b) shall be allocated provided, that, any such allocated prepayment shall be applied on a pro rata basis among the Lenders having made any of such Advances.

Section 2.10. 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 Eurocurrency Rate Advances (excluding for purposes of this Section 2.10 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States of America 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), including as a result in the failure of the Mandatory Cost, as calculated hereunder, to reimburse any Lender the cost to such Lender of making or funding such Advances from its Eurocurrency Lending Office located in the United Kingdom or a Participating Member State or of complying with the requirements of the Bank of England and/or the Financial Services Authority or the European Central Bank in relation to its making funding or maintaining Eurocurrency Rate Advances, then the Borrower of the affected Advances shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the 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 the 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 (or its parent/holding company) as a consequence of its obligations hereunder is reduced to a level below that which such Lender (or its parent/holding company) 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 the Borrowers 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 Advances. 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 Advances hereunder and not upon the average or general capital requirements imposed upon such Lender.

Section 2.11. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the 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 Eurocurrency Rate Advances or to fund or maintain Eurocurrency Rate Advances, (a) each LIBOR Advance will automatically, upon such demand, be Converted into a Base Rate Advance that bears interest at the rate set forth in Section 2.04(a)(i)(x), (b) each applicable Borrower shall repay that Lender's portion of each EURIBOR Advance on the last day of the current Interest Period for such EURIBOR Advance or, if earlier, the date specified by such Lender in its notice to the Administrative Agent and (c) the obligation of the Lenders to make or continue Eurocurrency Rate Advances or to Convert Base Rate Advances into LIBOR Advances shall be suspended, in each case, until the 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 Eurocurrency Rate Advances or to continue to fund or maintain Eurocurrency Rate Advances, as the case may be, and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

Section 2.12. Payments and Computations.

(a) Time and Distribution of Payments. Kraft and each Borrower shall make each payment hereunder, without set-off or counterclaim, not later than 11:00 A.M. (New York City time) on the day when due to the Administrative Agent, at the Administrative Agent Account in same day funds and in Euros with respect to payments made in connection with Advances denominated in Euros and in Dollars with respect to payments made in connection with Advances denominated in Dollars. The 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 2.10, Section 2.13 or Section 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, the 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 the Administrative Agent's prime rate shall be made by the 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 Eurocurrency Rate or the Federal Funds Effective Rate shall be made by the Administrative Agent on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. Each determination by the 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, as the case may be; provided, however, that if such extension would cause payment of interest on or principal of Eurocurrency Rate 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 the 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, the Administrative Agent may assume that such Borrower has made such payment in full to the Administrative Agent on such date and the 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 the Administrative Agent, each Lender shall repay to the 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 the Administrative Agent at the Federal Funds Effective Rate.

Section 2.13. Taxes.

(a) Any and all payments by each Borrower and Kraft hereunder shall be made, in accordance with Section 2.12, 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 the 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 the 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 the 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, enforcement and performance of this Agreement or a Note) between the Lender or the Administrative Agent, as the case may be, and the taxing jurisdiction, and (iv) in the case of each Lender and the Administrative Agent, taxes imposed by the United States of America 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 the 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 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 the 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 2.13) such Lender or the 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 or the Notes (hereinafter referred to as "Other Taxes").

(c) Each Borrower and Kraft shall indemnify each Lender and the 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 2.13) paid or payable by such Lender or the 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 the 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 the 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 the Administrative Agent, furnish, or cause the payor to furnish, the Administrative Agent and each Lender an opinion of counsel reasonably acceptable to the 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 the Administrative Agent, Kraft and each applicable Designated Subsidiary with any form or certificate that is required by any U.S. 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 U.S. 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 or invalid or has otherwise ceased to be effective or (ii) as requested in writing by Kraft, the Administrative Agent or such Borrower. Unless such Borrowers, Kraft and the Administrative Agent, have received forms or other documents from each Lender reasonably satisfactory to them indicating that payments hereunder are not subject to Home Jurisdiction U.S. Withholding Taxes or are subject to Home Jurisdiction U.S. Withholding Taxes at a rate reduced by an applicable tax treaty, such Borrower, Kraft or the Administrative Agent shall withhold such Home Jurisdiction U.S. Withholding Taxes from such payments at the applicable statutory rate in the case of payments to or for such Lender.

(f) In the event that a Designated Subsidiary is a Foreign Subsidiary of Kraft, each Lender shall promptly complete and deliver to such Borrower and the Agent, so long as such Lender is legally eligible to do so, any certificate or form reasonably requested in writing by such Borrower or the Agent and required by applicable law in order to secure an exemption from, or reduction in the rate of, deduction or withholding of the applicable Home Jurisdiction Non-U.S. Withholding Taxes for which such Borrower is required to pay additional amounts pursuant to this Section 2.13; provided, however, that each Lender shall not be obligated to complete and deliver any certificate or form requiring disclosure of information or statements that it considers to be confidential.

(g) Any Lender claiming any additional amounts payable pursuant to this Section 2.13 with respect to Home Jurisdiction U.S. Withholding Taxes 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 materially economically disadvantageous to such Lender.

(h) No additional amounts will be payable pursuant to this Section 2.13 with respect to (i) any Home Jurisdiction U.S. Withholding Taxes that would not have been payable

had the Lender provided the relevant forms or other documents pursuant to Section 2.13(e); or (ii) in the case of an Assignment and Acceptance by a Lender to an Eligible Assignee, any Home Jurisdiction U.S. Withholding Taxes that exceed the amount of such Home Jurisdiction U.S. Withholding Taxes that are imposed prior to such Assignment and Acceptance, unless such Assignment and Acceptance resulted from the demand of Kraft.

(i) If any Lender or the Administrative Agent, as the case may be, obtains a refund of any Tax for which payment has been made pursuant to this Section 2.13, or, in lieu of obtaining such refund, such Lender or the Administrative Agent applies the amount that would otherwise have been refunded as a credit against payment of a Tax liability, which refund or credit in the good faith judgment of such Lender or the 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 2.13, the amount of such refund or credit (together with any interest received thereon and reduced by reasonable out-of-pocket costs incurred in obtaining such refund or credit) promptly shall be paid to the applicable Borrower to the extent payment has been made in full by such Borrower pursuant to this Section 2.13.

Section 2.14. 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 Advance owing to it (other than pursuant to Section 2.10, Section 2.13 or Section 9.04(b)) in excess of its ratable share of payments on account of the Advances obtained by all the Lenders, such Lender shall forthwith purchase from the other Lenders such participations in the 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 2.14 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.

Section 2.15. Evidence of Debt.

(a) Lender Records; 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 the 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 Advances. Each Borrower shall, upon notice by any Lender to such Borrower (with a copy of such notice to the Administrative Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, promptly execute and deliver to such Lender a 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 the 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 currency denomination (Euros or Dollars) of Advances comprising the Borrowing;

(ii) the date and amount of each Borrowing made hereunder, the Type of Advances comprising the Borrowing and, if appropriate, the Interest Period applicable thereto;

(iii) the terms of each Assignment and Acceptance delivered to and accepted by it;

(iv) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder; and

(v) the amount of any sum received by the Administrative Agent, from the Borrowers hereunder and each Lender's share thereof.

(c) Evidence of Payment Obligations. Entries made in good faith by the Administrative Agent, in the Register pursuant to Section 2.15(b), and by each Lender in its account or accounts pursuant to Section 2.15(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 the 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 2.16. Use of Proceeds. The proceeds of the Advances shall be made available (and each Borrower agrees that it shall use such proceeds) to fund the Acquisition and paying fees, commissions and expenses in connection with the Acquisition.

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, or waived in accordance with Section 9.01:

(a) On the Effective Date, the following statements shall be true and the 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 on and as of the Effective Date that constitutes a Default or Event of Default.

(b) The Administrative Agent, shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the 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; and

(iii) favorable opinions of (A) Sidley Austin LLP, special counsel to Kraft, substantially in the form of Exhibit D-1 hereto, (B) Hunton & Williams LLP, special local counsel to Kraft, substantially in the form of Exhibit D-2 hereto, and (C) internal counsel for Kraft, substantially in the form of Exhibit D-3 hereto.

(c) This Agreement shall have been executed by Kraft, the Administrative Agent, Goldman Sachs Credit Partners L.P., as Syndication Agent, and Credit Suisse, Cayman Islands Branch, HSBC Bank USA, National Association, UBS Securities LLC and Société Générale as Documentation Agents, and the Administrative Agent shall have been notified by each Initial Lender that such Initial Lender has executed this Agreement.

The Administrative Agent shall notify Kraft and the Initial Lenders of the date which is the Effective Date upon satisfaction or waiver 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, accepted or 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 the 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. Condition Precedent to Borrowings.

The obligation of each Lender to make an Advance on the Closing Date is subject to:

(a) The Administrative Agent's receipt of the Notice of Borrowing with respect to the Advances to occur on the Closing Date as required by Section 2.02(a).

(b) The occurrence of the Effective Date.

(c) The Closing Date occurring on or prior to May 1, 2008.

(d) The Acquisition shall have been consummated substantially simultaneously with, or shall be expected to be consummated within one Business Day after, the making of the Advances to be made on the Closing Date, in accordance with the Acquisition Agreement and a copy of the Acquisition Agreement, together with all amendments, if any, thereto, shall have been delivered to the Administrative Agent.

(e) On and as of the Closing Date, the following statements shall be true, and the delivery by any Borrower of a Notice of Borrowing in accordance with Section 2.02(a) shall be a representation by such Borrower or by Kraft, as the case may be, that:

(i) the representations and warranties contained in Section 4.01 are correct in all material respects on and as of the Closing Date, before and after giving effect to the Borrowings to be made on the Closing Date and to the application of the proceeds therefrom, as though made on and as of such date, and, if any such Borrowings 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 Closing Date, before and after giving effect to such Borrowings and to the application of the proceeds therefrom, as though made on and as of the Closing date; and

(ii) no event has occurred and is continuing, or would result from such Borrowings, that constitutes a Default or Event of Default.

(f) On the Closing Date, the Administrative Agent shall have received for the account of each Lender a certificate of the chief financial officer or treasurer of Kraft certifying that as of December 31, 2006 (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 clause (f), payment of which is secured by any Lien referred to in clause (iv) of Section 5.02(a), does not exceed $200,000,000.

(g) Receipt by such Lender of a fully executed Note pursuant to Section 2.15, to the extent that such Lender made a request therefor at least three Business Days prior to the Closing Date.

Section 3.03. Conditions Precedent to Advances to each Designated Subsidiary. The obligation of each Lender to make an Advance to each Designated Subsidiary on the

Closing Date following any designation of such Designated Subsidiary as a Borrower hereunder pursuant to Section 9.08 is subject to the receipt by the Administrative Agent, on or before the Closing Date each of the following, in form and substance satisfactory to the 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 Closing Date, 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 necessary for such Designated Subsidiary to execute and deliver this Agreement and to perform its obligations hereunder.

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

(e) A favorable opinion of counsel (which may be in-house counsel) to such Designated Subsidiary, dated the Closing Date, covering, to the extent customary and appropriate for the relevant jurisdiction, the opinions set forth on Exhibit D-4 hereto.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

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 the Commonwealth 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 material contractual restriction binding on or affecting it (including, without limitation, the Existing 5-Year Credit Agreement).

(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, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(e) As reported in Kraft's Annual Report on Form 10-K for the year ended December 31, 2006, the consolidated balance sheets of Kraft and its Subsidiaries as of December 31, 2006 and the consolidated statements of earnings of Kraft and its Subsidiaries for the year then ended fairly present, in all material respects, 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 year ended on such date, all in accordance with accounting principles generally accepted in the United States of America. Except as disclosed in Kraft's Annual Report on Form 10-K for the year ended December 31, 2006 and in any Current Report on Form 8-K and Quarterly Report on Form 10-Q filed subsequent to December 31, 2006 but prior to the Effective Date, since December 31, 2006 there has been no material adverse change in such position 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 Annual Report on Form 10-K for the year ended December 31, 2006, any Current Report on Form 8-K and Quarterly Report on Form 10-Q filed subsequent to December 31, 2006 but prior to the Effective Date and, with respect to Proceedings commenced after the date of the most recent such document but prior to the Effective Date, 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 through one or more wholly-owned Subsidiaries 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.

ARTICLE V

COVENANTS OF KRAFT

Section 5.01. Affirmative Covenants. From and after the Closing Date and 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 $20,000,000,000.

(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 auditor which, as of the date of this Agreement, is one of the "big four" 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

(v) such other information respecting the condition or operations, financial or otherwise, of Kraft or any Major Subsidiary as any Lender through the 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 (which website includes an option to subscribe to a free service alerting subscribers by e-mail of new Securities and Exchange Commission filings) or any successor or replacement website thereof, or by similar electronic means.

Section 5.02. Negative Covenants. From and after the Closing Date and 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;

(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 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 of America; or

(x) any extension, renewal or replacement of the foregoing, provided that (A) such Lien does not extend to 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, the surviving corporation is Kraft or was a Subsidiary of Kraft immediately prior to such merger or consolidation, which is organized and existing under the laws of the United States of America or any State thereof, or the District of Columbia. The surviving corporation of any merger or consolidation involving Kraft or any other Borrower shall assume all of Kraft's or such Borrower's obligations under this Agreement (including without limitation with respect to Kraft's obligations, the covenants set forth in this Article V) 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 2.07(d), 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 Section 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 the Administrative Agent, or any Lender or (iii) any other term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to Kraft by the Administrative Agent, or any Lender; 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 Section 6.01(g) shall be deemed to have occurred if such Borrower, Kraft or any ERISA Affiliate shall have made arrangements satisfactory to the PBGC or 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 the Administrative Agent, shall at the request, or may with the consent, of the Required Lenders, by notice to Kraft 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, 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 each of the Borrowers.

ARTICLE VII

THE ADMINISTRATIVE AGENT

Section 7.01. Authorization and Action. Each Lender hereby appoints and authorizes the 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 the Administrative Agent 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 Agent 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 the Administrative Agent shall not be required to take any action that exposes such Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent 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 Agent's Reliance, Etc. Neither the Administrative Agent nor any of its 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 Agent:

(a) may treat the Lender that made any Advance as the holder of the Debt resulting therefrom until the 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) makes 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 or any of their respective Subsidiaries;

(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, telex, registered mail or, for the purposes of Section 2.02(a), email) believed by it to be genuine and signed or sent by the proper party or parties.

Section 7.03. The Administrative Agent and Affiliates. With respect to its Commitment and the Advances made by it, the Administrative Agent 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 the Administrative Agent in its individual capacity. The Administrative Agent and its 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 their Subsidiaries and any Person who may do business with or own securities of Kraft, any Borrower or any such Subsidiary, all as if the Administrative Agent were not Administrative Agent and without any duty to account therefor to the Lenders.

Section 7.04. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, the Syndication Agent, the Documentation Agents 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 the Administrative Agent, the Syndication Agent, the Documentation Agents 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 Agent (to the extent not reimbursed by Kraft or the Borrowers), ratably according to the respective principal amounts of the Advances then owing to each of them (or if no 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 Agent in any way relating to or arising out of this

Agreement or any action taken or omitted by such 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 Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse such Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by such 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 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 Agent, any Lender or a third party.

Section 7.06. Successor Administrative Agent. The 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 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, but shall be under no obligation to, 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 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; provided that should the Administrative Agent for any reason not appoint a successor Administrative Agent, which it is under no obligation to do, then the rights, powers, discretion, privileges and duties referred to in this section shall be vested in the Required Lenders until a successor Administrative Agent has been appointed. 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 Agent and Documentation Agents. Goldman Sachs Credit Partners L.P. has been designated as Syndication Agent under this Agreement, but the use of such title does not impose on it any duties or obligations greater than those of any other Lender. Credit Suisse, Cayman Islands Branch, HSBC Bank USA, National Association, UBS Securities LLC and Société Générale has each been designated as Documentation Agent under this Agreement, but the use of such title does not impose on it 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 the 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 the Administrative Agent, or the Lenders with respect thereto. The liability of Kraft under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity, enforceability or genuineness of any provision of this Agreement or any other agreement or instrument relating thereto;

(b) 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;

(c) 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

(d) 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 the 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 the 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 the 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 Maturity Date, such amount shall be held in trust for the benefit of the Administrative Agent, and the Lenders and shall forthwith be paid to the 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 Maturity 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, the Administrative Agent and their respective successors, transferees and assigns.

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 affected thereby, do any of the following: (a) waive any of the conditions specified in Section 3.01, 3.02 or 3.03, (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the 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 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 amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent, in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent, under this Agreement or any 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 (or in the case of the Notice of Borrowing, emailed), as follows:

if to any Borrower:

c/o Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Executive Vice President and Chief Financial Officer, NF302
Fax number: (847) 646-7759;

with a copy to:

c/o Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Treasurer, NF667
Fax number: (847) 646-7612;

and

c/o Kraft Foods Global, Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Senior Manager of Treasury and Control, NF333
Fax number: (847) 646-3173;

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 II 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 the Administrative Agent:

c/o JPMorgan Chase Bank, N.A.
270 Park Avenue, 4th Floor
New York, New York 10017
Attention: Tony Yung
Fax number: (212) 270-3279
Email: tony.yung@jpmorgan.com

with a copy to:

Katie Rose
JPMorgan Chase Bank, N.A.
Loan & Agency Services
1111 Fannin Street, Floor 10
Houston, TX 77002-6925
Telephone: 713-750-2979
Facsimile: 713-750-2666

or

Maxine Graves/Stephen Clarke
J.P. Morgan Europe Limited
Loan & Agency Services
125 London Wall, Floor 9
London EC2Y 5AJ United Kingdom
Telephone: 44 207 7772352
Facsimile: 44 207 7772360

as to any Borrower, Kraft or the 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 the Administrative Agent.

(b) Effectiveness of Notices. All such notices and communications shall, when mailed, telecopied or emailed, be effective when deposited in the mail, telecopied or emailed, respectively, except that notices and communications to the Administrative Agent, pursuant to Article II, III or VII shall not be effective until received by the 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 the 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 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) The Agents; 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 the Agents), 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 to the Administrative Agent, with respect thereto and with respect to advising the Administrative Agent, as to its rights and responsibilities under this Agreement, and all costs and expenses of the Lenders and the Agents, if any (including, without limitation, reasonable counsel fees and expenses of the Lenders and the Agents), 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 Eurocurrency Rate Advances. If any payment of principal of Eurocurrency Rate 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 2.09, 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 the Administrative Agent), pay to the 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 of the Borrowers and Kraft contained in Section 2.05, Section 2.10, Section 2.13 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, each Lender, each Lead Arranger 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 or any of its 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 the 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, each of the Borrowers, the Administrative Agent, the Syndication 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 the 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 or the 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 (except in the case of an assignment made as a result of a demand by Kraft pursuant to this Section 9.07(a));

(ii) the amount of the Commitments or Advances 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, other than with respect to assignments to other Lenders, or affiliates of Lenders, be less than €10,000,000 with respect to Advances denominated in Euros and $10,000,000 with respect to Advances denominated in Dollars (subject to reduction at the sole discretion of Kraft) and shall be an integral multiple of €1,000,000 with respect to Advances denominated in Euros and $1,000,000 with respect to Advances denominated in Dollars;

(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 the 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) each such assignment (other than any assignment made as a result of a demand by Kraft pursuant to this Section 9.07(a)) shall require the prior written consent of (x) the Administrative Agent and (y) Kraft (such consent not to be unreasonably withheld or delayed); provided, that no consent of (A) either the Administrative Agent or Kraft shall be required for an assignment to another Lender or an affiliate of a Lender and (B) Kraft shall be required if an Event of Default has occurred and is continuing; and

(vi) 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;

(vii) the parties to each such assignment shall execute and deliver to the 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; and

(viii) no such assignment may be made prior to the Closing Date unless as a result of a demand by Kraft pursuant to this Section 9.07(a) and any such assignment made prior to the Closing Date as a result of a demand by Kraft shall require the prior written consent of the Syndication Agent.

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 assigning Lender 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), other than Section 9.12.

(b) Assignment and Acceptance. By executing and delivering an Assignment and Acceptance, the assigning Lender 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 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 the 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 assigning Lender'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 the 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 the 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 Note or Notes subject to such assignment, the 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. The Administrative Agent, acting as a non-fiduciary agent of the Borrowers solely for this purpose, 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 each of the Borrowers, the 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 or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Sale of Participation. After the Closing Date, 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 the Advances owing to it and any Note or Notes held by it), subject to the following:

(i) such Lender's obligations under this Agreement 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, the 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 applicable 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 the Borrowers 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.

Section 9.08. Designated Subsidiaries.

(a) Designation. Kraft may at any time, and from time to time, prior to the Closing Date by delivery to the Administrative Agent of a Designation Agreement duly executed by Kraft and the respective Subsidiary and substantially in the form of Exhibit E 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. The 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 Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a Designated Subsidiary shall terminate upon notice to such effect from the Administrative Agent to the Lenders (which notice the Administrative Agent, shall give promptly, and only upon its receipt of a request therefor from Kraft).

Notwithstanding the foregoing, no Lender shall be required to make Advances to a Designated Subsidiary in the event that the making of such Advances would or could reasonably be expected to breach, violate or otherwise be inconsistent with any internal policy, law or regulation to which such Lender is, or would be upon the making of such Advance, subject.

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 this 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 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. Each of the Borrowers agrees to appoint a Process Agent from the Effective Date through the Maturity 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 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 the Administrative Agent, prompt notice of such Process Agent's address.

(c) Waivers.

(i) 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 any of the Credit Documents 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.

(ii) To the extent permitted by applicable law, each of the Borrowers and except as set forth in Section 9.04(c), the Lenders shall not assert and hereby waives, any claim against any other party hereto or any of their respective affiliates, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) (whether or not the claim therefor is based on contract, tort or duty imposed by any applicable legal requirement) arising out of, in connection with, as a result of, or in any way related to this Agreement or any Credit Document or any agreement or instrument contemplated hereby or thereby or referred to herein or therein, the transactions contemplated hereby or thereby, any Advance or the use of the proceeds thereof or any act or omission or event occurring in connection therewith, and each of the parties hereto hereby waives, releases and agrees not to sue upon any such claim or any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(iii) **WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS**

INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 9.11(C) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER CREDIT DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE ADVANCES MADE HEREUNDER. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE 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 either the confidentiality provisions of this Section 9.12 or other confidentiality provisions at least as restrictive as those in this Section 9.12, (b) as required by any law, rule or regulation or judicial process, (c) disclosure to any rating agency when required by it, provided that, prior to any such disclosure, such rating agency shall undertake in writing to preserve the confidentiality of any confidential information relating to the Borrowers received by it from any of the Agents or any Lender, and (c) as requested or required by (i) any state, federal or foreign authority or examiner regulating banks or banking or other financial institutions or (ii) a self-regulating authority or pursuant to legal or judicial process.

Section 9.13. Integration. This Agreement and the Notes represent the agreement of Kraft, the other Borrowers, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, 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 2.07(c)(i) and Section 9.04(a) and except for any confidentiality agreements entered into by each Lender in connection with this Agreement.

Section 9.14. USA Patriot Act Notice

Each Administrative Agent and each Lender hereby notifies each of the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies such Borrower, which information includes the name and address of such Borrower and other information that will allow such Lender to identify such Borrower in accordance with the Patriot Act.

Section 9.15. No Fiduciary Duty

The Administrative Agent, the Syndication Agent, the Documentation Agents, each Lender and their respective affiliates, may have economic interests that conflict with those of the Borrowers. Each of the Borrowers agrees that nothing in the Credit Documents will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders and their respective affiliates, on the one hand, and any Borrower, its stockholders or its affiliates, on the other. Each of the Borrowers acknowledges and agrees that (i) the financing transactions contemplated by the Credit Documents are arm's-length commercial transactions between the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders and their affiliates, on the one hand, and the Borrowers, on the other, (ii) in connection therewith and with the process leading to such financing transactions, each of the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders and their respective affiliates is acting solely as a principal and not the agent or fiduciary of any Borrower, its management, stockholders, creditors or any other person, (iii) none of the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders or their respective affiliates has assumed an advisory or fiduciary responsibility in favor of any Borrower in connection with the Credit Documents (irrespective of whether any of the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders or their affiliates has advised or is currently advising any Borrower on other matters) or any other obligation to any Borrower except the obligations expressly set forth in the Credit Documents and (iv) each of the Borrowers has consulted its own legal, financial and other advisors to the extent it deemed appropriate. Each of the Borrowers further acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. Each of the Borrowers agrees that it will not claim that any of the Administrative Agent, the Syndication Agent, the Documentation Agents, the Lenders or their affiliates has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to any Borrower, in connection with the Credit Documents.

[Remainder of page intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

KRAFT FOODS INC.

By: /s/ John J. Pecora
Name: John J. Pecora
Title: Senior Vice President and Treasurer

GOLDMAN SACHS CREDIT PARTNERS L.P.,
as Syndication Agent and as a Lender

By: /s/ Bruce H. Mendelsohn
Name: Bruce H. Mendelsohn
Title: Authorized Signatory

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and as a Lender

By: /s/ Tony Yung
Name: Tony Yung
Title: Vice President

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
as Documentation Agent and as a Lender

By: /s/ Karl Studer
Name: Karl Studer
Title: Director

By: /s/ Alain Schmid
Name: Alain Schmid
Title: Assistant Vice President

HSBC BANK USA, NATIONAL ASSOCIATION,
as Documentation Agent and as a Lender

By: /s/ Alan Vitulich
Name: Alan Vitulich
Title: Vice President

UBS SECURITIES LLC,
as Documentation Agent

By: /s/ David B. Julie
Name: David B. Julie
Title: Associate Director

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director

UBS LOAN FINANCE LLC,
as a Lender

By: /s/ David B. Julie
Name: David B. Julie
Title: Associate Director

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director

UBS AG, STAMFORD BRANCH,
solely in its role as Reference Bank, with its obligation limited to furnishing to the Administrative Agent timely information for the Purpose of determining EURIBOR or LIBOR as provided in Section 2.07(b) or this Agreement

By: /s/ David B. Julie
Name: David B. Julie
Title: Associate Director

By: /s/ Mary E. Evans
Name: Mary E. Evans
Title: Associate Director

SOCIÉTÉ GÉNÉRALE,
as Documentation Agent and as a Lender

By: /s/ Andrew S. Green
Name: Andrew S. Green
Title: Director

THE KRAFT FOODS INC.
2005 PERFORMANCE INCENTIVE PLAN
RESTRICTED STOCK AGREEMENT
(EXECUTIVE SIGN-ON)
(DATE)

KRAFT FOODS INC. (the "Company"), a Virginia corporation, hereby grants to the employee identified in the [YEAR] Restricted Stock Award section of the Award Statement (the "Employee") under The Kraft Foods Inc. 2005 Performance Incentive Plan (the "Plan") a Restricted Stock Award (the "Award") dated [DATE], with respect to the number of shares set forth in the [YEAR] Restricted Stock Award section of the Award Statement (the "Shares") of the Common Stock of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Book Entry Registration. The Shares shall be evidenced by a book entry account maintained by the Company's Transfer Agent for the Common Stock. Upon the vesting of Shares, no certificates will be issued except upon a separate written request therefor made to such Transfer Agent or other agent as determined by the Company.

2. Restrictions. Subject to Section 3 below, the restrictions on the Shares shall lapse and the Shares shall vest based on the Vesting Schedule set forth in the [YEAR] Restricted Stock section of the Award Statement of this document (the "Vesting Schedule"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period") commencing on the Award Date set forth in the Award Statement and ending on the Vesting Dates.

3. Termination of Employment During Restriction Period. In the event of the termination of the Employee's employment with the Company (and with all subsidiaries and affiliates of the Company) prior to the Vesting Date due to death, Disability, or Normal Retirement, the restrictions on the Shares shall lapse and the Shares shall become fully vested on the date of death, Disability, or Normal Retirement.

If the Employee's employment with the Company (and with all subsidiaries and affiliates of the Company) is involuntarily terminated for reasons other than for cause, the Employee shall vest in the Shares in accordance with the Vesting Schedule set forth in the Award Statement.

If the Employee's employment with the Company (and with all subsidiaries and affiliates of the Company) is terminated involuntarily for cause, the Employee shall forfeit all rights to the Shares. Notwithstanding the foregoing, the Compensation Committee of the Board of Directors of the Company may, in its sole discretion, waive the restrictions on, and the vesting requirements for, the Shares.

For purposes of the above paragraph, "cause" means: 1) continued failure by one to substantially perform their job duties (other than failure resulting from incapacity due to disability); 2) one's gross negligence, dishonesty, or violation of any reasonable rule or regulation of the Company where the violation results in significant damage to the Company; or 3) one engaging in other conduct which materially adversely reflects on the Company.

4. Voting and Dividend Rights. During the Restriction Period, the Employee shall have the rights to vote the Shares and to receive any cash dividends payable with respect to the Shares, as paid, less applicable withholding taxes.

5. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

6. Withholding Taxes. The Company is authorized to satisfy the minimum statutory withholding taxes (including withholding pursuant to applicable tax equalization policies of the Company and its subsidiaries and affiliates) arising from the granting or vesting of this Award, as the cases may be, by (i) deducting the number of shares having an aggregate value equal to the amount of withholding taxes due from the total number of shares awarded or the number of shares vesting or otherwise becoming subject to current taxation; or (ii) deducting the required amounts from any proceeds realized by the Employee upon the sale of vested Shares. Shares deducted from this Award in satisfaction of withholding requirements shall be valued at the Fair Market Value of the Shares on the date as of which the amount giving rise to the withholding requirement first became includible in the gross income of the Employee under applicable tax laws or tax equalization policies of the Company and its subsidiaries and affiliates.

7. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

8. Other Terms and Provisions. The terms and provisions of the Plan (a copy of which will be furnished to the Employee upon written request to the Office of the Corporate Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, IL 60093) are incorporated herein by reference. To the extent any provision of this Award is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. For purposes of this Agreement, (a) the term “Disability” means permanent and total disability as determined under procedures established by the Company for purposes of the Plan, and (b) the term “Normal Retirement” means retirement from active employment under a pension plan of the Company, any subsidiary or affiliate or under an employment contract with any of them on or after the date specified as the normal retirement age in the pension plan or employment contract, if any, under which the Employee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of prior service). In any case in which (i) the meaning of “Normal Retirement” is uncertain under the definition contained in the prior sentence or (ii) a termination of employment at or after age 65 would not otherwise constitute “Normal Retirement,” an Employee’s termination of employment shall be treated as a “Normal Retirement” under such circumstances as the Committee, in its sole discretion, deems equivalent to retirement. For purposes of this Agreement, (x) a “subsidiary” includes only any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an “affiliate” includes only any company that (A) has a beneficial ownership interest, directly or indirectly, in the Company of greater than 50 percent or (B) is under common control with the Company through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the Company and the affiliate. Capitalized terms not otherwise defined herein have the meaning set forth in the Plan.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of DATE.

KRAFT FOODS INC.

Executive Vice President
Global Human Resources

EXHIBIT 10.3

VIA FEDERAL EXPRESS

PERSONAL AND CONFIDENTIAL

August 22, 2007

Mr. Timothy McLevish
724 Jane Drive
Franklin Lakes, NJ 07417

Dear Tim,

I am very pleased to provide you with this letter confirming the verbal offer that has been extended to you for the position of Executive Vice President and Chief Financial Officer located in Northfield, Illinois, USA. If you accept our offer, we have discussed our interest in you joining Kraft as soon as possible. This letter sets forth all of the terms and conditions of the offer.

Listed below are details of your compensation and benefits that will apply to this offer.

Annualized Compensation

Annual Base Salary	$ 675,000
Target Management Incentive Plan – (90%*)	$ 607,500
Target Long-Term Incentive Plan – (150%*)	$1,012,500
Target Annual Equity Award	$1,475,000
Total Annual Target Compensation	$3,770,000

* Target as a percent of base salary.

Annual Incentive Plan

You will be eligible to participate in the Kraft Management Incentive Plan (MIP), which is the Company's annual incentive program. Your target award opportunity under the MIP is equal to 90% of your base salary. The actual amount you will receive may be lower or higher depending on your individual performance and the performance of Kraft Foods Inc. Your 2007 award will be payable in February 2008. Your MIP eligibility will begin on your date of employment.

Long-Term Incentive Plan

You will also be eligible to participate in the Long-Term Incentive Plan (LTIP), which is the Company's executive long-term cash incentive program. The current LTIP performance cycle began on January 1, 2007 and is scheduled to end on December 31, 2009. Your LTIP eligibility will begin on your employment date. Your target opportunity under the LTIP is equal to 150% of your average base salary during the performance cycle. The actual amount you will receive may be lower or higher depending upon the performance of Kraft Foods Inc. during the performance cycle. It is anticipated that the form of award under this program in the future will be stock-based beginning with the 2008 – 2010 performance cycle.

Stock Program

Also, you will be eligible to participate in the Company's stock award program. Stock awards are typically made on an annual basis, with the next award anticipated to be granted in the first quarter of 2008. The most recent stock program design delivered 100% of equity value in the form of restricted stock with a three-year cliff vest. The Compensation Committee has approved a change to the program beginning in 2008. Going forward, awards will delivered as follows: 50% of equity value in restricted stock and 50% in stock options. Actual award size is based on individual potential and performance.

Sign-On Incentives

In recognition of the loss of short-term and long-term incentives from your previous employer, upon hire, you will receive one-time sign-on incentives in the form of cash and restricted stock as follows:

Cash Sign-On Incentive	$500,000 with a two-year repayment agreement
Equity Sign-On Incentive	$1,500,000 restricted stock award to vest one-third each year over a three-year period

If, prior to the end of the two-year repayment period, your employment with the Company ends due to involuntary termination for reasons other than cause, you will not be required to repay the cash sign-on amount.

Similarly, if prior to full vesting of the sign-on restricted shares granted per this offer letter, your employment with the Company ends due to involuntary termination for reasons other than cause, the value of the total number of unvested shares shall vest on the scheduled vesting dates. The number of shares that you will receive will be determined based upon the fair market value of Kraft Foods Inc. Common Stock on your date of hire. You will receive dividends on the shares during the vesting period consistent in amount and timing with that of Common Stock shareholders.

The stock award will vest based on the following schedule:

Number of Shares	Vesting Date
One-third	1st anniversary from date of grant
One-third	2nd anniversary from date of grant
One-third	3rd anniversary from date of grant

For purposes of this offer letter, “cause” means: 1) continued failure to substantially perform the job’s duties (other than resulting from incapacity due to disability); 2) gross negligence, dishonesty, or violation of any reasonable rule or regulation of the Company where the violation results in significant damage to the Company; or 3) engaging in other conduct which materially adversely reflects on the Company.

The other terms and conditions set forth in Kraft’s standard Stock Award Agreement will apply.

Perquisites

You will be eligible for a company car allowance under the executive perquisite policy. The Company leases new company cars for business and personal use by executives. Under the policy, cars are leased for a three-year period. The company will provide you with a car with a maximum value of $45,000. You can invest your own funds if the value of the car exceeds $45,000. You will have an opportunity to purchase the car at the end of the lease period. You will be eligible for an annual financial counseling allowance of $7,500. You may use any firm of your choosing.

Stock Ownership Guidelines

You will be required to attain and hold Company stock equal in value to six times your base salary. You will have five years from your date of employment to achieve this level of ownership. Stock held for ownership determination includes common stock held directly or indirectly, unvested restricted stock or share equivalents held in the Company’s 401(k) plan. It does not include unexercised stock option shares.

Other Benefits

Your offer includes Kraft’s comprehensive benefits package available to full-time salaried employees. This benefits package is described in the enclosed Kraft Benefits Summary brochure. You will be eligible for four weeks of vacation. In addition, you are eligible for ten designated holidays and two personal days.

You will be a U.S. employee of Kraft Foods and your employment status will be governed by and shall be construed in accordance with the laws of the United States. As such, your status will be that of an “at will” employee. This means that either you or Kraft is free to terminate the employment relationship at any time, for any reason.

If your employment with the Company ends due to an involuntary termination other than for cause, you will receive severance arrangements no less favorable than those accorded recently terminated senior executives of the Company.

To assist in your relocation from New Jersey to Illinois, we offer relocation assistance as outlined in Kraft’s Relocation Guide. In addition to the standard relocation policy, you will be eligible for temporary living accommodations for a period of up to seven months.

This offer is contingent upon successful completion of our pre-employment checks, which may include a standard background screen and post-offer drug test pursuant to testing procedures determined by Kraft.

If you have any questions, I can be reached at the office at (847) 646-6042 or on my cell phone at (847) 341-0905.

Sincerely,

/s/ Karen J. May

I accept the offer as expressed above.

/s/ Timothy R. McLevish	August 24, 2007
Signature	Date

Enclosure: Kraft Foods Benefits Summary
Restricted Stock Agreement
Employee Expense Repayment Agreement

Exhibit 10.4

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS.

Execution version

GROUPE DANONE S.A.

AND

KRAFT FOODS GLOBAL, INC.

MASTER SALE AND PURCHASE AGREEMENT

DATED: 29 OCTOBER, 2007

THIS AGREEMENT is made on 29 October 2007 in Amsterdam

BETWEEN:

(1) GROUPE DANONE S.A., whose registered office is at 17, Boulevard Haussmann, 75009 Paris, France (the "**Seller**"); and

(2) KRAFT FOODS GLOBAL, INC., whose registered office is at Three Lakes Drive, Northfield, Illinois 60093, U.S.A (the "**Buyer**").

RECITALS

The Buyer has agreed to buy and the Seller has agreed to sell the Shares and the Assets, which represent the Business, on the terms set out in this Agreement.

THE PARTIES AGREE as follows:

1. **INTERPRETATION**

1.1 The schedules and the Disclosure Letter form part of this Agreement and any reference to this Agreement includes the schedules and the Disclosure Letter. In this Agreement and the Disclosure Letter, reference to a clause or schedule, unless the context otherwise requires, is a reference to a clause of, or schedule to, this Agreement.

1.2 Words which are written with initial capital letters and certain expressions which are used in this Agreement are defined in Schedule 1.

1.3 The concept of "reasonable best efforts" shall be interpreted as *obligation de moyens* under French law.

2. **SALE AND PURCHASE; PURCHASE PRICE**

2.1 Subject to the conditions set out in Clause 3, the Seller shall sell, or procure the sale of, and the Buyer shall buy, the Shares and the Assets and all rights attaching or accruing to the Shares and the Assets at or after the date of this Agreement free of all Third Party Rights (other than those relating to the Pakistani JV disclosed in the Disclosure Letter). The Buyer may direct that some or all of the Shares or Assets be purchased by an Affiliate of the Buyer by notification to the Seller not later than the earlier of 9 Business Days before the Closing Date and 60 calendar days after the date of this Agreement; provided that the purchase of any Shares or Assets by any Affiliate of the Buyer shall not cause any delay of the Closing.

2.2 The aggregate purchase price for the Shares and Assets (the "**Purchase Price**"), which is apportioned among the Shares and Assets as shown in Part A of Schedule 2, is as follows:

(i) € 5,300,000,000 euros (A) minus the amount of the Estimated Closing Net Indebtedness and (B) plus the amount of the Estimated Closing Net Working Capital Adjustment (if the Estimated Closing Net Working Capital exceeds the Reference Working Capital) or minus the Estimated

Closing Net Working Capital Adjustment (if the Estimated Closing Net Working Capital is less than the Reference Working Capital and (C) minus the Estimated Closing Intercompany Debt (such amount, the "**Initial Purchase Price**");

(ii) minus the absolute value of the Net Indebtedness Adjustment if Seller is obligated to pay the Net Indebtedness Adjustment; or plus the absolute value of the Net Indebtedness Adjustment if Buyer is obligated to pay the Net Indebtedness Adjustment;

(iii) minus the absolute value of any Net Working Capital Adjustment if Seller is obligated to pay the Net Working Capital Adjustment; or plus the absolute value of any Net Working Capital Adjustment if Buyer is obligated to pay the Net Working Capital Adjustment; and

(iv) minus the absolute value of any Intercompany Debt Adjustment if Seller is obligated to pay the Intercompany Debt Adjustment; or plus the absolute value of any Intercompany Debt Adjustment if Buyer is obligated to pay the Intercompany Debt Adjustment,

all to be paid pursuant to the provisions of Clause 2.4.

2.3

2.3.1 No later than ten (10) Business Days prior to the Closing Date:

(i) Seller shall deliver to Buyer a statement setting forth the amount of Net Indebtedness expected as of the Closing Date (but excluding the transactions to take place at Closing contemplated by this Agreement) (the "**Estimated Closing Net Indebtedness**"). The statement of Estimated Closing Net Indebtedness shall be in the form set out in Schedule 11 and shall provide reasonable details, on an item-by-item basis, specifying the nature of each item of Indebtedness and Cash and Cash Equivalents, and the Group Company owing such Indebtedness or holding such Cash and Cash Equivalents, and shall include all statements from the banks and other relevant lenders (in respect of Indebtedness) and all bank statements and other records and documents (in respect of Cash and Cash Equivalents). The Estimated Closing Net Indebtedness shall include an estimate of the various adjustments described in the Indebtedness definition (points (a) to (d)).

(ii) Seller shall deliver to Buyer a statement setting forth the amount of Net Working Capital expected as of the Closing Date (but excluding the transactions to take place at Closing contemplated by this Agreement) (the "**Estimated Closing Net Working Capital**"). The statement of the Estimated Net Working Capital shall be in the form set out in Schedule 13 and shall provide reasonable details, on an item-by-item basis, specifying the nature of each item of Estimated Net Working Capital for each Group Company. The "**Estimated Closing Net Working Capital Adjustment**" shall be the difference between the Estimated Closing Net Working Capital and the Reference Working Capital.

(iii) Seller shall deliver to Buyer a statement setting forth the amount of Intercompany Debt expected as of the Closing Date (but excluding the transactions to take place at Closing contemplated by this Agreement) (the "**Estimated Closing Intercompany Debt**"). The statement of Estimated Closing Intercompany Debt shall provide reasonable details as to each Group Company.

The statements of Estimated Closing Net Indebtedness, Estimated Closing Net Working Capital and Estimated Closing Intercompany Debt shall be prepared in accordance with GAAP.

2.3.2 Buyer shall use its reasonable best efforts to prepare and deliver to Seller within 45 days after the Closing Date (and shall deliver within 60 days after the Closing Date) statements setting forth the Closing Net Indebtedness, the Closing Net Working Capital and the Closing Intercompany Debt. The statement of Closing Net Indebtedness shall provide reasonable details, on an item-by-item basis, specifying the nature of each item of Indebtedness, Cash and Cash Equivalents and the Group Company owing such Indebtedness or holding such Cash and Cash Equivalents, and shall include all statements from the banks and other relevant lenders (in respect of Indebtedness) and all bank statements and other records and documents (in respect of Cash and Cash Equivalents). The statements of Closing Net Indebtedness, Closing Net Working Capital and Closing Intercompany Debt shall be prepared in accordance with GAAP.

2.3.3 Seller shall have forty (40) days after the delivery of the statements of Closing Net Indebtedness, Closing Net Working Capital and the Closing Intercompany Debt during which to review such statements. Unless Seller notifies Buyer in writing within such forty (40) day period of any good faith objection to any of the statements, specifying in reasonable detail the items and amounts subject to such objection (the "**Disputed Items**"), any of the statements to which no such objection shall have been so made shall be conclusive and binding on Seller and Buyer. If, within such forty (40) day period, a party notifies the other in writing of any such objection, then the parties shall use reasonable best efforts for twenty (20) days after the expiration of such initial forty (40) day period to resolve in good faith their differences and agree upon any adjustments to the statements of Closing Net Indebtedness, Closing Net Working Capital and the Closing Intercompany Debt, as the case may be.

2.3.4 Any Disputed Items which are not resolved by the mutual agreement of Seller and Buyer within such twenty (20) day period shall be submitted for resolution to an internationally recognized independent certified public accounting firm that is mutually acceptable to Seller and Buyer (the "**Independent Accounting Firm**"). If the Independent Accounting Firm shall have refused its mission and Seller and Buyer shall not have succeeded within a ten (10) day period in naming a mutually acceptable replacement, either party shall be entitled to request the designation of an Independent Accounting Firm by the President of the Commercial Court (*Tribunal de commerce*) of Paris. Seller and Buyer shall instruct the Independent Accounting Firm to limit its examination to the unresolved Disputed Items, to resolve any such unresolved Disputed Items in

accordance with the requirements of this Agreement for any such items, and to use its best efforts to make its determination thereon within sixty (60) days after the referral of the Disputed Items to it in accordance herewith. The Independent Accounting Firm shall first submit a draft of its proposed resolution of the Disputed Items to both the Buyer and the Seller for comments within 10 calendar days of receipt of such draft. The resolution of any such unresolved Disputed Items by such Independent Accounting firm shall be made in a writing delivered to Seller and Buyer and (save for manifest error) shall be final, conclusive and binding upon Seller and Buyer. The fees and expenses charged by the Independent Accounting Firm shall be shared equally by the parties.

2.3.5 For purposes of verifying the Closing Net Indebtedness, the Closing Net Working Capital and the Closing Intercompany Debt, Buyer shall promptly provide such access as Seller, its accountants or the Independent Accounting Firm may reasonably require, (i) to the books, records and accounts of the Group Companies, and (ii) to the personnel or accountants responsible for the finances and accounts of the Group Companies. Any delay in providing such access shall increase the relevant periods set forth above by a commensurate period.

2.3.6 If any financial or accounting information which the Buyer reasonably requires to prepare the statements of Closing Net Indebtedness, the Closing Net Working Capital and the Closing Intercompany Debt is missing, the Seller shall cooperate with the Buyer and deliver to the Buyer such financial and accounting information for the purposes of preparing such statements.

2.3.7 For purposes of Clause 2.4 hereof, the amounts agreed or determined following the procedures set forth in this Clause shall constitute the Closing Net Indebtedness, the Closing Net Working Capital and the Closing Intercompany Debt.

2.4 **Payment of Purchase Price**

2.4.1 At the Closing, Buyer shall pay to the Seller (or any Seller Affiliate nominated by the Seller) or cause any Buyer Affiliate designated pursuant to Clause 2.1 to pay to Seller (or any Seller Affiliate nominated by the Seller), for same day value, the Initial Purchase Price in accordance with Clause 4.4.3.

2.4.2 If the Closing Net Indebtedness is greater than the Estimated Closing Net Indebtedness, then Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) shall pay to Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) the amount corresponding to the difference between the Closing Net Indebtedness and the Estimated Closing Net Indebtedness, and if the Closing Net Indebtedness is less than the Estimated Closing Net Indebtedness, then Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) shall pay to Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) the amount corresponding to the difference between the Estimated Closing Indebtedness and the Closing Net Indebtedness (each a "**Net Indebtedness Adjustment**").

2.4.3 If the Closing Net Working Capital is greater than the Estimated Closing Net Working Capital, then Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) shall pay to Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) the amount corresponding to the difference between the Closing Net Working Capital and the Estimated Closing Net Working Capital, and if the Closing Net Working Capital is less than the Estimated Closing Net Working Capital, then Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) shall pay to Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) the amount corresponding to the difference between the Estimated Closing Net Working Capital and the Closing Net Working Capital (each a "**Net Working Capital Adjustment**").

2.4.4 If the Closing Intercompany Debt is greater than the Estimated Closing Intercompany Debt, then the Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) shall pay to the Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) the amount corresponding to the difference between the Closing Intercompany Debt and the Estimated Closing Intercompany Debt, and if the Closing Intercompany Debt is less than the Estimated Closing Intercompany Debt, then the Buyer (on its own behalf or on behalf of any Buyer Affiliates that purchase Shares or Assets) shall pay to the Seller (on its own behalf and on behalf of any Seller Affiliates that shall sell Shares or Assets) the amount corresponding to the difference between the Estimated Closing Intercompany Debt and the Closing Intercompany Debt (each a "**Intercompany Debt Adjustment**"). At the same time:

(a) the Seller shall (and shall procure that the Seller's Subsidiaries) (1) repay any remaining Intercompany Receivables included in the Closing Intercompany Debt (taking into account amounts already paid at Closing pursuant to Clause 4.3.5) and (2) by reference to the Closing Intercompany Debt, refund any amount that the Group Companies overpaid at Closing pursuant to Clause 4.4.4; and

(b) the Buyer shall procure that the Group Companies (1) repay any remaining Intercompany Payables included in the Closing Intercompany Debt (taking into account amounts already paid at Closing pursuant to Clause 4.4.4) and (2) by reference to the Closing Intercompany Debt, refund any amount that the Seller or the Seller's Subsidiaries overpaid at Closing pursuant to Clause 4.3.5.

2.4.5 Any net amount required to be paid to Buyer or to Seller, as the case may be, pursuant to Clauses 2.4.2, 2.4.3 or 2.4.4 shall be paid (together with interest on that net amount from the Closing Date until the date of payment at a rate of 6-month EURIBOR per annum at the Closing Date) in cash within five (5) Business Days of the determination of the Closing Net Indebtedness, the Closing Net Working Capital and the Closing Intercompany Debt in accordance with Clause 2.3, by wire transfer of immediately available funds to the bank account designated by Seller or Buyer, as applicable, at least three (3) Business Days prior to the due date.

2.4.6 Unless the net amounts required to be paid are clearly allocated to a specific Asset or Share, any net amounts required to be paid to the Buyer or to the Seller as the case may be pursuant to Claims 2.4.2, 2.4.3, 2.4.4, shall be apportioned among the Shares and Assets as shown in Part A of Schedule 2.

2.5 If (a) in accordance with Clause 4.2 the Closing of the transaction for the Singapore SPV and/or the Pakistani JV and/or the Malaysian Companies and/or the Indonesian Company occurs separately and/or (b) the joint venture partner in the Greek JV, the Moroccan JV or the Tunisian JV exercises the relevant call option as a result of the transactions contemplated hereby, and completion of such sale occurs prior to the Closing and/or (c) the Chinese Subsidiaries and the Singapore SPV are to be excluded from the transactions contemplated by this Agreement pursuant to Clause 7.2:

2.5.1 the defined financial terms used in this clause 2 shall apply to the Group Companies excluding the Chinese Subsidiaries, the Singapore SPV, the Greek JV, the Pakistani JV, the Malaysian Companies (and their Subsidiaries), the Indonesian Company (and its Subsidiary), the Moroccan JV and/or the Tunisian JV (as the case may be); and

2.5.2 the Reference Working Capital shall be:

(a) increased by € 9.4 m if the Closing does not include the Singapore SPV;

(b) decreased by € 20.7 m if the Closing does not include the Greek JV;

(c) increased by € 0.8 m if the Closing does not include the Malaysian Companies; and

(d) decreased by € 4.1 m if the Closing does not include the Indonesian Company.

3. CONDITIONS TO CLOSING AND RELATED COVENANTS

3.1 The consummation of the sale of the Shares and the Assets (which shall occur simultaneously, except as provided in Clauses 4.2 and 4.11) (the "**Closing**") is conditional on the following conditions being satisfied or (in the case of conditions in Clause 3.1.1) waived by the Buyer:

3.1.1 The Reorganisation in the agreed form shall have been completed in accordance with Schedule 8.

3.1.2 The notifications, applications and filings listed in Schedule 7 (each a "**Filing**") shall have been made with the relevant government, regulatory, supranational or state agency, department or body (a "**Relevant Agency**") and, in respect of each Filing, either:

(a) notice shall have been received from the Relevant Agency that, in connection with the matters to which the Filing relates, there is no objection or the matters are authorised, or

(b) the applicable waiting periods (including any extensions) shall have expired or been terminated without receipt of a negative or conditional response where such expiry or termination has the same legal effect as an unconditional clearance.

3.2 In particular in respect of the condition set out in Clause 3.1.1:

3.2.1 The Seller shall procure that all the steps to achieve the Reorganisation are completed prior to Closing in accordance with Schedule 8 at the cost of the Seller or the relevant Seller's Subsidiaries.

3.2.2 The Seller shall (and any relevant Seller's Subsidiary shall) waive any express or implied representations or warranties given by a Group Company in the context of the Reorganisation.

3.2.3 The Seller shall keep the Buyer informed on a regular basis of the progress made and any difficulties encountered, and the Buyer shall cooperate, in implementing the Reorganisation.

3.3 In particular in respect of the condition set out in Clause 3.1.2:

3.3.1 The Buyer shall use reasonable best efforts to achieve satisfaction of the condition set out in Clause 3.1.2. Reasonable best efforts shall include proposing or accepting any commitments, undertakings or divestments which are necessary to obtain satisfaction in respect of any Filing, provided, however, that (a) the Buyer shall be entitled, acting in good faith to achieve satisfaction of such closing conditions as soon as possible after the date hereof, to determine the nature and timing of any such proposals in an effort to minimise the scope and impact of any such commitments, undertakings and divestments, and (b) such reasonable best efforts shall not include requiring Buyer or any member of the Buyer's Group to take any action which is reasonably likely to have a material adverse effect on the results of the operations, financial condition or assets of the Business, taken as a whole or the activities of the Buyer's Group or of the Business in any single country. The Purchase Price will be reduced by €25 million if the Buyer has used reasonable best efforts to achieve EU clearance in Phase I, and such reduction to the Purchase Price shall reduce the amount of the Purchase Price allocated to the shares of Générale Biscuit as set out in Schedule 2 Part A.

3.3.2 The Buyer shall be responsible for making all filings and performing such other acts as may be necessary to satisfy the condition in Clause 3.1.2 (other than the Filings and acts referred to in paragraphs 9 and 10 of Schedule 7) and shall make such Filings as soon as reasonably practicable, after having provided the Seller with drafts of each Filing and any other documents or material correspondence to be submitted by Buyer in connection with each Filing, and considered in good faith the views and recommendations of Seller in connection therewith. The Buyer shall provide the Seller with a copy of all material documents or correspondence exchanged with each Relevant Agency in respect of each Filing, shall keep the Seller informed of the status of each Filing and

shall, with respect to the EU Filing (as defined in Schedule 7), permit Seller (unless jointly decided otherwise by the Buyer and the Seller) to participate in any meeting and to the extent reasonably practicable, any material telephone conversations with the Relevant Agency with respect to the EU Filing. Nothing in this paragraph shall oblige the Buyer to provide the Seller with any confidential information relating to the Buyer's Group or to any business carried out by any entity of the Buyer's Group. The Seller shall use reasonable best efforts to achieve satisfaction of the conditions referred to in paragraphs 9 and 10 of Schedule 7 and this Clause 3.3.2 shall apply mutatis mutandis as if references to the Buyer were references to the Seller and vice versa and references to the Filing were references to the filings in relation to the matters referred to in paragraphs 9 and 10 of Schedule 7.

3.3.3 Seller will provide the Buyer with such assistance and information as the Buyer may reasonably require in connection with the satisfaction of the condition. In particular, Seller will not do or omit to do anything that might prevent Buyer from fully complying with any commitments, undertakings or divestments given or offered by Buyer to a Relevant Agency in connection with any Filing and Seller will promptly take any action reasonably required by Buyer to ensure that Buyer is able to comply with any such commitments, undertakings or divestments.

4. CLOSING AND TERMINATION

4.1 Closing will take place on the last Business Day of the month in which the conditions set out in Clause 3.1 are satisfied (or, in respect of the condition set out in Clause 3.1.1 hereof, is waived by the Buyer); provided, that if such conditions (other than the condition set out in paragraph 10 of Schedule 7 which shall be satisfied before the Closing Date) are so satisfied or waived after the twentieth (20^{th}) day of such month, then the Closing shall take place on the last Business Day of the next calendar month unless otherwise agreed by the parties (the date on which the Closing occurs being referred to as the "**Closing Date**").

4.2 Notwithstanding the provisions of Clause 4.1, in the event that all of the conditions set forth in Clause 3.1 are satisfied (or, in respect of the condition set out in Clause 3.1.1 hereof, is waived by the Buyer), but:

4.2.1 any Regulatory Approval or Third Party Right in respect of the Chinese Reorganisation, the transfer of the shares in any Chinese Subsidiary to the Singapore SPV and/or the Pakistani JV (in each case as set out in Clause 7) has not been obtained, then, if requested by the Seller, the parties shall be required to complete the Closing with respect to all Shares and Assets other than the Singapore SPV and/or the Pakistani JV, as the case may be. In this event, the amount payable by the Buyer under Clause 2.4.1 shall be reduced (as applicable) by (i) the amounts set out opposite the names of all the Chinese Subsidiaries in Part D of Schedule 2 and/or (ii) the amount set out opposite the name of the Pakistani JV in Part D of Schedule 2. Completion of the transfer of the shares in the Singapore SPV and/or the Pakistani JV shall occur,

respectively, in accordance with the provisions of Clauses 4.8 and 4.9 as soon as the requisite Regulatory Approval or Third Party Right has been obtained. In this event references to "Closing" or "Closing Date" in this Agreement shall be construed with respect to the Singapore SPV or the Pakistani JV (as the case may be) as meaning the Chinese Closing Date or the date of transfer of the shares in the Pakistani JV to the Buyer (as the case may be) as provided in those Clauses;

4.2.2 any of the conditions set out in paragraphs 9 or 10 of Schedule 7 are not satisfied, then the Buyer may elect to complete the Closing with respect to all Shares and Assets other than Britannia Brands (Kuan) Pte Ltd and Danone Malaysia Sdn Bhd (the "**Malaysian Companies**") (in the case of non-satisfaction of the condition set out in paragraph 10 of Schedule 7) and/or PT Danone Biscuits Indonesia (the "**Indonesian Company**") (in the case of non-satisfaction of the condition set out in paragraph 9 of Schedule 7). In this event, the amount payable by the Buyer under Clause 2.4.1 shall be reduced (as applicable) by the amounts set out opposite the name of the relevant companies in Part A of Schedule 2. Completion of the transfer of the Shares in the Malaysian Companies and/or the Indonesian Company shall occur in accordance with the provisions of Clause 4.10 as soon as the relevant outstanding condition has been satisfied. In this event, references to "Closing" or to "Closing Date" in this Agreement shall be construed with respect to the Malaysian Companies or the Indonesian Company (as the case may be) as meaning the date of transfer of the Shares in the relevant company to the Buyer as provided in Clause 4.10. If the Closing with respect to the Shares in either the Malaysian Companies or the Indonesian Company is completed and the Closing with respect to the Shares in the other is not completed within one month thereafter, the Buyer (if the Closing with respect to the Shares in the Malaysian Companies has been completed) or the Seller (if the Closing with respect to the Shares in the Indonesian Company has been completed) shall procure that Britannia Brands (Kuan) Pte Ltd transfers as soon as reasonably possible full legal and beneficial title to any share it owns in the Indonesian Company and PT DBSD (free from encumbrances) to a person nominated by the other party for nominal consideration. During such one month period, the Buyer or the Seller (as the case may be) shall procure that Britannia Brands (Kuan) Pte Ltd shall not exercise any rights in respect of such shares other than in accordance with the instructions of the other party; and

4.2.3 the condition set out in paragraph 1.3 or 2(b) of Schedule 8 is not satisfied, the parties shall complete the Closing with respect to all the Shares and Assets and the Buyer shall use reasonable best efforts to procure that such condition is satisfied as soon as practicable after the Closing Date.

4.3 At Closing the Seller must:

4.3.1 deliver to the Buyer those items set out in part 1 of the Closing Agenda;

4.3.2 deliver to the Buyer the Ancillary Agreements, in each case duly executed by Seller or the Seller's Subsidiary which is a party to such agreement;

4.3.3 (to the extent the same has not already taken place) ensure that the directors or shareholders (as the case may be) of each Target Company convene, and at Closing hold, a meeting at which they pass the resolutions and perform the other actions specified in the Closing Agenda;

4.3.4 ensure that immediately after the meeting referred to in Clause 4.3.3 meetings of the directors or shareholders (as the case may be) of the Subsidiaries are convened to pass the resolutions and perform the other actions specified in the Closing Agenda; and

4.3.5 repay, and procure that the Seller's Subsidiaries repay, the Intercompany Receivables included in the Estimated Closing Intercompany Debt.

4.4 At Closing the Buyer must:

4.4.1 deliver to the Seller those items set out in part 2 of the Closing Agenda;

4.4.2 deliver to the Seller the Ancillary Agreements, in each case duly executed by Buyer or the Buyer's Subsidiary which is a party to such agreement;

4.4.3 pay to the Seller (or the relevant Seller Affiliate(s)) or cause one or more Buyer Affiliate(s) designated pursuant to Clause 2.1 to pay to the Seller (and/or the relevant Seller Affiliate(s)), amounts totalling in aggregate (i) the Initial Purchase Price minus (ii) the Deferred Payment (if applicable), minus (iii) €25 million if Clause 3.3.1 applies, minus (iv) any deductions as a result of the exclusion of any Joint Venture or the Singapore SPV (as applicable) in accordance with the provisions of Clause 7 (if applicable), minus (v) the amounts referred to in Clause 4.2 (if applicable), by wire transfer of immediately available funds to the accounts designated by Seller to Buyer at least five (5) Business Days prior to the Closing;

4.4.4 procure that the Group Companies repay the Intercompany Payables included in the Estimated Closing Intercompany Debt (provided that, in the case of any Intercompany Payables owing from the Greek JV, the Buyer shall only be required to use reasonable best efforts to procure such repayment), with Buyer to provide the financing to the Group Companies in respect of such repayment; and

4.4.5 cause the Group Companies that were prior to the Closing members of the French Tax group of Seller to pay to Seller, any amount due by such Group Companies pursuant to the French Tax Group Exit Agreement.

4.5 After all other conditions to the Closing have been satisfied or waived, the Buyer shall have the right not to complete the Closing if there occurred at any time after the Offer Letter Date, any Material Adverse Change.

"**Material Adverse Change**" shall mean the occurrence of any event, circumstances or change (or series of similar events, circumstances or changes having their origin in the same factual circumstances) which will have a recurring and sustainable impact on the Business, including as a result of a breach of Warranty or any provision of this Agreement, but excluding any event, circumstances or change occurring as a result of general economic or financial conditions or events affecting the industry generally or any event, circumstance or change that results from any matter fairly disclosed with reasonable specificity in the Disclosure Letter. For this purpose, a sustainable impact on the Business means a reduction of the EBIT of the Group Companies (on a combined basis) of at least 80 million Euros in the 12 month period following the date on which all the conditions to Closing have been satisfied (or waived) (excluding the impact on EBIT of any event contemplated by Clause 7 of this Agreement).

4.6 This Agreement may be terminated at any time before the Closing Date:

4.6.1 by mutual written agreement of Buyer and Seller; or

4.6.2 by either Buyer or Seller, on or after 30 April 2008, if the Closing shall not have occurred prior to such date. Notwithstanding the above date, each party will use its reasonable best endeavours to achieve Closing as soon as practicable following the date of this Agreement.

4.7 If the Buyer does not complete this Agreement pursuant to Clause 4.5 or the Agreement is terminated in accordance with Clause 4.6, the further rights and obligations of the parties (except for those obligations set forth in Clause 8.3) cease immediately on termination, except that termination does not affect accrued rights and obligations of the parties at the date of termination.

4.8 If Clause 4.2.1 applies in relation to the Chinese Subsidiaries:

4.8.1 the Buyer shall not be obliged to acquire any of the shares in the Singapore SPV unless all the shares in all the Chinese Subsidiaries owned by the Seller or a Seller's Subsidiary are transferred to the Singapore SPV in accordance with the Chinese Reorganisation;

4.8.2 the Buyer and the Seller acknowledge that the transfers of the shares in each of the Chinese Subsidiaries to the Singapore SPV will occur automatically upon receipt of the requisite Regulatory Approval and that the transfers may not therefore occur simultaneously.

4.8.3 Within five (5) Business Days after completion of the Chinese Reorganisation the Seller shall deliver to the Buyer the statements described in Clause 2.3.1 as if the defined financial terms therein relate only to the Chinese Subsidiaries and the Singapore SPV and the "Closing Date" refers to the date falling ten (10) Business Days after completion of the Chinese Reorganisation (the "**Chinese Closing Date**"). In connection with the foregoing, the "Reference Working Capital" shall be € (9.4 m) (i.e. a negative number). On the Chinese Closing Date:

(a) the Seller shall be deemed to repeat the Warranties in respect of the Chinese Subsidiaries and the Singapore SPV;

(b) the parties shall deliver to each other the items set out in the Closing Agenda relating to the Chinese Subsidiaries and the Singapore SPV; and

(c) the Buyer shall pay to the Seller (or the relevant Seller's Subsidiary) the amounts set out against the names of the Chinese Subsidiaries in Part D of Schedule 2 (A) minus the amount of the Estimated Closing Net Indebtedness and (B) plus the amount of the Estimated Closing Net Working Capital Adjustment (if the Estimated Closing Net Working Capital exceeds the Reference Working Capital) or minus the Estimated Closing Net Working Capital Adjustment (if the Estimated Closing Net Working Capital is less than the Reference Working Capital) and (C) minus the Estimated Closing Intercompany Debt, each case as if such defined financial terms relate only to all the Chinese Subsidiaries and the Singapore SPV.

Thereafter, the provisions of Clauses 2.3.2 to 2.3.7, and 2.4.2 to 2.4.5 shall apply to the Chinese Subsidiaries and the Singapore SPV as if the defined financial terms therein relate only to the Chinese Subsidiaries and the Singapore SPV and the "Closing Date" relates to the Chinese Closing Date.

4.8.4 If the Chinese Reorganisation is not completed before the earlier of (i) 9 months of the Closing Date and (ii) 30 June 2008:

(a) the Chinese Subsidiaries and the Singapore SPV shall be excluded from the transaction contemplated by this Agreement; and

(b) the Purchase Price shall be deemed to have been reduced by the amounts set forth opposite the names of the Chinese Subsidiaries in Part D of Schedule 2.

4.9 If Clause 4.2.1 applies in relation to the Pakistani JV:

4.9.1 the Buyer and the Seller acknowledge that the transfers of the shares in the Pakistani JV will occur once the board consents to the transfer and enters it into the books of the Pakistani JV. Until such consent is obtained, the Seller will comply with the terms of this Agreement with respect to the Pakistani JV (including Schedule 4).

4.9.2 Upon receipt of board consent:

(a) the Seller shall be deemed to repeat the Warranties in respect of the Pakistani JV;

(b) the parties shall deliver to each other the items set out in the Closing Agenda relating to the Pakistani JV; and

(c) the Buyer shall pay to the Seller (or the relevant Seller's Subsidiary) the amount set out against the name of the Pakistani JV in Part D of Schedule 2; and

4.9.3 if the consent of the board of Pakistani JV is not received within 9 months after the Closing Date:

(a) the Pakistani JV shall be excluded from the transaction contemplated by this Agreement; and

(b) the Purchase Price shall be deemed to have been reduced by the amount set forth opposite the name of the Pakistani JV in Part D of Schedule 2.

4.10 If Clause 4.2.2 applies with in relation to the Malaysian Companies or the Indonesian Company, then upon satisfaction of the relevant condition(s) in Clause 3.1:

4.10.1 the Seller shall be deemed to repeat the Warranties in respect of the Malaysian Companies and/or the Indonesian Company (as the case may be) and their respective Subsidiaries;

4.10.2 the parties shall deliver to each other the items set out in the Closing Agenda relating to the Malaysian Companies and/or the Indonesian Company (as the case may be); and

4.10.3 Clause 4.8.3(c) shall apply mutatis mutandis as if references to the Chinese Subsidiaries and the Singapore SPV were references to the Malaysian Companies or the Indonesian Company (as the case may be) and their respective Subsidiaries and the provisions of Clauses 2.3.2 to 2.3.7 and 2.4.2 to 2.4.5 shall apply to the Malaysian Companies or the Indonesian Company (as the case may be) and their respective Subsidiaries as if the defined financial terms therein relate only to the relevant companies and the “Closing Date” relates to the date of transfer of the Malaysian Companies or the Indonesian Company (as the case may be).

4.11 Subject to Clause 4.2.2, the transfer of the legal title to, and beneficial interest in, the entire issued and paid up capital of Danone Malaysia Sdn Bhd pursuant to the Malaysian Share Transfer Agreement shall take place on the Closing Date immediately after the consummation of the sale of the Shares in Britannia Brands (Kuan) Pte Ltd.

5. WARRANTIES, INDEMNITIES AND PRE-CLOSING CONDUCT

5.1 The Seller warrants to the Buyer that each of the Warranties is true, accurate, complete and not misleading at the Offer Letter Date except for Warranty 3.2 and Warranty 22.3, which are given at the Offer Letter Date by reference to the date specified therein. Immediately before the time of Closing, the Seller is deemed to warrant to the Buyer that each of the Warranties is, on the basis of the facts then existing (including, without limitation, any matter disclosed by the Seller to the Buyer pursuant to Clause 5.2) true, accurate, complete and not misleading at the date of Closing, except for Warranty 3.2 and Warranty 22.3, which are deemed to be given on the Closing Date by reference to the date specified therein.

5.2 Subject to clause 5.3, the Warranties are qualified by the matters fairly disclosed with reasonable specificity in the Disclosure Letter as at the Offer Letter Date. As a consequence, the Seller shall not have any liability in respect of any inaccuracy of Warranty and no claim for indemnification may be brought against the Seller by the Buyer for breach of Warranty, on the basis of events, facts or circumstances which are fairly disclosed with reasonable specificity in the Disclosure Letter as at the Offer Letter Date. Acceptance of delivery of the Disclosure Letter does not indicate that the Buyer accepts that any matter therein has been fairly disclosed with reasonable specificity. No other knowledge of the Buyer relating to the Business will prevent or limit a claim made by the Buyer for breach of any of the Warranties, except to the extent any of the following individuals had as at the Offer Letter Date actually formed a view that there was any inaccuracy in any of the Warranties (other than as disclosed in the Disclosure Letter as at the Offer Letter Date): David Brearton, Sanjay Khosla, Mike Waks, Robert Bradish, Gerd Pleuhs, Doug Cherry, Jill Youman, Sylvie Forero, Michel Erard, Johan Nystedt, Geoff Turner, Bruno Luisetti, Franco Suardi, Franck van Buchem, S. (Shom) Sen, Richard Smith and Peter Croft.

5.3 Notwithstanding anything to the contrary in this Agreement, including but not limited to this Clause 5, Seller's indemnification obligations for Tax Claims and for the specific indemnities set out in Schedule 3 Part B shall not be limited by any disclosure, including but not limited to the Disclosure Letter or Buyer's knowledge.

5.4 The Seller shall (or shall procure that any Seller Affiliate that sells Shares or Assets shall) indemnify the Buyer (or any Buyer Affiliate that purchases Shares or Assets pursuant to clause 2.1) as set out in Part D of Schedule 3. Such indemnification is the exclusive remedy of the Buyer in respect of any inaccuracy of any Warranty.

5.5 The Buyer represents to the Seller that each of the Buyer's Warranties is true, accurate, complete and not misleading at the date of this Agreement and as at the date of Closing. The Buyer shall indemnify and hold harmless the Seller (or any Seller's Subsidiary that sells Shares or Assets) from and against any Losses suffered by the Seller (or any such Seller's Subsidiary) arising out of or resulting from any inaccuracy of any Buyer's Warranties.

5.6 The Seller confirms that between the Offer Letter Date and the date of this Agreement it has complied with the undertakings set out in Schedule 4. Furthermore, between the signing of this Agreement and Closing, the Seller shall ensure that each Group Company complies with the undertakings set out in Schedule 4 except as specifically required pursuant to this Agreement or pursuant to written consent by the Buyer. In respect of any request for consent by Buyer relating to the matters set forth on Schedule 4, Seller may request Buyer's consent by email request (containing reasonable detail regarding the nature and circumstances of such request) to Robert Bradish at **robert.bradish@kraft.com** and to the SVP Finance, Kraft International by fax or mail marked for their attention at the number and address set out in Clause 15, and either such person shall be authorized to provide consent on behalf of Buyer in respect of any such request. Such consent shall not be unreasonably withheld and shall be deemed to be given unless Buyer shall have affirmatively denied such consent, providing the reason therefor, before the close of business (Paris time) on the tenth (10th) Business Day after the day on which such consent was requested.

5.7 Between the date hereof and the Closing Date, the Seller shall notify the Buyer promptly if it becomes aware of any matter which would constitute a breach of Clause 5.6 or cause any Warranty to be materially inaccurate and confirms that it has notified the Buyer of any such matters between the Offer Letter Date and the date of this Agreement. The Seller shall be permitted to deliver to Buyer, not more than three (3) Business Days prior to the Closing Date, an updated version of the Disclosure Letter to reflect only events occurring after the Offer Letter Date and before the Closing Date. Notwithstanding any other provision of this Agreement, it is agreed that no modifications to the Disclosure Letter after the Offer Letter Date shall be taken into account in respect of the accuracy of the Warranties hereunder and the Seller shall be required to indemnify the Buyer with respect to such modifications in accordance with Part D of Schedule 3 as if such updating had not occurred.

5.8 Between the date hereof and the Closing Date, the Seller shall give the Buyer reasonable access to the Business and the management of the Group Companies, upon reasonable prior request by the Buyer by email request to Cécile Cabanis at the following email address cecile.cabanis@danone.com and such person shall be authorized to provide such access to Buyer on behalf of Seller. Such access, which shall not be unreasonably refused, shall not interfere unreasonably with the operation of the Business. Furthermore, the Seller shall co-operate with the Buyer (i) to ensure the efficient continuation of management of the Group after Closing, and (ii) to prepare for the introduction of the normal working procedures of the Buyer in readiness for Closing.

5.9 Between the date hereof and the Closing Date, the Seller shall provide the Buyer with (i) the monthly and/or quarterly combined financial reports with respect to the Business which are produced and made available to the so-called “G-8” management group in the ordinary course excluding competitively sensitive information (by redaction where possible) and (ii) a list of the leased assets of each Group Company necessary for the effective operation of the Business.

5.10 Unless otherwise instructed by the Buyer in writing, the Seller will procure that all contracts, arrangements and commitments of any kind related to hedges, futures, derivatives, interest swaps or similar financial instruments entered into by any Group Company will be cancelled or settled prior to Closing. The cost of unwinds, early termination or losses (or gains) of the same (including any Taxes) will be for the account of the Seller.

5.11 The Buyer acknowledges that the employment of certain employees of the Seller or Danone R&D whose employment is exclusively or principally related to the Business but who are not currently employees of a Group Company will upon the Closing transfer to Lu France SAS in accordance with Article L 122-12 of the French Labor Code. The compensation payable to such employees is included in the Budget, and a complete and exhaustive list of such employees is set out in Schedule 18.

5.12 The parties shall work together in good faith to complete the information indicated on the face of each Ancillary Agreement (if any) as soon as practicable following the date of this Agreement.

5.13 The parties shall work together in good faith to prepare final documentation reflecting the agreed terms and conditions set forth on Schedule 22 relating to the Betterfoods biscuit business and trademarks.

6. LIMITATIONS ON THE SELLER'S LIABILITY

6.1 The Seller is not required to indemnify under Part D Schedule 3 in respect of any inaccuracy of any Warranty unless the amount claimed in any Notice of Claim (a "**Relevant Claim**"), on its own or when combined with any other amounts claimed in respect of other Relevant Claims, exceeds €75 million (the "**Threshold**"), and once the Threshold has been exceeded, the Buyer can claim for the entire amount of the Relevant Claim(s) without regard to such Threshold; provided, however, that there shall be no minimum amount that must be claimed in respect of any Excluded Warranties and amounts claimed in respect of an Excluded Warranty shall not be included for purposes of determining whether the Threshold has been reached.

6.2 The Seller is not required to indemnify in respect of any Relevant Claim which is less than € 300,000, and individual Relevant Claims which are less than such amount shall not be counted for purposes of determining whether the aggregate amount of Relevant Claims exceeds the Threshold; provided, that any series of similar Relevant Claims having their origin in the same factual circumstances may be aggregated for purposes of this Clause 6.2. This Clause 6.2 shall not apply to any Relevant Claims with respect to the Warranties set out in paragraph 6 of Part A Schedule 3; provided that, for the avoidance of doubt, Clause 6.1 shall continue to apply to such Relevant Claims.

6.3 The total amount payable by the Seller in respect of all Relevant Claims is not to exceed € 945,000,000 (as adjusted pursuant to Clause 6.7) provided, however, that there shall be no limit on the total amount payable by the Seller in respect of any Excluded Warranties or in respect of the Warranties contained in paragraph 10 of Part A Schedule 3, which shall not be included in determining whether the cap provided in this Clause 6.3 has been reached.

6.4 Notwithstanding anything in this Agreement to the contrary, the provisions of Clauses 6.1, 6.2 and 6.3 shall not apply to any indemnity in respect of a Tax Claim.

6.5 The Seller is not liable for a Relevant Claim unless a Notice of Claim has been delivered to the Seller:

6.5.1 on or before the fifth anniversary of the Closing Date in respect of any Relevant Claim in respect of any inaccuracy of any of the Warranties contained in paragraph 10 of Part A Schedule 3;

6.5.2 on or before the date which is ninety (90) days following the date on which the relevant statute of limitations has expired, in respect of any Tax Claim; and

6.5.3 on or before the date which is two years after the Closing Date in respect of any other Relevant Claim.

6.6 The limitations of Clauses 6.1, 6.2 and 6.3 shall not apply in the event of *dol* (as such term is interpreted under French law).

6.7 The amount specified in Clause 6.3 shall be:

6.7.1 reduced by an amount equal to 18% of any deductions made to the Purchase Price in accordance with the provisions of Clause 3.3.1, 4.8.4, 4.9.3 and Clause 7; and

6.7.2 increased by an amount equal to 18% of any increase made to the Purchase Price in accordance with the provisions of Clause 7.

7. JOINT VENTURES AND CHINESE SUBSIDIARIES

7.1 The Buyer and the Seller shall make all reasonable best efforts (but without requiring the Buyer to incur any monetary expenditures) before Closing to obtain (i) the consent of European Bank for Reconstruction and Development ("**EBRD**") to the indirect transfer of the shares owned by Générale Biscuit in the Polish JV and the Russian JV to the Buyer (to the extent the Seller believes such consent is necessary to effectuate such indirect transfer pursuant to the Polish JV and Russian JV joint venture agreements) or (ii) the transfer by EBRD to a Group Company of its shares in the Polish JV and the Russian JV, without any amendments to the terms of the Polish JV and the Russian JV (other than the acceleration of the exercise period of the put option with respect to the Polish JV and immaterial amendments to the terms of the Polish JV and the Russian JV to which the Buyer shall have consented (such consent not be unreasonably withheld or delayed)). If, in respect of either the Polish JV or the Russian JV, the consent of EBRD referred to in (i) is not obtained prior to the Closing for whatever reason, the shares held by Générale Biscuit in the Polish JV and the Russian JV shall transfer to the Buyer at Closing and the Seller shall indemnify Buyer and any member of the Buyer's Group (including Générale Biscuit) from and against any loss suffered by any of them as a result of a claim by EBRD in respect of any breach of the Polish JV agreement or the Russian JV agreement triggered as a result of the failure to obtain such consent (excluding, for the avoidance of doubt, any payment by, or any other costs incurred by, a Group Company in connection with the action in respect of the put option provided in either such agreement). If, in respect of either the Polish JV or the Russian JV, a Group Company purchases the shares in such JV held by EBRD prior to the Closing Date, then the Purchase Price shall be increased by the amount paid by a Group Company on exercise of the put. If in respect of either the Polish JV or the Russian JV, the put is exercised in favour of the Seller or a Seller's Subsidiary before or after Closing, the Seller shall procure that the Shares subject to the put are transferred to a Group Company (or, after Closing, a member of the Buyer's Group) as directed by the Buyer and the purchase price for such shares shall be paid by the Buyer or Buyer Affiliate that purchases such shares (as the case may be).

7.2 The relevant Seller's Subsidiary has given notice to Guan Sheng Yuan (Group) Co. Ltd ("**GSY**") of its proposed transfer of all the shares held by it in the Chinese JV to the

Singapore SPV and indirectly at Closing to Kraft (the "**Transfer**") in accordance with the terms of the relevant joint venture agreement. If the right of first refusal is waived or not exercised by GSY but the requisite regulatory or government approval (a "**Regulatory Approval**") to the Transfer is not obtained within the subsequent 90 days provided for in the relevant joint venture agreement (as extended by the regulatory process), the Seller shall procure that the process is repeated. If the right of first refusal is exercised by GSY with respect to the Transfer, the Chinese JV, the other Chinese Subsidiaries and the Singapore SPV shall be excluded from the transaction contemplated by this Agreement and the Purchase Price shall be reduced by the amount set forth opposite the names of the Chinese Subsidiaries in Part D of Schedule 2. Seller will cooperate with Buyer and provide all reasonable assistance in connection with any application for regulatory or governmental approvals required in connection with the transfer of the Chinese JV, the other Chinese Subsidiaries and the Singapore SPV, which applications shall be made as soon as practicable after signature of this Agreement. If any Regulatory Approval in respect of the transfer of the Chinese JV or any of the other Chinese Subsidiaries to the Singapore SPV and indirectly at Closing to Kraft or otherwise in respect of the Chinese Reorganisation is denied or the consent of the board of the Chinese JV (if required) is refused prior to Closing, then the Singapore SPV and all of the Chinese Subsidiaries (including the Chinese JV) will be excluded from the transactions contemplated by this Agreement and the Purchase Price shall be reduced by the amounts set forth opposite the names of the Chinese Subsidiaries in Part D of Schedule 2. The Buyer agrees that the Seller (or a Group Company) may, prior to Closing, purchase any of the shares in the Chinese JV that it does not own. In such event, the Purchase Price shall be deemed to be increased by the pro rata portion of the amount set forth opposite the name of the Chinese JV in Part D of Schedule 2.

7.3 In respect of the Mikado JV, unless Ezaki Glico has previously irrevocably waived in writing its right to terminate the Mikado JV, an amount equal to that set forth opposite the name of the Mikado JV in Part D of Schedule 2 (the "**Deferred Payment**"), shall, as provided in Clause 4.4.3, be deducted from the amount payable to Seller at the Closing and paid to the Escrow Agent in accordance with the terms of the Escrow Agreement, such amount to be released to the Buyer or the Seller, as the case may be, in accordance with the terms of the Escrow Agreement. The Seller has notified Ezaki Glico of the change of control that will result from the transactions contemplated hereby and Générale Biscuit will on the Closing Date notify Ezaki Glico of the occurrence of the change of control. Pursuant to the terms of the Escrow Agreement, (i) within five (5) Business Days after the earlier of (x) receipt by Buyer of a waiver in writing by Ezaki Glico of its right to terminate the Mikado JV as a result of such change of control and (y) the expiration of the relevant six-month period during which Ezaki Glico is permitted to terminate the Mikado JV, without Ezaki Glico having so exercised such termination right, the Escrow Agent shall release to the Seller the Deferred Payment plus all interest accrued thereon or (ii) within five (5) Business Days after the exercise by Ezaki Glico of its right to terminate the Mikado JV as a result of such change of control, the Escrow Agent shall release to the Buyer the Deferred Payment, plus all interest accrued thereon. In such latter case, the Purchase Price shall be decreased by the amount of the Deferred Payment.

7.4 In the event the joint venture partner in the Greek JV, the Moroccan JV or the Tunisian JV exercises the relevant call option before the Closing or within 12 months after the Closing as a result of the transactions contemplated hereby, and completion of such sale occurs after the Closing:

7.4.1 the Seller shall pay to the Buyer an amount equal to the shortfall (if any) between the relevant call option price and the price set forth opposite the name of each such joint venture in Part D of Schedule 2 (each an "**Attributed Value**"); and

7.4.2 the Buyer shall pay to the Seller an amount equal to the excess (if any) of the relevant call option price over the relevant Attributed Value.

In the event the joint venture partner in the Greek JV, the Moroccan JV or the Tunisian JV exercises the relevant call option as a result of the transactions contemplated hereby, and completion of the sale occurs prior to the Closing, then the Purchase Price shall be decreased by the amount set forth opposite the name of the Greek JV, the Moroccan JV or the Tunisian JV, as the case may be, in Part D of Schedule 2, and such entity shall be excluded from the transactions contemplated by this Agreement. In this respect, the Seller has informed the Buyer that Générale Biscuit has already sold its shares in the Greek JV and therefore the Purchase Price shall be adjusted accordingly. Any payment made by the Seller to the Buyer under Clause 7.4.1, or any payment made by the Buyer to the Seller under Clause 7.4.2, shall have the legal nature of an adjustment to the purchase price of the shares of Générale Biscuit.

7.5 In relation to Joint Ventures where the joint venture partner exercises any put options or call options to which it may be entitled, the Seller and the Buyer (if the put is exercised after Closing) will comply with the provisions of the relevant joint venture documentation (without amendment except as contemplated pursuant to Clause 7.1). The Buyer shall have the right to control any such put option process whether before or after the Closing Date, including the conduct of any negotiations relating to price or terms, and the Seller will fully cooperate with the Buyer and use all reasonable best efforts to facilitate the process. The Seller shall have the right to control any such call option process whether before or after the Closing Date, including the conduct of any negotiations relating to price or terms, and the Buyer will fully cooperate with the Seller and use at reasonable efforts to facilitate the process.

7.6 The Seller has cooperated before the date of this Agreement, and shall cooperate both before and after the Closing with the Buyer and use its reasonable best efforts to facilitate the discussions between the Buyer and the partners in the Joint Ventures to ensure a smooth transition of the relationships.

7.7 If the board of the Pakistani JV refuses its consent to the transfer to the Buyer of the shares in the Pakistani JV before Closing, the Pakistani JV shall be excluded from the transaction contemplated by this Agreement and the Purchase Price shall be reduced by the amount set forth opposite the name of the Pakistani JV in Part D of Schedule 2.

8. **CONFIDENTIAL INFORMATION**

8.1 The Seller shall, and shall cause each Seller's Subsidiary to, before and after Closing (except, other than in relation to Clause 8.1.3, in respect of the period before the Closing, in the ordinary course of business):

8.1.1 not use or disclose to any Person any Confidential Information it has or acquires;

8.1.2 make every effort to prevent the use or disclosure of Confidential Information. To that effect, the Seller shall, and shall cause each Seller's Subsidiary to, take all adequate measures such as informing promptly all personnel who now have or may receive Confidential Information of the restrictions or its disclosure or use; and

8.1.3 not use or disclose to any Person any confidential information relating to the Buyer or its subsidiaries received directly or indirectly from any party during the course of discussions in connection with this Agreement.

8.2 Clause 8.1 does not apply to:

8.2.1 disclosure of Confidential Information to directors, statutory managers or employees of the Buyer or any Group Company whose functions require them to know the Confidential Information;

8.2.2 use or disclosure of Confidential Information required to be disclosed or used by law or a stock exchange on which the Seller is listed;

8.2.3 disclosure of Confidential Information to an adviser for the purpose of advising the Seller but only on terms that Clause 8.1 and 8.2 apply to any use or disclosure by the adviser; or

8.2.4 Confidential Information which becomes publicly known otherwise than by breach of Clause 8.1 or 8.2 by the Seller.

8.3 As from the date hereof, each of the Seller and the Buyer shall, and shall cause its Affiliates to, maintain the confidentiality of any Confidential Information (as such term is defined in the Mutual Confidentiality Agreement, dated as of March 23, 2007, between the Buyer and the Seller) disclosed pursuant to such agreement relating to the Buyer's Group or the Seller's Group (in each case excluding the Group Companies), in accordance with the terms of such agreement.

9. **FURTHER UNDERTAKINGS**

9.1

9.1.1 The Seller shall not, and shall cause each Seller's Subsidiary not to, as from the Closing Date and for a period of 24 months thereafter (or, with respect to activities in the People's Republic of China only, for a period of 36 months thereafter or, if later, a period of 36 months from the Chinese Closing Date) either alone or jointly with others, through or as a shareholder, partner,

manager, advisor, consultant or agent for any person or otherwise, directly or indirectly compete with the Business, in any territory in which the Business was carried on at Closing, or be engaged or interested in or otherwise assist, any business which competes with the Business; provided that nothing shall prohibit or restrict the Seller or the Seller's Subsidiaries from (i) engaging in any Retained Business Operation, (ii) engaging in any Permitted Business, (iii) holding or acquiring an interest of up to 5% in the aggregate by way of passive investment in any business, entity or company, or (iv) acquiring control (directly or indirectly) of a business, entity or company (an "**Acquired Entity**"); provided that, in the event the revenues attributable to the part of the business of the Acquired Entity which competes with the Business (excluding revenues attributable to any Permitted Business activities thereof) exceed EUR 50 million or represent more than 20% of the total revenues of the Acquired Entity, the Seller shall procure that such competing activities (other than the Permitted Business activities) are sold to a Third Party within 12 months after the closing of the acquisition of the Acquired Entity.

9.1.2 For the purposes of Clause 9.1, "**Permitted Business**" means any Business activities (i) which are directly relating to and targeted at baby food (including Bledina) or (ii) which are not primarily distributed through the "modern trades" (i.e. supermarkets or hypermarkets), grocery (including "mom and pop") stores or grocery sections of department stores, or (iii) (A) which form part (but not more than 20% in terms of turnover) of an integrated business line (current or future) of the Seller or a Seller's Subsidiary marketed under a common brand name (except where this is just the house brand "Danone" appearing on its own), (B) the products of which have a specific nutritional function, purpose or feature (other than only calorie reduced and/or low in fat), and (C) the products of which are not similar to the products comprised in the Business. For the purposes of Clause 9.1.1, "**Retained Business Operation**" shall mean any interest held in the Arcor JV, the Britannia JV, EBM (Pakistan) and the China Subsidiaries if they are excluded from the transaction contemplated this Agreement pursuant to Clause 7.2.

9.2 The Seller and each Seller's Subsidiary has not since the Offer Letter Date, and the Seller shall not, and shall cause the Seller's Subsidiaries not to, for a period of eighteen months following the date of this Agreement, directly or indirectly, through one or more Affiliates (i) hire or engage the services (as employee, consultant or otherwise) of, or move out of the Business, any of those individuals listed in Schedule 20 or any employees of the Business who would be eligible for a retention bonus (levels 6-1) including the so-called "G8" (except for Rudy Baert) and those currently employed on fixed term contracts (e.g. expat assignments) with respect to the remainder of the term of those contracts (save (a) for those individuals marked "Stay with Danone" in Schedule 20, (b) where Clause 9.2B applies or (c) with respect to any individuals employed in a Joint Venture which is not ultimately transferred to the Buyer in accordance with the provisions of Clause 7 or any Chinese Subsidiary which is ultimately excluded from the transactions in accordance with the provisions of Clause 7.2) or (ii) solicit or endeavour to entice away from any Group Company, any person who is (or who was at any time

during the six months prior to the Closing Date) any executive (*cadre*) or general manager involved in the Business or any employee involved in research and development; provided that (ii) shall not prevent the Seller or any Seller's Subsidiary from advertising any position of employment.

9.2B As regards any employees who are identified in Schedule 20 as being on fixed term contracts, the parties will comply with the underlying employment contracts. They will, however, take into account the interests of the relevant employee(s).

9.2C The Seller shall use its reasonable best efforts to find an equally qualified replacement for any individual marked on Schedule 20 as "Stay with Danone" who ceases to be employed in the Business before the Closing Date.

9.3 If between the date of this Agreement and Closing it becomes apparent that the Seller or any Seller's Subsidiary holds or owns any asset which relates primarily to the Business, including without limitation any Business IP or any Business Information (a "**Missing Asset**"), this Agreement and/or the relevant Ancillary Agreement shall be amended to include the Missing Asset. After Closing, if the Seller or any Seller's Subsidiary holds or owns a Missing Asset, the Seller or that Seller's Subsidiary as the case may be shall be deemed to hold the Missing Asset(s) on behalf of the Buyer, and the Seller or that Seller's Subsidiary as the case may be shall, at the Buyer's request, as soon as practicable and on terms that no consideration is provided by any Person for such transfer, use all reasonable best efforts to:

9.3.1 execute all such deeds or documents as may be necessary for the purpose of transferring (free of any lien, charge or encumbrance) the relevant interest in the Missing Asset(s) to the Buyer or as it may direct; and

9.3.2 do or procure to be done at the Seller's cost all such further reasonable acts or things and procure the execution of all such other documents as the Buyer (for itself and/or on behalf of the relevant Group Company) may reasonably request in order to and/or on behalf of the purpose of vesting the relevant interest in the Missing Asset(s) in the Buyer or as the Buyer may direct.

9.3.3 The Seller shall notify the Buyer promptly upon it coming to the Seller's attention that any Missing Asset(s) are in the possession or control of the Seller or a Seller's Subsidiary.

9.3.4 The parties shall prior to the Closing Date work together in good faith to prepare final documentation providing for a 1-year license from Générale Biscuit Belgie to Danone Nederland of the Prince trademark to permit Danone Nederland to continue to use such trademark in connection with a dairy product as from the Closing Date for a period of one year, upon terms and conditions substantially similar to those set forth in the Danone and Taillefine Trademark License Agreement.

9.3.5 On receiving the Buyer's reasonable request the Seller must (at its cost):

(a) do and execute, or arrange for the doing and executing of, all acts, documents and things necessary to give effect to this Agreement; and

(b) give to the Buyer all information relating to the business of any Group Company it possesses or to which it has access.

9.4 It is expressly agreed that, except as provided pursuant to the DANONE and Taillefine Trademark License Agreement to be delivered at the Closing, the Buyer is not purchasing, acquiring or otherwise obtaining any right, title or interest in the name "DANONE", in any trade names, trademarks, identifying logos (including the child/star logo) or service marks related thereto or containing the word "DANONE" or any part or variation of any of the foregoing or any similar trade name, trademark or logo, or any other trademarks or logos owned by any Seller's Subsidiary (collectively the "**DANONE Trademarks and Logos**"). Notwithstanding the preceding sentence, if the Danone Trade Mark or Logo incorporates or is used in combination with a mark that is exclusively or predominantly related to the Business, then the Buyer's Group will be entitled to continue using that portion of the mark without the name "DANONE" or the child/star logo, and the Seller shall not obtain any right title or interest in such portion of the Danone Trade Mark or Logo. The Buyer acknowledges and agrees that, except as provided in accordance with the DANONE and Taillefine Trademark License Agreement, neither it nor any member of the Buyer's Group (including the Group Companies) shall be entitled to use the DANONE Trademarks and Logos from and after the Closing Date. Without limiting the foregoing, (A) the Buyer shall procure that (save in relation to the Chinese JV if transferred to the Buyer, where the Buyer shall use its reasonable best efforts to procure that), within 6 months after the Closing Date (i) all actions shall be taken to modify the corporate name and the trade name of each Group Company to the extent necessary to remove any reference to the Danone Trademarks and Logos, (ii) all signage relating to the Group Companies shall be modified to remove any reference therein to the DANONE Trademarks and Logos, and (iii) the DANONE Trademarks and Logos shall cease to appear in all marketing or other materials (including letters, faxes, brochures, business cards, websites, etc.) and (B) the Buyer shall procure that the use of the DANONE name as part of a corporate name and the child/star logo shall cease to appear on all product packaging within one year of the Closing Date.

9.5 The Buyer acknowledges that the Seller intends to cause Compagnie Gervais DANONE to terminate the trademark know-how and license agreement between Compagnie Gervais DANONE and the Tunisian JV in respect of the Tunisian JV's right to use the "Danone" trademark such termination not to take effect before 1 August 2010 in accordance with the terms thereof and notably clause 7.1 regarding the term of the agreement.

9.6 In respect of the Pakistani JV, the Seller shall (i) use its reasonable best efforts to secure the board consent referred to in Clause 7.7 and (ii) negotiate in good faith with the Pakistani JV to make it a condition of any extension of the trademark licence, know-how and R&D agreement between Générale Biscuit SA and the Pakistani JV dated 14 February 2007 that such licence is amended so that it expressly excludes any warranties, representations or indemnities in respect of its rights to the TIGER trademarks.

9.7 The Seller shall use its reasonable best endeavours to procure that negotiations are completed to acquire the US, UK and Irish Mikado trademark registrations from Jacobs Fruitfield Foods/Irish Biscuits.

9.8 The Seller shall procure that as soon as reasonably practicable after the date of this Agreement:

9.8.1 a letter is obtained from Britannia Brands (Kuan) Pte. Ltd. waiving any right of pre-emption and other rights or restrictions on transfer in respect of the sale and purchase of the Shares of PT DBI conferred on it under the articles of association of PT DBI or otherwise; and

9.8.2 a resolution at a general meeting of shareholders of PT DBI (or a circular resolution of shareholders) is duly passed by the shareholders of PT DBI:

(a) approving the sale and purchase of the shares in PT DBI as contemplated in this Agreement; and

(b) authorising the board of directors of PT DBI or its appointed proxy to obtain BKPM approval on the change of shareholders of PT DBI, file the relevant notification with the MOLH&R and register the transfer of shares with the Department of Trade.

9.9 In relation to any meetings, discussions or other dealings between the Seller or any Seller's Subsidiary (or, prior to Closing, any Group Company) and Malaysian government authorities (including, but not limited to, MITI, and the Central Bank of Malaysia), such meetings, discussions or other dealings shall so far as is practicable be held after consultation with the Buyer and after taking into account the Buyer's reasonable requirements with respect to such meetings, discussions or other dealings and, if requested by the Buyer, for a representative of the Buyer to be able to attend such meetings, discussions or other dealings (in so far as such attendance is practicable).

9.10 Unless otherwise agreed by the parties, acting in good faith, the Buyer shall use reasonable efforts to phase out the use by any Group Company of:

9.10.1 the Tiger Logo in Indonesia, as soon as practicable after the Closing Date and in any event within the nine months after the Closing Date (the "**Cut Off Date**"); and

9.10.2 the Tiger Logo and "Tiger" trademark (wordmark) in any other jurisdiction, as soon as practicable after the Closing Date and in any event within three years after the Closing Date.

9.11 If a contract relating to the Business (including the Contracts) cannot be transferred to the Buyer on Closing except by an assignment made with a specified person's consent or by a novation agreement:

9.11.1 this Agreement does not constitute an assignment or an attempted assignment of the contract if the assignment or attempted assignment would constitute a breach of the contract;

9.11.2 both before and after the Closing Date the Buyer and the Seller shall each make all reasonable efforts to obtain the person's consent to the assignment, or achieve the novation, of the contract;

9.11.3 until the consent is obtained or novation is achieved, the Seller shall do each act and thing reasonably requested of it by the Buyer to enable performance of the contract and to provide for the Buyer the benefits of the contract (including, without limitation, enforcement of a right of the Seller against another party to the contract arising out of its termination by the other party or otherwise); and

9.11.4 if the arrangements in clauses 9.11.2 and 9.11.3 cannot be made in respect of the contract:

(a) each party shall make all reasonable efforts to ensure that the contract is terminated without liability to either party; and

(b) neither party has any further obligation to the other relating to the contract except that the Seller shall immediately repay to the Buyer any amount paid by the Buyer to the Seller in respect of the contract.

9.12 Clause 9.11 does not affect the Buyer's rights and remedies against the Seller in respect of a contract which the Seller has warranted is assignable, or may be performed by the Buyer instead of the Seller, without a novation agreement.

9.13 The Seller shall procure that, within 6 months after the Closing Date, (i) all actions shall be taken to modify the corporate name and the trade name of any Seller's Subsidiary to the extent necessary to remove any reference to the Business IP, (ii) all signage relating to any Seller's Subsidiary shall be modified to remove references therein to Business IP and (iii) the Business IP shall cease to appear in all marketing or other materials (including letters, faxes, brochures, business cards, websites, etc.) except as contemplated by the Ancillary Agreements.

9.14 The Seller undertakes that either (i) completion of the closure of the O.A.O Bolshevik plant in Moscow will not take place prior to the Closing Date or (ii) if closure takes place and the property is sold prior to the Closing Date, the sale proceeds shall remain in O.A.O Bolshevik. If a sale of Chok & Rolls CJSC is completed prior to the Closing Date, the sale proceeds shall remain in O.A.O Bolshevik.

9.15 The Seller shall use its reasonable best efforts to try to secure the transfer by the Arcor JV of the Ritz trademark at no, or nominal, cost to the Buyer (or as the Buyer directs) before Closing or otherwise as soon as possible after Closing. If the Ritz trademark cannot be transferred at no, or nominal, cost, the Seller shall notify the Buyer of the terms and conditions on which the Arcor JV would be prepared to transfer the Ritz trademark to the Buyer and the Buyer shall be entitled to proceed or not to proceed with the transfer on those terms.

9.16 If the Buyer (or a Buyer's Affiliate) indirectly acquires the Shares in the Chinese JV, the Buyer shall use its reasonable best efforts (including offering to provide a license of the "Kraft" name to the Chinese JV) following the Chinese Closing Date to (i) change the name of the Chinese JV so that it does not include the word "Danone" and (ii) procure

that the license of the DANONE trademark to the Chinese JV is terminated. If, notwithstanding the Buyer's reasonable best efforts, the license is not terminated, (i) the Buyer shall cause the Chinese JV to cease all use of the "Danone" trademarks in its business activities after the expiry of the Danone and Taillefine Trademark License Agreement to the extent that the joint venture partner does not exercise any right of objection it might have and (ii) the Seller agrees to procure that the relevant Seller's Subsidiary does not take any action which would put the Buyer (or any Buyer's Affiliate) in breach of the documentation relating to the Chinese JV.

9.17 The Seller will procure that, immediately prior to Closing, there will be no Intercompany Payable or Intercompany Receivable in respect of Britannia Brands (Kuan) Pte Ltd or Kuan Enterprises Private Limited.

9.18 The Seller will use reasonable best efforts to procure that appropriate barriers are put in place to ensure that Cloetta Fazer AB (PUBL) ("**Fazer**") cannot access data belonging to Lu Finland and vise versa. Where access is required by Fazer for the provision of contracted services to Lu Finland, the Seller will use its reasonable best efforts to procure that access is restricted to such information and to such persons at Fazer as is necessary for the provision of the services and that Fazer enters into a confidentiality agreement with Lu Finland to that effect.

9.19 The Seller and the Buyer will procure that each of the parties to the Chinese Reorganisation shall use its best efforts (i) to take or cause to be taken all actions, (ii) to cooperate in good faith with the other party to the Chinese Reorganisation and (iii) to do or cause to be done all things, including making any filings or formalities or executing any documents post-closing of the Chinese Reorganisation, in each case which are necessary or proper to consummate and make effective the transactions agreed between the parties to the Chinese Reorganisation or otherwise comply with applicable laws and regulations. In particular, the Seller will procure that, in the event of any adjustment to the Initial Purchase Price provided under Clause 2 above paid by the Buyer or any Buyer Affiliate to Danone Asia with respect to the shares in the Singapore SPV, Danone Asia (i) will comply with all filings and pay all taxes or additional amounts of taxes in China (including Chinese capital gains tax) as a result of such adjustment.

9.20 The Seller may, prior to Closing, negotiate with the counterparty to each Shared Contract to agree that such Shared Contract should be split into one contract between the counterparty and the Seller (or a Seller's Subsidiary) and another contract between the counterparty and a Group Company (each in the agreed form) on the basis that such new contracts provide that:

9.20.1 the Seller and the Seller's Subsidiaries on the one hand and the Group Companies on the other hand deliver to, or receive from, the counterparty the same proportion of the goods or services provided under the relevant Shared Contract as they respectively delivered or received in the 12 months prior to the Offer Letter Date; and

9.20.2 the other rights and obligations under such Shared Contract are divided accordingly.

The Buyer and the Seller agree that, if any Shared Contract is not so split prior to Closing, they shall each use reasonable best efforts to procure that such Shared Contract is split on the basis set out in Clauses 9.20.1 and 9.20.2 as soon as reasonably practicable after Closing and, until such Shared Contract is split, the benefit of it shall be provided by the Seller (or the relevant Seller's Subsidiary) to the Group Companies as a service under article 1(a) of the Transitional Services Agreement.

9.21 In the event that, within *** after the Closing Date, the Buyer (or any Affiliate of the Buyer) is required pursuant to a decision of MITI or any other competent Malaysian authority to sell any of its interest in DSM (the "Divestment Interest") to a Malaysian third party (a "**Bumiputera Partner**") to comply with any Bumiputera equity condition imposed on DSM pursuant to its manufacturing licence (any such requirement, the "**Bumiputera Condition**"), the Seller shall pay, or procure that one of its Affiliates pays, to the Buyer or any Buyer Affiliate holding shares in DSM, an amount equal to:

(a) ***% of (x) the amount (if any) by which the Closing Equity Value exceeds the Divestment Equity Value multiplied by (y) the Relevant Percentage (the product of (x) and (y) being the "**Shortfall**"), up to EUR *** million (the "**Threshold Amount**"); and

(b) ***% of the Shortfall over the Threshold Amount (if any).

The Parties expressly agree that (i) the maximum amount payable by the Seller under this clause shall be EUR *** million and (ii) the arrangements contemplated by this Clause 9.21 shall be the exclusive remedy of the Buyer in respect of any Loss arising from the sale of a Divestment Interest to a Bumiputera Partner to comply with a Bumiputera Condition and accordingly the Buyer (or any Buyer Affiliate or Group Company) shall not be entitled to any additional claim with respect to such Loss as a result of any inaccuracy of any Warranty or otherwise.

The Seller may at any time request information from the Buyer regarding the nature and content of any discussions with the Malaysian authorities regarding any imposition of a Bumiputera Condition.

Payment shall be made by the Seller or one of its Affiliates within fifteen (15) days after notification by the Buyer to the Seller of the sale of the Divestment Interest, which notification shall contain all relevant details of the imposition of the Bumiputera Condition by the relevant authority, the sale of the Divestment Interest, the Relevant Percentage and the Divestment Equity Value, including copies of all relevant documentation.

Any amount payable under this Clause 9.21 shall be reduced in an equitable manner to reflect any decrease in the value of DSM resulting from any extraordinary transaction (in the nature of an extraordinary distribution, merger, spin-off, sale of substantial assets) that is completed after the Closing Date.

For the purposes of this Clause 9.21:

"**Closing Equity Value**" means EUR *** million (corresponding to the equity value of 100% of DSM as at the Closing Date);

"**Divestment Equity Value**" means the equity value of 100% of shares in DSM resulting from the sale to the Bumiputera Partner (determined based on the purchase price per share of the Divestment Interest); and

"**Relevant Percentage**" means the percentage that the Divestment Interest bears to the total outstanding shares in DSM.

9.22 Seller hereby indemnifies the Buyer (or any Buyer Affiliate holding shares in DSM or DBM), Affiliates of the Buyer and all Group Companies harmless from and against all Taxes and Losses suffered or incurred by any member of the Buyer's Group or by the Group Companies arising out of or resulting from any failure to comply with any condition contained in the manufacturing licenses granted by MITI or any other competent Malaysian authority to DSM or DBM (other than the Bumiputera Condition) to the extent such Taxes and Losses arise out of or result from any action by a competent authority taken on or before the date which is *** after the Closing Date and, in relation to any Taxes and Loses arising with respect any period after the Closing Date, to the extent that the Buyer has used reasonable best efforts to address the issue of non compliance with such conditions.

9.23 Seller confirms that, on or prior to the date of this Agreement, the following steps that are within the Seller's or its Affiliates' control have been taken to convert PT DBSD's status to a PMA Company (the "**PMA Conversion**"):

(a) execution of a shareholders circular of PT DBSD approving, amongst other things, such conversion and the amendment of the articles of association of PT DBSD to reflect such conversion, the Capital Increase, the allowing of foreign shareholders, directors, and commissioners and authorising the board of directors of PT DBSD or its appointed proxy to obtain BKPM approval required under sub-paragraph (c) below, filing the required approval applications and/or notifications with the MOL&HR and the Department of Trade;

(b) obtaining a letter from Willy Sidharta waiving any right to subscribe for new shares in PT DBSD; and

(c) making an application to BKPM for approval of such conversion, the Capital Increase and the prospective change of shareholders in PT DBSD.

Seller further confirms that it shall use its reasonable best efforts to ensure that the following steps within the Seller's or its Affiliates' control are taken on or prior to the Closing Date in relation to the PMA Conversion:

(a) obtaining BKPM approval of such conversion, the Capital Increase and the prospective change of shareholders in PT DBSD;

(b) effecting the Capital Increase and issuing new shares in PT DBSD to PT DBI;

(c) amending PT DBSD's articles of association to reflect such conversion and the Capital Increase and the allowing of foreign shareholders, directors and commissioners; and

(d) obtaining MOL&HR approval and receipt of reporting of such conversion and related amendments to PT DBSD's articles of association to reflect such conversion, the Capital Increase and the allowance of foreign shareholders, directors and commissioners.

The Buyer shall provide all reasonable and timely cooperation in connection with the implementation of the PMA Conversion. Seller hereby indemnifies the Buyer (or any Buyer Affiliate holding shares in DSM) and agrees to hold the Buyer, Affiliates of the Buyer and all Group Companies harmless from and against all Taxes and Losses suffered or incurred by any member of the Buyer's Group or by the Group Companies arising out of or resulting from (i) the PMA Conversion; or (ii) the failure to establish PT DBSD at any time prior to the completion of the PMA Conversion as a PMA Company or implement and complete the PMA Conversion (except to the extent such failures result from failure by the Buyer to reasonably and timely cooperate in respect of the PMA Conversion).

10. TAX MATTERS

10.1 The Seller shall timely prepare and timely file (or cause to be timely prepared and timely filed by the relevant Group Company as required by Law or as is customary) all Tax Returns with the appropriate federal, state, local and foreign governmental authorities relating to any Group Company for Tax Periods ending on or prior to the Closing Date which are to be filed on or prior to the Closing Date.

10.2 The Seller shall timely prepare (or cause to be timely prepared by the relevant Group Company as required by Law or as is customary) all Tax Returns relating to any Group Company for Tax Periods ending on or prior to the Closing Date which are to be filed after the Closing Date. With respect to any such Tax Returns to be prepared pursuant to this Clause 10.2, the Buyer shall cause the relevant Group Company to timely file with the appropriate federal, state, local and foreign governmental authorities any such Tax Returns with the Seller's reasonable assistance.

10.3 This Clause 10.3 shall apply with respect to Tax Returns to be prepared and filed pursuant to Clauses 10.1 and 10.2. Not less than thirty (30) calendar days prior to the due date of any such Tax Return with respect to income Taxes or which is filed on an annual basis, the Seller shall allow the Buyer to review and comment upon any such Tax Returns. Upon request of the Buyer, the Seller shall make its reasonable best efforts to provide the Buyer with copies of any other Tax Returns to be filed by Lu France, Générale Biscuit, Lu Antilles Guyane, Lu Océan Indien, Biscuiterie de l'Isle, Générale Biscuits Belgie N.V., Saiwa s.p.a., Opavia Lu a.s., Lu Biscuits S.A. and Lu General Biscuits Nederland BV, not less than seven (7) calendar days prior to the due date. Subject to any requirements of Law resulting from any change in Law, the Seller shall prepare or cause to be prepared such Tax Returns consistent with past practices and shall not make or allow to be made any elections that will adversely affect Tax liability of the Buyer, or any of the Group Companies with respect to any Post-Closing Tax Period, without the consent of the Buyer, which consent will not be unreasonably withheld or delayed.

10.4 The Seller shall use reasonable best efforts to cause to be taken all actions (including the early termination of the current fiscal year of Lu Snack Foods GmbH) necessary, proper or advisable (subject to applicable Law) to terminate the "Beherrschungs- und Ergebnisabführungsvertrag" (Domination and Profit and Loss Transfer Agreement) dated December 13, 2000 between LU Snack Foods GmbH and Danone Holding AG as well as the tax allocation agreement between these companies as soon as practicable and in no event later than the Closing Date (it being understood that if such agreements are not terminated on or prior to the Closing Date the Seller and the Buyer shall take such steps as may be necessary to ensure that they and their Affiliates are in the same economic position as if such agreements had been terminated with effect from the Closing Date).

10.5 The Buyer shall timely prepare and timely file, or cause to be timely prepared and timely filed, all Tax Returns with respect to any Group Company for any Straddle Periods, and shall cause the Group Companies to pay the Taxes shown to be due thereon. The Seller shall furnish to the Buyer all information and records in its possession or in the possession of a Seller's Subsidiary and reasonably requested by the Buyer for use in preparation of any such Tax Returns. Not less than thirty (30) calendar days before the due date of any such Tax Return with respect to income Taxes or which is filed on an annual basis, the Buyer shall allow the Seller to review, comment upon and reasonably approve without undue delay any such Tax Returns. For any other Tax Returns with respect to any Straddle Period, to be filed by Lu France, Générale Biscuit, Lu Antilles Guyane, Lu Océan Indien, Biscuiterie de l'Isle, Générale Biscuits Belgie N.V., Saiwa s.p.a., Opavia Lu a.s., Lu Biscuits S.A. and Lu General Biscuits Nederland BV, the Buyer shall allow the Seller to review, comment upon and reasonably approve without undue delay any such Tax Returns not less than seven (7) calendar days before the due date. As to all other Tax Returns not mentioned above, to be prepared and filed pursuant to this Clause 10.5, subject to any requirements of Law resulting from any change in Law, the Buyer shall prepare or cause to be prepared such Tax Returns consistent with past practices and shall not make or allow to be made any elections that will adversely affect Tax liability of the Seller, or any of the Group Companies with respect to any Pre-Closing Tax Period, without the consent of the Seller, which consent will not be unreasonably withheld or delayed.

10.6 Cooperation and Exchange of Information

10.6.1 The Buyer shall be entitled to take possession of all appropriate records and documentation of and relating to Taxes with respect to the Group Companies and the Assets, including but not limited to all Tax Returns (other than consolidated returns related to Seller's tax group) and related books and records.

10.6.2 The Seller agrees to maintain all records and documentation relating to the Group Companies and the Assets and to keep such material reasonably accessible for a period of not less than ten years from the Closing Date (plus

any additional time during which the Seller has been advised that there is an ongoing tax audit with respect to periods prior to Pre-Closing Tax Periods).

10.7 Payment and allocation of Taxes

Except as otherwise provided in this agreement, the Seller shall timely pay or cause to be timely paid, all Taxes due with respect to the Group Companies for Pre-Closing Tax Periods to the extent due before the Closing Date. The Buyer shall timely pay or cause to be timely paid, all Taxes due after the Closing Date with respect to the Group Companies.

In the case of any Straddle Period:

- (i) the periodic Taxes that are not based on income or receipts (e.g. property Taxes) for the portion of any Straddle Period which ends on the Closing Date shall be computed based on the ratio of the number of days in such portion of the Straddle Period and the number of days in the entire Straddle Period and (ii) the periodic Taxes that are not based on income or receipts for the portion of any Straddle Period beginning on the day after the Closing date shall be computed based on the ratio of the number of days in such portion of the Straddle Period and the number of days in the entire Straddle Period;
- (i) the non periodic Taxes (i.e. other than Taxes described in the preceding paragraph) for the portion of any Straddle Period which ends on the Closing Date shall be computed on a "closing-of-the books" basis as if such taxable period ended as of the close of business on the Closing Date and (ii) the non periodic Taxes (i.e. other than Taxes described in the preceding paragraph) for the portion of any Straddle Period beginning after the Closing Date shall be computed on a "closing-of-the books" basis as if such taxable period began on the day after the Closing Date.

10.8 The Seller will procure that Danone Asia shall provide the Singapore SPV with documentation evidencing the payment by Danone Asia of all taxes (including Chinese capital gains taxes) and duties imposed in connection with the Chinese Reorganisation including, for the avoidance of doubt, payment of any taxes or duties with respect to any adjustment to the Initial Purchase Price provided under Clause 2 above paid by the Buyer or any Buyer Affiliate to Danone Asia with respect to the shares in the Singapore SPV.

11. ANNOUNCEMENTS AND PUBLIC RELATIONS

11.1 Unless Clause 11.2 applies, no public announcement, communication or circular concerning the transactions referred to in this Agreement may be made or despatched at any time (before or after Closing) by either party or any of their respective Affiliates without having first obtained the written consent of the other party, which must not unreasonably withhold or delay the giving of consent.

11.2 Where the announcement, communication or circular is required by law or a regulation of a stock exchange, the party required to make it must if practicable first consult, and take into account the reasonable requirements of, the other party.

11.3 Without prejudice to Clauses 11.1 and 11.2, the parties will cooperate and consult with each other in all public relations matters as they arise in connection with the transactions referred to in this Agreement.

12. COSTS

12.1 Except where this Agreement provides otherwise, each party must pay its own costs relating to the negotiation, preparation, execution and implementation by it of this Agreement and of all other documents referred to in it.

12.2 The Seller will pay for all transfer Taxes imposed on Buyer, any Buyer Affiliate or any Group Company in connection with the acquisition of Assets and Shares (including any Missing Assets transferred pursuant to Clause 9.3) as contemplated by this Agreement, including, but not limited to, (i) the transfer Taxes to be paid in accordance with the Malaysian Share Transfer Agreement and (ii) German real estate transfer Taxes and any transfer Taxes on the sale of trademarks and patents (collectively, "**Transfer Taxes**") but in the case of the acquisition of Assets other than Assets transferred pursuant to the Sale of Assets Agreements, only to the extent such Transfer Taxes do not exceed the amount of Transfer Taxes that would have been paid had such Assets been sold to Générale Biscuit prior to the Closing Date; provided that the parties will fully cooperate to execute the agreements with respect to the transfer of Assets and Shares (including but not limited to the Shares of Lu Snack Foods GmbH) in a mutually acceptable jurisdiction which will minimize any material Transfer Taxes with respect to the sale of such Assets and Shares.

13. GENERAL

13.1 No variation, amendment or novation of this Agreement is valid unless it is in writing and signed by or on behalf of each party.

13.2 The failure to exercise or delay in exercising a right or remedy under this Agreement does not constitute a waiver of the right or remedy or a waiver of any other rights or remedies. No single or partial exercise of any right or remedy under this Agreement prevents any further exercise of the right or remedy or the exercise of any other right or remedy.

13.3 Except as stated in Clause 5.4, the rights and remedies of the Buyer contained in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

13.4 If any of the provisions of this Agreement are or become invalid or unenforceable, this shall not affect or impair the validity of the remaining provisions. In lieu of the invalid or unenforceable provision, or in order to account for an omission, a reasonable replacement provision shall be agreed upon which closely reflects, to the extent permitted by law, that which the contracting parties wanted, or according to the intent and purpose of this Agreement would have wanted, had they considered the particular point.

13.5 This Agreement and any documents referred to in this Agreement constitute the entire agreement between the parties relating to the subject matter of this Agreement and supersede all previous agreements.

13.6 The Seller acknowledges that the Buyer may rely on the Warranties in warranting to any subsequent buyer of all or any part of the Business which is being divested to comply with any commitment, undertaking or divestment given by the Buyer to a Relevant Agency in connection with any Filing.

14. **TRANSFER OF RIGHTS AND OBLIGATIONS**

Neither party may assign or transfer, or purport to assign or transfer, any of its rights or obligations under this Agreement except that the benefit of the Warranties may be assigned or transferred in whole or in part and without restriction by the Person for the time being entitled to the benefit of the Warranties to (i) an Affiliate of such Person or (ii) a financial institution in connection with the obtaining of financing related to the transactions contemplated hereby. Notwithstanding the foregoing, the Buyer may, on or before the later of (i) five (5) Business Days after the date hereof or (ii) nine (9) Business Days prior to the Closing Date, by notice to the Seller substitute for itself any of its wholly owned subsidiaries (the "**Substituted Subsidiary**") and upon such substitution the Substituted Subsidiary shall become a Party hereto and shall be deemed to be the Buyer hereunder; provided that the Buyer shall remain jointly and severally liable with the Substituted Subsidiary, with effect from the substitution date, for the performance by the latter of all of the Buyer's obligations under this Agreement, and the Buyer shall confirm such undertaking in the notice of substitution delivered to the Seller in accordance with this clause.

15. **NOTICES**

15.1 Any notice or other communication in connection with this Agreement must be in writing in the English language and must be:

15.1.1 delivered personally;

15.1.2 sent by pre-paid mail; or

15.1.3 sent by facsimile transmission,

to the party due to receive the notice or communication at its address set out in this Agreement or such other address as a party may specify by notice in writing to the other.

15.2 In the absence of evidence of earlier receipt, a notice or other communication is deemed given:

15.2.1 if delivered personally, when left at the address referred to in Clause 15.1;

15.2.2 if sent by mail (inland), three days after posting it;

15.2.3 if sent by mail (overseas), ten days after posting it; and

15.2.4 if sent by facsimile transmission, on the date of its transmission (if sent before 17h00 in the jurisdiction to which sent) or the next Business Day.

16. **GOVERNING LAW, DISPUTE RESOLUTION**

16.1 This Agreement is governed by French law, except for its conflict of laws provisions, to the extent they would require the application of the laws of another jurisdiction.

16.2 For the purpose of any legal actions or proceedings brought by either party in respect of this Agreement, each party irrevocably agrees that any such action or proceeding, or any controversy or dispute arising out of or in connection with this Agreement, its interpretation, performance or termination, shall be submitted for settlement under the rules of arbitration of the International Chamber of Commerce (the "**Arbitration Rules**") subject to the following conditions:

16.2.1 The arbitral tribunal shall be composed of three arbitrators appointed in accordance with the Arbitration Rules.

16.2.2 The place and seat of arbitration shall be Geneva, Switzerland unless otherwise agreed by the parties.

16.2.3 The language of the arbitration shall be English. Notwithstanding that the language of the arbitration shall be English, any documentary evidence may be submitted in its original language where the original language of such of the document is English or French, in which case no translation into English shall be required. Where the original language of the document is neither English nor French, a true and accurate translation into English shall be provided at the same time as the evidence is produced in its original language. The arbitrators shall be proficient in both French and English.

GROUPE DANONE S.A.

By: /s/ Cecile Cabanis
Name: Cecile Cabanis
Title: Head of Corporate Development

Date: 10/29/2007

KRAFT FOODS GLOBAL, INC.

By: /s/ G. W. Pleuhs
Name: G. W. Pleuhs
Title: SVP

Date: 10/29/2007

Schedules:

Schedule 1:	Definitions
Schedule 2:	The Shares, Target Companies and Subsidiaries
Schedule 3:	Warranties & Indemnities
Schedule 4:	Actions before Closing
Schedule 5:	Intercompany Debt as of December 31, 2006
Schedule 6:	Cash and Cash Equivalents as of December 31, 2006
Schedule 7:	Required Regulatory Filings
Schedule 8:	Reorganization
Schedule 9:	Ancillary Agreements
Schedule 10:	Closing Agenda
Schedule 11:	Indebtedness as of December 31, 2006
Schedule 12:	Material Trademarks
Schedule 13:	Net Working Capital as of December 31, 2006
Schedule 14:	Reference Working Capital
Schedule 15:	Intellectual Property
Schedule 16:	Real Property
Schedule 17:	Accounts (Pro Forma and LU France)
Schedule 18:	Automatically transferring employees
Schedule 19:	“Tiger” Logo
Schedule 20:	Employees subject to “no hire”
Schedule 21:	Budget

Schedule 22:	Betterfoods Term Sheet
Schedule 23:	Joint Ventures Fully Consolidated in the Pro Forma Accounts
Schedule 24:	Net Indebtedness Taxes as at 31 December 2006
Schedule 25:	Pensions
Schedule 26:	China Subsidiaries' Transfer Agreements
Schedule 27:	Escrow Agreement
Schedule 28:	Milkuat Trademark Assignment Agreement

SCHEDULE 1
DEFINITIONS

1. In this Agreement:

"**Accounts**" means the Pro Forma Accounts attached as Schedule 17.

"**Acquired Entity**" has the meaning set forth in Clause 9.1.1

"**Affiliate**" of any particular Person means any other Person Controlling, Controlled by, or under common Control with such Person.

"**Algerian JV**" shall mean Danone Biscuit Algérie SA.

"**Ancillary Agreements**" means the following agreements to be executed and delivered at the Closing, in each case in the form attached hereto as Schedule 9: (i) the Danone and Taillefine Trademark License Agreement, (ii) the Transitional Services Agreement, (iii) the Vitapole Sale of Assets Agreement, (iv) the Head Office Sale of Assets Agreement, (v) the Interim Lease Agreements, (vi) the Cracotte Co-Manufacturing Supply Agreement, (vii) the Planters Trademark Transfer Agreement, (viii) the French Tax Group Exit Agreement, (ix) the YoBiscuit Co-Manufacturing Supply Agreement, (x) Patent Assignment Agreement, (xi) the Patent and Technology License Agreement, (xii) the IP Deed, (xiii) the Premium and Encore Trademark Transfer Agreement, (xiv) the Asia Trademark Transfer Agreement (xv) the Bledina Trademark Transfer Agreement (xvi) the Betterfoods Agreement and (xvii) the Escrow Agreement.

"**Arcor JV**" means Bagley Latino America SA.

"**Assets**" means all assets (other than the Shares) listed in Schedule 2 Part A.

"**Attributed Value**" has the meaning set forth in Clause 7.4.1.

"**Betterfoods Agreement**" means the agreement(s) in the agreed form to give effect to the term sheet included as Schedule 22.

"**BKPM**" means the Capital Investment Co-ordinating Board of the Republic of Indonesia.

"**Britannia**" means Britannia Industries Ltd, any member of the Wadia family, any Affiliate of any of the foregoing, and any licensee of, or successor in title to, the foregoing.

"**Britannia JV**" means Britannia Industries Limited.

"**Budget**" means the document attached as Schedule 21.

"**Bumiputera Condition**" has the meaning set forth in Clause 9.21.

"**Bumiputera Partner**" has the meaning set forth in Clause 9.21.

"**Business**" means the Seller's entire worldwide biscuit business as conducted as of the Offer Letter Date, including sweet and savoury biscuits, snack cakes, snack crackers, cereals, cereal

bars, cereal and cheese snacks and salted snacks as currently sold, including the worldwide rights to all Business IP developed, in development or relating to the Business (excluding the Blédina baby food biscuits business and the trademarks related to it as well as all assets exclusively dedicated to it and the trademarks and patents covered by the Trademark License Agreement and the Patent License Agreement) and excluding the shares in the Arcor JV and the Britannia JV.

"**Business Day**" means a day other than a Saturday or Sunday or public holiday in the United States of America or France.

"**Business Information**" means all information used in the Business, in any form, whether recorded in a material form, electronically or otherwise, or unrecorded, including, but not limited to, information relating to, or in the form of (i) Know-How; (ii) the marketing of goods or services including customer lists and contact details, suppliers, subcontractors, sales targets, sales information and statistics, market share statistics, price lists, databases, market research reports and surveys, and advertising or other promotional materials; (iii) data which relate to a living individual who can be identified from those data; (iv) business plans, proposals and forecasts, details of current or future projects, business development or planning, commercial relationships and negotiations; trade secrets; and accounting and Tax records, orders and inquiries relating to the Business.

"**Business IP**" means all Intellectual Property and Intellectual Property work-in-progress, created or developed in the course of the operation of the Business which exists, is being used, or has been used during the twelve months before the Offer Letter Date in connection with the Business or otherwise at any time prior to the Closing Date, to the extent in the possession of, or registered in the name of, a Group Company.

"**Buyer**" has the meaning set forth in the Preamble to this Agreement.

"**Buyer's Group**" means Buyer and all Affiliates of Buyer and, after Closing, the Group Companies.

"**Buyer's Warranties**" means the representations and warranties contained in Schedule 3 Part C.

"**Capital Increase**" has the meaning set forth in Schedule 8, paragraph 1.3(a).

"**Cash and Cash Equivalents**" means, with respect to the Group Companies (on a combined basis but excluding the Non-Consolidated JVs), cash plus the positive balance of any bank accounts, other cash accounts, cash deposit accounts and readily marketable securities (whether on deposit or in current account and including in each case interest receivable or payable thereon). Cash shall exclude any amount taken into consideration in calculating the Intercompany Receivables and, if closure of the O.A.O. Bolshevik plant in Moscow takes place and the property is sold prior to the Closing Date, the sale proceeds from the sale of such property. With respect to the portion of Cash and Cash Equivalents of the Joint Ventures fully consolidated in the Pro Forma Accounts (as illustrated in Schedule 23), such amount shall be reduced by the percentage equal to the percentage shareholding not held (directly or indirectly) by the Seller, a Group Company or a Seller's Subsidiary in the relevant Joint Venture as of the Closing Date. For the purposes of illustration, Cash and Cash Equivalents based on Pro Forma Accounts is set out in Schedule 6.

"**Chinese Closing Date**" has the meaning set out in Clause 4.8.3.

"**Chinese JV**" means Shanghai Danone Biscuits Food Co. Ltd.

"**Chinese Reorganisation**" means the sale by Danone Asia to the Singapore SPV of all the shares it holds in the Chinese Subsidiaries as described in Schedule 8.

"**Chinese Subsidiaries**" means Danone Foods Trading (China) Co. Ltd., Jiangmen Danone Biscuits Co. Ltd., Danone Foods (Suzhou) Co. Ltd. and the Chinese JV.

"**Closing**" has the meaning set forth in Clause 3.1.

"**Closing Agenda**" means the agenda listing the matters to be dealt with at Closing in the agreed form attached hereto as Schedule 10.

"**Closing Agreements**" has the meaning set forth in paragraph 1.2 of Schedule 3 Part A.

"**Closing Date**" has the meaning set forth in Clause 4.1.

"**Closing Intercompany Debt**" means the Intercompany Debt as of the Closing Date (excluding the transactions to take place at Closing contemplated by this Agreement).

"**Closing Net Indebtedness**" means the Net Indebtedness as of the Closing Date (excluding the transactions to take place at Closing contemplated by this Agreement).

"**Collective Agreement**" means any agreement or arrangement made by or on behalf of a Group Company and by or on behalf of any one or more trade unions, works councils, staff associations or other body representing employees and any agreement or arrangement made by or on behalf of any employers' or trade association and one or more trade unions, works councils, staff associations, association of trade unions or other central body representing employees which applies to a Group Company or to which a Group Company is subject.

"**Computer Contracts**" means any agreements, arrangements or licences with Third Parties relating to Computer Systems or Computer Services, including all hire purchase contracts or leases of Computer Hardware used by the Group Company and licences of Computer Software used by a Group Company in connection with the Business.

"**Computer Hardware**" means any and all computer, telecommunications and network equipment used by a Group Company.

"**Computer Services**" means any and all services relating to the Computer Hardware or to any other material aspect of the data processing or data transfer requirements of the Group, including facilities management, bureau services, hardware and software maintenance and related warranty arrangements, software development or support, consultancy, source code deposit, recovery and network services.

"**Computer Software**" means any and all computer programs other than off-the-shelf software in both source and object code form used by the Group, including all material modules, routines and sub-routines thereof and all material source and other preparatory materials relating thereto, including user requirements, functional specifications and programming specifications, ideas, principles, programming languages, algorithms, coding sheets, coding and including any relevant manuals or other documentation and computer generated works.

"**Computer Systems**" means all the Computer Hardware and/or Computer Software used by the Group.

"**Confidential Information**" means all information not publicly known, used in or otherwise relating to the business, customers or financial or other affairs of any Group Company or the Business, except to the extent such information also relates to the business, customers or financial affaires of any activities of the Seller or a Seller's Subsidiary other than the Business.

"**Contracts**" means (i) the development contract between Lu France, Danone Vitapole and Barry Callebaut dated July 2006; (ii) the agreement for the supply and the development of chocolates products: cocoa derivatives (cocoa liquor, butter, powder), filings, compounds and chocolate between Groupe Danone and Barry Callebaut dated May 2006; (iii) the advertising agreement between Groupe Danone and Young & Rubicom dated April 22, 2003; and (iv) the advertising agreement between Groupe Danone and BETX Euro RCG dated March 7, 2002.

"**Control**" has the meaning given to it under paragraphs I and II of article L.233-3 of the French Commercial Code and "**Controlling**" and "**Controlled**" shall be construed accordingly.

"**Cut Off Date**" has the meaning given to it in Clause 9.10.1.

"**Data Room**" means the virtual data room managed by Merrillcorporation containing documents relating to the Group Companies to which the Buyer and its representatives have been granted access, the index for which is appended to the Disclosure Letter.

"**Data Protection Laws"** has the meaning set forth in paragraph 16.6.1 of Schedule 3 Part A.

"**Danone Asia**" means Danone Asia Pte Ltd.

"**Danone R&D**" means Danone Research SAS;

"**DBM**" means Danone Biscuits Manufacturing (M) Sdn Bhd.

"**Deferred Payment**" has the meaning set forth in Clause 7.3.

"**Department of Trade**" means the Department of Trade of the Republic of Indonesia.

"**Disclosure Letter**" means the letter delivered by the Seller to the Buyer in relation to the Warranties dated as of the Offer Letter Date.

"**Disputed Items**" has the meaning set forth in Clause 2.3.3.

"**Divestment Interest**" has the meaning set forth in Clause 9.21.

"**DSM**" means Danone Snacks Manufacturing (M) Sdn Bhd.

"**EBIT**" means earnings before interest and tax as such term is used in the Pro Forma Accounts.

"**Enterprise Value**" has the meaning set forth in Clause 2.2.

"**Escrow Agent**" means a bank mutually agreed by Buyer and Seller.

"**Escrow Agreement**" means the agreement in the form set out in Schedule 27.

"**Estimated Closing Intercompany Debt**" has the meaning set forth in Clause 2.3.1 (iii).

"**Estimated Closing Net Indebtedness**" has the meaning set forth in Clause 2.3.1(i).

"**Estimated Closing Net Working Capital**" has the meaning set forth in Clause 2.3.1 (ii).

"**Estimated Closing Net Working Capital Adjustment**" has the meaning set forth in Clause 2.3.1 (ii).

"**Excluded Warranties**" means the Warranties set out in paragraphs 2, 6.1.1 (only with respect to the ownership of Material Trademarks) and 9.2 (only with respect to the ownership of Material Assets) of Schedule 3 Part A.

"**Filing**" has the meaning set forth in Clause 3.1.2.

"**French Income Tax Deduction**" means with respect to any Group Company that is a Tax resident in France (i) an income Tax deduction for French income Tax purposes attributable to a Loss incurred by such a Group Company for which Seller or any Seller Affiliate must indemnify Buyer or any Buyer Affiliate in accordance with Schedule 3 Part D or (ii) an income Tax deduction of a Group Company for French income Tax purposes in any Post-Closing Tax Period that corresponds to income subject to Tax recognized in a Pre-Closing Tax Period by any Group Company for which Seller or any Seller Affiliate must indemnify Buyer or any Buyer Affiliate in accordance with Schedule 3 Part D, in each case only to the extent that Seller or any Seller Affiliate is required to make an indemnification payment to Buyer or any Buyer Affiliate pursuant to Schedule 3 Part D with respect to such Loss or Tax.

"**French Tax Group Exit Agreement**" means Agreement for the Exit of Générale Biscuit, Lu France, Lu Antilles Guyane, Lu Océan Indien and Biscuiterie de l'Isle from the Groupe DANONE tax consolidated group.

"**GAAP**" means International Financial Reporting Standards (IFRS), as applied by the Target Company on a basis consistent with the Pro Forma Accounts.

"**Greek JV**" means Papadopoulos SA.

"**Group Company**" means any Target Company or any Subsidiary and collectively the "**Group Companies**".

"**Hazardous Substances**" has the meaning set forth in paragraph 10.1 of Schedule 3 Part A.

"**Indebtedness**" means, with respect to the Group Companies (on a combined basis but excluding the Non-Consolidated JVs) on any particular date, without duplication, (i) all indebtedness for borrowed money, (ii) all obligations under financing and capital leases (determined in accordance with GAAP) and (iii) accrued interest on the foregoing amounts (to the extent such interest is not taken into account in Net Working Capital) but excluding profit sharing and all amounts owing from one Group Company to another. Indebtedness shall exclude any amount taken into consideration in calculating the Intercompany Payables, but shall include:

(a) early termination, prepayment or other break costs or penalties in respect of (i) or (ii) above (calculated on the later of the date on which such costs are incurred and the close of business on the Business Day immediately preceding the Closing Date);

(b) any one-off separation costs necessary to achieve the Reorganisation to the extent not effectively incurred by a Group Company prior to the Closing Date, including any employee severance payments resulting from the transfer of the Shares or Assets but excluding, for the avoidance of doubt, any redundancies triggered by the Buyer after the Closing;

(c) Indebtedness Taxes, reduced by any payment or instalment already made by a Group Company and the Subsidiaries for such period; for illustrative purpose, Indebtedness Taxes in the Pro Forma Accounts as of December 31, 2006 are set out in Schedule 24. "Indebtedness Taxes" shall mean income Taxes calculated based on the taxable income result determined for the period up to the Closing Date of each Group Company under applicable Tax Laws and the applicable income Tax rate in each jurisdiction. The definition of Indebtedness Taxes shall be used only for purposes of this paragraph (c) of the definition of Indebtedness. For the avoidance of doubt, Indebtedness Taxes shall not be taken into account or have any impact on (i) any other term or definition used in this Agreement or (ii) the interpretation or application of any other provision of this Agreement, including without limitation Warranties and indemnification obligations of Seller and Seller Affiliates with respect to Taxes and Losses;

(d) the Pensions Adjustment; and

(e) € 45 million, corresponding to the attributed value of the provisions set out in the Pro Forma Accounts,

provided, that in respect of the Indebtedness of the Joint Ventures fully consolidated in the Pro Forma Accounts (as illustrated in Schedule 23), such amount shall be reduced by the percentage equal to the percentage shareholding not held (either directly or indirectly by Seller, a Group Company or a Seller's Subsidiary in the relevant Joint Venture as at the Closing Date. For the avoidance of doubt, Indebtedness shall be stated gross of any issue costs or fees. For illustration purposes, Indebtedness based on Pro Forma Accounts set out in Schedule 11.

"**Indemnitee**" has the meaning given to it in Part D of Schedule 3;

"**Indemnitor**" has the meaning given to it in Part D of Schedule 3;

"**Independent Accounting Firm**" has the meaning set forth in Clause 2.3.4.

"**Indonesian Company**" has the meaning given to it in Clause 4.2.2.

"**Initial Purchase Price**" has the meaning set forth in Clause 2.2.

"**Intellectual Property**" means all industrial and intellectual property rights, whether registered or not, including pending applications for registration of such rights and the right to apply for registration or extension of such rights including:

(a) patents (including patentable inventions), trade marks, registered and unregistered designs;

(b) copyrights (including copyright in Computer Software), neighbouring rights and database rights;

(c) rights in respect of unique marketing codes, trade, business and company names, colour combinations, logos, slogans, get-up, trade dress, packaging and marketing materials;

(d) domain names; and

(e) all rights and forms of protection of the same or a similar nature recognised anywhere in the world, which exist as of the date of Closing.

"**Intercompany Debt**" means Intercompany Payables minus Intercompany Receivables, as of the Closing Date (but excluding the transactions to take place at Closing contemplated by this Agreement). For illustration purposes, Intercompany Debt based on Pro Forma Accounts is provided in Schedule 5.

"**Intercompany Debt Adjustment"** has the meaning set forth in Clause 2.4.4.

"**Intercompany Payable**" means an amount owing (trade, non-trade, financial), including in respect of interest accrued on that amount, from a Group Company (excluding a Non-Consolidated JV) to Seller or a Seller's Subsidiary (including any distribution declared by any Group Company in favour of or payable to the Seller or a Seller's Subsidiary).

"**Intercompany Receivable**" means an amount owing (trade, non-trade, financial), including in respect of interest accrued on that amount, to a Group Company (excluding a Non-Consolidated JV) from Seller or a Seller's Subsidiary.

"**IP Licenses**" has the meaning set forth in paragraph 6.9 of Schedule 3 Part A.

"**Joint Ventures**" means Shanghai Danone Biscuits Food Co. Ltd., Danone Biscuit Algérie SA, GB Glico France SA, Papadopoulos SA, Bimo SA, Lu Polska, Sotubi SA, O.A.O. Bolshevik and Continental Biscuits Limited.

"**Know-How**" means all technical information, knowledge and expertise in any form (including information comprised in formulae, techniques, designs, specifications, drawings and associated data, design manuals, design rules, design standards, components, lists, manuals, instructions, catalogues, computation models, process descriptions, process manuals, recipes, software (including object and source codes), trials, experiments, research and technology results, statistics and data) relating to (without limitation) the composition, production, manufacture, design, development, use, repair, maintenance, monitoring, recording and controlling of any product, process or service including any such information relating to quality control.

"**Last Accounting Date**" means December 31, 2006.

"**Law**" means all civil and common law, statute, subordinate legislation, treaty, regulation, directive, decision, by-law, ordinance, circular, code, order, notice, demand, decree, injunction, resolution or judgment of any government, quasi-government, statutory, administrative or regulatory body, court, agency or association applicable to any Group Company, its business, employees or assets in any jurisdiction.

"**Licensed-In Intellectual Property**" means any Intellectual Property that is not owned by a Group Company and is used in the Business under any agreement, arrangement or understanding effective as at Closing including any such agreement, arrangement or understanding to which a member of the Seller's Group is a party.

"**Licensed-Out Intellectual Property**" means any Intellectual Property that is owned by a Group Company and is used by a person who is not a member of the Group under any agreement, arrangement or understanding effective as at Closing.

"**Local GAAP**" means applicable principles and practices generally accepted in the jurisdiction in which the relevant Group Company is incorporated.

"**Loss**" means a loss (*préjudice*) as defined under French law and as interpreted by French courts; provided however that in the event of a Loss resulting from an inaccuracy of a Warranty relating to the title or ownership of any trademarks, the Loss shall be determined on the basis of the fair market value to be paid to acquire a similar trademark and "**Losses**" shall be construed accordingly.

"**Lu France Accounts**" means the audited statutory profit and loss account of Lu France for the accounting period ended on, and the audited statutory balance sheet of Lu France as at, the Last Accounting Date including attached notes, reports and other documents attached at Schedule 17.

"**Malaysian Companies**" has the meaning given to it in Clause 4.2.2;

"**Malaysian Share Transfer Agreement**" means the share purchase agreement in the agreed form in respect of the shares in Danone Malaysia Sdn Bhd to be entered into between Danone Asia Pte Ltd (as seller) and DBM (as buyer).

"**Material Adverse Change**" has the meaning set forth in Clause 4.5.

"**Material Assets"** means all plants owned by a Group Company which are described in Schedule 16.

"**Material Trademarks**" means those trademarks set forth on Schedule 12.

"**Milkuat Trademark Assignment Agreement**" means the agreeement in the agreed form attached to Schedule 28.

"**Mikado JV**" means GB Glico France SA.

"**Minority JVs**" has the meaning given to it in Part A of Schedule 3.

"**Missing Asset"** has the meaning set forth in Clause 9.3.

"**MITI**" means the Malaysian Ministry of International Trade and Industry.

"**MOL&HR**" means the Minister of Law and Human Rights of the Republic of Indonesia.

"**Moroccan JV**" means Bimo SA.

"**Net Indebtedness**" means Indebtedness minus Cash and Cash Equivalents.

"**Net Indebtedness Adjustment**" has the meaning set forth in Clause 2.4.3.

"**Net Working Capital**" means (on a combined basis but excluding the Non-Consolidated JVs):

(i) The sum of:

a. Inventories (less any applicable provision on inventory);

b. Trade accounts receivable (less any applicable allowances for doubtful receivables)

c. Notes receivable

d. Discounted bills

e. Non-trade accounts receivable including Taxes (for the avoidance of doubt, taxes should not include any receivable related to income Tax), personnel and other receivables (less any applicable allowances on non trade accounts receivables)

minus

(ii) The sum of:

a. Trade accounts payable

b. Trade notes payable

c. Rebates and trade support accruals and payables

d. Payables to fixed asset suppliers

e. Non-trade accounts payable including containers & other equipment on consignment, other accounts payable and accrued expenses (Taxes, personnel (including legal and contractual profit sharing) and other accrued expenses). For the avoidance of doubt, non-trade amounts should not include any income tax payable and any accounts for restructuring.

f. Current deferred taxes

g. Management bonuses

in each case, using categorisation consistent with the Pro Forma Accounts and calculated in accordance with GAAP, but excluding items included within Net Indebtedness and Intercompany Debt. For illustrative purposes, Net Working Capital based on the Pro Forma Accounts is provided in Schedule13.

"**Net Working Capital Adjustment"** has the meaning set forth in Clause 2.4.2.

"**Non-Consolidated JVs** " means Pakistan JV, the Moroccan JV and the Tunisian JV.

"**Non-French Income Tax Deduction**" means with respect to any Group Company that is not a Tax resident in France (i) an income Tax deduction for non-French income Tax purposes attributable to a Loss incurred by such Group Company for which Seller or any Seller Affiliate must indemnify Buyer or any Buyer Affiliate in accordance with Schedule 3 Part D, (ii) an income Tax deduction of a Group Company for Non-French income Tax purposes in any Post-Closing Tax Period that corresponds to income subject to Tax recognized in a Pre-Closing Tax Period by any Group Company for which Seller or any Seller Affiliate must indemnify Buyer or any Buyer Affiliate in accordance with Schedule 3 Part D, in each case only to the extent that Seller or any Seller Affiliate is required to make an indemnification payment to Buyer or any Buyer Affiliate pursuant to Schedule 3 Part D with respect to such Loss or Tax. Non-French Income Tax Deduction also includes any income Tax deduction in Lu Snack Foods GmbH in a Post-Closing Tax Period that corresponds to an adjustment to the Taxable income of Lu Snacks Food GmbH for a Pre-Closing Tax Period, which (i) is recognized for German income tax purposes by Danone Holding AG in a Pre-Closing Tax Period for German Tax purposes due to the existence of a fiscal unity (Organschaft) in such Pre-Closing Tax Period or (ii) would have been recognized for German income tax purposes by Danone Holding AG in a Pre-Closing Tax Period due to the existence of a fiscal unity in such Pre-Closing Tax Period but for a Tax loss or Tax loss carryforward of Danone Holding AG, and for purposes of Clause 8.3 Seller shall be deemed to have made an indemnification payment to the Buyer or any Buyer Affiliate that purchases shares of Lu Snack Foods GmbH in respect of any such adjustment. For the avoidance of doubt, as regards German Taxes, income Tax comprises corporate income Tax (Korperschaftsteuer), solidarity surcharge (Solidaritatszuschlag) thereon as well as trade Tax (Gewerbesteuer).

"**Notice of Claim**" has the meaning set forth in paragraph 2.1 of Schedule 3 Part D.

"**Offer Letter**" means the Offer Letter dated 2 July 2007 delivered by the Seller to the Buyer relating to the acquisition of the Business.

"**Offer Letter Date**" means July 2, 2007.

"**Other Tax Benefits**" means a Tax reduction or entitlement to receive a refund, offset, credit or recovery (excluding, for the avoidance of doubt, any French Income Tax Deduction or Non-French Income Tax Deduction) (i) with respect to a Tax for which Seller or any Seller Affiliate is indemnifying the Buyer or any Buyer Affiliate pursuant to Schedule 3 Part D, including without limitation, a credit, offset or other recovery in respect of any VAT or similar Tax, or (ii) with respect to a Loss for which Seller or any Seller Affiliate is indemnifying Buyer or any Buyer Affiliate and Seller or any Seller Affiliate has made an indemnification payment to Buyer or any Buyer Affiliate, in all cases to the extent Seller or any Seller Affiliate has made an indemnification payment to Buyer or any Buyer Affiliate pursuant to Schedule 3 Part D.

"**Pakistani JV"** means Continental Biscuits Limited.

"**Pension Adjustment**" means the difference, if any, between the aggregate pension liabilities of the Group Companies (based on the line items "retirement indemnities" and "pensions") at Closing and €30.8 million (which, for the avoidance of doubt, may be a negative value if the liability is less than €30.8 million). (For illustration purposes, the aggregate pension liabilities of the Group Companies in the Pro Forma Accounts is set out in Schedule 25).

"**Permits**" means all permits, licences, consents, approvals, certificates, registrations and other authorisations required under any Law for the operation of the business of any Group Company, the ownership, possession, occupation or use of any asset of any Group Company.

"**Person**" means and includes an individual, a partnership, a joint venture, a limited liability company, a corporation or trust, an unincorporated organization, or a government or department or agency thereof, or any other entity.

"**Pension Schemes**" has the meaning set forth in paragraph 16 of Schedule 3 Part A.

"**Permitted Business**" has the meaning set forth in Clause 9.1.2.

"**PMA Company**" means a company established within the framework of the Indonesian Foreign Investment Law.

"**Polish JV**" means Lu Polska.

"**Post-Closing Tax Period**" means any Tax Period beginning after the Closing Date and that portion of any Straddle Period beginning after the Closing Date.

"**Powers of Attorney**" means such documents as may be required by Law to permit one Person to act on behalf of another.

"**Pre-Closing Tax Period**" means any Tax Period ending on or prior to the Closing Date and that portion of any Straddle Period up to and including the Closing Date.

"**Pro Forma Accounts**" means the pro forma combined profit and loss account of the Business for the accounting period ended on, and the combined balance sheet of the Business as at, the Last Accounting Date attached in Schedule 17.

"**Property**" means the properties described in Schedule 16.

"**PT DBI**" means PT Danone Biscuits Indonesia.

"**PT DBSD**" means PT Danone Biscuits Sales & Distribution.

"**Purchase Price**" has the meaning set forth in Clause 2.2.

"**Reference Working Capital**" is €74.6m (calculated as set out in Schedule 14).

"**Regulatory Approval**" has the meaning given to it in Clause 7.2.

"**Relevant Agency**" has the meaning set forth in Clause 3.1.2.

"**Relevant Claim**" has the meaning set forth in Clause 6.1.

"**Reorganisation**" means the reorganisation described in Schedule 8.

"**Retained Business Operations**" has the meaning set forth in Clause 9.1.2.

"**Russian JV**" means O.A.O. Bolshevik.

"**Sale of Assets Agreements**" means the Vitapole Sale of Assets Agreement and the Head Office Sale of Assets Agreement.

"**Seller**" has the meaning set forth in the Preamble to this Agreement.

"**Seller's Subsidiary**" means any Person which is as at the Offer Letter Date or which becomes after such date Controlled by the Seller (other than a Group Company).

"**Seller Tax Benefits**" means a Tax reduction or entitlement to receive a refund, offset, credit or recovery (i) with respect to a Tax for which Buyer or any Buyer Affiliate is indemnifying the Seller or any Seller Affiliate pursuant to Schedule 3 Part D or (ii) with respect to a Loss for which Buyer or any Buyer Affiliate is indemnifying Seller or any Seller Affiliate, and in all cases to the extent Buyer or any Buyer Affiliate has made an indemnification payment to Seller or any Seller Affiliate pursuant to Schedule 3 Part D.

"**Shared Contract**" means a contract to which the Seller or a Seller's Subsidiary is a party under which goods and/or services are supplied to, or by, a third party to both (i) the Seller or a Seller's Subsidiary on the one hand and (ii) one or more Group Companies on the other, including, without limitation, those contracts set out in attachment A4 to the Transitional Services Agreement.

"**Shares**" means the shares in the capital of Target Companies listed in Schedule 2 Part A.

"**Singapore SPV**" means Symphony Biscuits Holdings Pte Ltd.

"**Straddle Period**" means any Tax Period commencing prior to the Closing Date and ending after the Closing Date.

"**Subsidiary**" means a subsidiary, whether direct or indirect, of a Target Company listed in Schedule 2 Part C, and the Joint Ventures.

"Substituted Subsidiary" has the meaning set forth in Clause 14.

"**Target Company**" means a company details of which are set out in Schedule 2 Part B.

"**Tax**" or "**Taxes**" means all national, federal, state, county, local, municipal, foreign or other taxes (including, without limitation, income (net or gross), gross receipts, capital gain, surtax or add-on, windfall profits, severance, property (real or personal), asset, capital, capital stock, intangible, production, sales, use, license, import, excise, franchise, employment, withholding, stamp, intangible property transfer, services transfer, other transfer, financial transaction, documentation, payroll, wage, railroad, occupation, social security, unemployment, disability, welfare, registration, goods and services, ad valorem, value-added or minimum, estimated or any other tax), custom, duty, fee, or other like assessment or charge of any kind whatsoever together with any interest, penalties, fines or additions to tax that may become payable in respect thereof (and shall include any tax payable in respect of any joint and several liability for such an amount whether in the context of a tax consolidation, tax sharing or tax allocation arrangement or otherwise). For the avoidance of doubt, Tax or Taxes shall also include any amount due to Seller or a Seller Affiliate by a Group Company in lieu of Tax or Taxes in the context of a tax consolidation, tax sharing or tax allocation whatsoever, including in particular the amounts due by Générale Biscuit, Lu France, Lu Antilles Guyane, Lu Océan Indien, or Biscuiterie de L'Isle to Groupe Danone pursuant to a tax consolidation agreement, irrespective of the fact that such agreement is in writing or not, or under the French Tax Group Exit Agreement.

"**Tax Claim**" means any claim by the Buyer involving or relating to the Tax Warranties and any claim by the Buyer involving or relating to the indemnification obligations in Schedule 3 Part B or any claim by the Seller involving or related to the indemnification obligations in Schedule 3 Part C.

"**Tax Laws**" means Laws with respect to Taxes.

"**Tax Period**" means any period prescribed by any Tax authority for which a Tax Return is required to be filed or a Tax is required to be paid.

"**Tax Proceeding**" has the meaning set forth in Schedule 3 Part D.

"**Tax Return**" means any return, report, declaration, estimate, form or similar statements or documents required to be filed with respect to any Taxes (including any attachments), including without limitation, any information return, claim or refund, amended return or declaration of estimated Tax.

"**Tax Warranties**" means the representations and warranties contained in paragraph 22 of Schedule 3 Part A.

"**Third Party**" means any Person other than Buyer, Affiliates of Buyer, Seller or Affiliates of Seller.

"**Third Party Claim**" has the meaning set forth in paragraph 3.1 of Schedule 3 Part D.

"**Third Party Right**" means with respect to any property or asset, any mortgage, charge, pledge, lien, right of usufruct, option, restriction, right of first refusal, right of first offer, right of pre-emption, easement, lease, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, any conditional sale or title transfer and retention arrangement or lease in the nature thereof) having similar effect, other than with respect to any real property all exceptions of records including recorded easements, building or zoning restrictions or other easements or restrictions existing generally with respect to property of a similar character.

"**Tiger Logo**" means the "Tiger" logo shown in Schedule 19.

"**Transfer** has the meaning set forth in Clause 7.2.

"**Transfer Taxes**" has the meaning set forth in Clause 12.2.

"**Tunisian JV**" means Sotubi SA.

"**Warranties**" means the representations and warranties contained in Part A of schedule 3.

2. In this Agreement, a reference to:

2.1 a "**subsidiary**" is an entity Controlled by another entity or by a person;

2.2 any phrase introduced by the terms "other", "including", "include", and "in particular" or any similar expression shall be construed as illustrative and shall not limit the meaning of the words preceding those terms;

2.3 a document in the "agreed form" is a reference to a document in a form approved by the parties;

2.4 a company includes a reference to any of its corporate bodies;

2.5 a Person includes a reference to that person's legal personal representatives and successors;

2.6 a statutory provision includes a reference to the statutory provision as may be modified or re-enacted;

2.7 reference to the awareness of the Seller is deemed to be the knowledge of Georges Casala, Jean-Claude Austry, Rudy Baert, Vincent Maurice, Jean-Philippe Paré, François Barbier, Alessandro Pittaluga, Isabelle Flouquet and Laurence Tournerie, A. Giscard d'Estaing, Cécile Cabanis, Christiane Butte, Y. Grofillier, J.M. Lagoutte, M. Lhomme and J. Gourmelon, as if they had made due and reasonable enquiry;

2.8 References to the "**Seller's Specific Awareness**" is deemed to be the actual knowledge (without due inquiry) of Georges Casala and the member of the board of directors (or similar corporate body) of the relevant Joint Venture representing the Seller, Seller's Subsidiary or the relevant Group Company, as the case may be, thereon, which is derived from a specific fact or specific facts brought to such individual's attention during his participation on such board of directors (or similar corporate body).

EXHIBIT 12

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

	For the Three Months Ended September 30, 2007	For the Nine Months Ended September 30, 2007
Earnings before income taxes	$ 816	$ 2,913
Add (Deduct):		
Equity in net earnings of less than 50% owned affiliates	(18)	(52)
Dividends from less than 50% owned affiliates	4	55
Fixed charges	210	587
Interest capitalized, net of amortization	(1)	(5)
Earnings available for fixed charges	$ 1,011	$ 3,498
Fixed charges:		
Interest incurred:		
Interest expense	$ 171	$ 469
Capitalized interest	2	7
	173	476
Portion of rent expense deemed to represent interest factor	37	111
Fixed charges	$ 210	$ 587
Ratio of earnings to fixed charges	4.8	6.0

EXHIBIT 31.1

Certifications

I, Irene B. Rosenfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2007

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certifications

I, Timothy R. McLevish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2007

/s/ TIMOTHY R. MCLEVISH

Timothy R. McLevish
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Irene B. Rosenfeld, Chief Executive Officer of Kraft Foods Inc., ("Kraft") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft's Quarterly Report on Form 10-Q fairly presents in all material respects Kraft's financial condition and results of operations.

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer
November 2, 2007

I, Timothy R. McLevish, Chief Financial Officer of Kraft Foods Inc., ("Kraft") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft's Quarterly Report on Form 10-Q fairly presents in all material respects Kraft's financial condition and results of operations.

/s/ TIMOTHY R. MCLEVISH

Timothy R. McLevish
Executive Vice President and
Chief Financial Officer
November 2, 2007

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.