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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 16, 2001

KRAFT FOODS INC.  
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation)	001-16483 (Commission File Number)	52-2284372 (I.R.S. Employer Identification No.)
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Three Lakes Drive, Northfield, Illinois (Address of principal executive offices)	60093-2753 (Zip Code)
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Registrant's telephone number, including area code: (847) 646-2000

(Former name or former address, if changed since last report.)

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Item 5. Other Events.

On October 16, 2001, Kraft Foods Inc. issued a press release announcing its financial results for the third quarter ended September 30, 2001. A copy of the press release is attached as Exhibit 99.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits.

99.1 Kraft Foods Inc. Press Release dated October 16, 2001

SIGNATURES

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 hereunto duly authorized.

KRAFT FOODS INC.

By: /s/ JAMES P. DOLLIVE

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Name: James P. Dollive  
Title: Senior Vice President  
and Chief Financial Officer

Date: October 16, 2001

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
99.1	Kraft Foods Inc. Press Release dated October 16, 2001

KRAFT FOODS INC. REPORTS  
2001 THIRD-QUARTER RESULTS

Pro Forma Diluted E.P.S. Up 25.0% to \$0.30  
Pro Forma Net Earnings Up 24.3% to \$522 Million

## Highlights:

- Pro forma worldwide volume up 3.0%, with Kraft Foods North America up 2.5% and Kraft Foods International up 4.4%.
- Pro forma operating companies income up 9.8% to \$1.5 billion.
- Pro forma diluted earnings per share up 25.0% to \$0.30.
- Pro forma net earnings up 24.3% to \$522 million.
- Pro forma cash earnings per share, which exclude amortization of goodwill, increased 15.8% to \$0.44.
- Reported worldwide volume increased 34.6% and reported operating companies income increased 17.5%. However, due to the impact of the Nabisco acquisition on interest expense and goodwill amortization, reported net earnings were down 8.2% to \$503 million and reported diluted earnings per share were down 23.7% to \$0.29.

Pro Forma results assume Kraft owned Nabisco for all of 2000, rather than from the actual acquisition date of December 11, 2000. In addition, pro forma results assume common shares outstanding of 1.735 billion based on the assumption that shares issued immediately following the recent Kraft initial public offering (IPO) were outstanding during all periods presented and that, effective January 1, 2000, the net proceeds of the IPO were used to retire indebtedness incurred to finance the Nabisco acquisition. These results also adjust for certain items as detailed on the last page of this release, including results from operations divested since the beginning of 2000.

Reported results include the operating results of Nabisco in 2001, but not in 2000. Reported results also reflect average shares of common stock outstanding during 2001 and assume an average of 1.455 billion shares outstanding during 2000.

Unless otherwise stated, all comparisons are for business results in the third quarter of 2001 versus the third quarter of 2000.

## Audio Webcast:

A conference call with members of the investment community will be Webcast at 5:00 p.m. ET on October 16, 2001. Access is available at [www.kraft.com](http://www.kraft.com).

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KRAFT FOODS INC. REPORTS  
2001 THIRD-QUARTER RESULTS

Pro Forma Diluted E.P.S. Up 25.0% to \$0.30  
Pro Forma Net Earnings Up 24.3% to \$522 Million

NORTHFIELD, IL - October 16, 2001 -- Kraft Foods Inc. (NYSE: KFT), a global leader in branded foods and beverages, announced today strong results for the third quarter, with pro forma diluted earnings per share increasing 25.0% to \$0.30 and net earnings increasing 24.3% to \$522 million. Pro forma cash earnings per share, which exclude amortization of goodwill, increased 15.8% to \$0.44.

"Kraft's continued strong performance was driven by a balance of three factors - higher volume from new products and in developing markets, cost savings from productivity and synergies, and lower interest expense," said Roger K. Deromedi, Co-Chief Executive Officer of Kraft Foods.

"Our results in the quarter are on target and keep us in line with our full-year 2001 projections," said Betsy D. Holden, Co-Chief Executive Officer of Kraft Foods. "For this year we continue to expect pro forma diluted earnings per share in the range of \$1.18 to \$1.21 based on 1.735 billion shares outstanding. On a pro forma diluted cash basis, we expect earnings per share in the range of \$1.74 to \$1.77." The impact of currency, as well as other factors described

in the Forward-Looking and Cautionary Statements section of this release, are risks to these projections.

During the quarter, Kraft declared its first regular quarterly dividend of \$0.13 per common share.

#### Nabisco Integration

"Around the world, the integration of Nabisco is proceeding smoothly and meeting expectations," Deromedi said. "We're starting to see the power of joint promotions and cross-branding initiatives," Holden added, "and we're on track to capture \$100 million in net cost synergy savings this year."

#### Reported Results

On a reported basis, worldwide volume increased 34.6%; operating revenues increased 29.6% to \$8.1 billion; and operating companies income increased 17.5% to \$1.5 billion, reflecting the acquisition of Nabisco. Net earnings decreased 8.2% to \$503 million and diluted earnings per share decreased 23.7% to \$0.29 as a result of higher interest expense and goodwill amortization from the Nabisco acquisition. Included in reported results for the third quarter are \$37 million of costs to consolidate production lines in the U.S. These costs are part of the previously communicated \$200-\$300 million in estimated charges for Kraft site closures, reconfigurations and other consolidation programs associated with integrating Kraft and Nabisco.

#### Pro Forma Results

Pro forma worldwide volume increased 3.0%; operating revenues decreased 0.7%, as the favorable impact of volume growth was more than offset by the adverse effect of currency, lower coffee prices and product mix. Operating companies income increased 9.8%; net earnings increased 24.3% due to growth in operating companies income and reduced interest expense; diluted earnings per share increased 25.0%; and diluted cash earnings per share increased 15.8%. Excluding unfavorable currency impacts, operating revenues would have increased 1.3% and operating companies income would have been up 10.8%.

To allow for a more meaningful comparison of business results for the third quarter of 2001 versus the third quarter of 2000, the following discussion is on a pro forma basis.

KRAFT FOODS NORTH AMERICA

Volume for Kraft Foods North America (KFNA) increased 2.5%, due primarily to strong results in the Beverages, Desserts and Cereals segment and the Oscar Mayer and Pizza segment, as well as contributions from successful new products. Operating revenues increased 0.5% as the favorable impact of stronger volume was partially offset by the adverse impact of currency in Canada, lower coffee pricing due to declines in coffee commodity costs and product mix. Operating companies income improved a strong 10.2%, driven by volume growth and productivity and Nabisco cost synergy savings, partially offset by higher dairy commodity costs.

Following are results by segment for KFNA:

Cheese, Meals and Enhancers volume was 0.9% below prior year due to the company's decision to exit lower-margin, non-branded businesses in both cheese and U.S. Foodservice. Excluding these initiatives, volume increased 0.5%. Operating companies income increased 3.6% for this segment with gains in Meals, Enhancers, Canada and Foodservice, partially offset by the adverse impact of higher dairy commodity costs in the Cheese business. Meals recorded strong volume gains in Kraft macaroni and cheese dinners. Shipments in Canada also increased, driven by continued momentum from new products, including Kraft Delissio frozen pizza.

Biscuits, Snacks and Confectionery volume was down 0.3%. Operating companies income increased a strong 26.4%, due primarily to productivity and synergy savings. Biscuits recorded volume gains, led by continued momentum in crackers and pet snacks and the successful introduction of Chocolate Creme Oreos. In salty snacks, volume declined as a result of lower shipments of Planters nuts to non-grocery channels. Shipments were also lower in the Confectionery business versus a strong year-ago period.

Beverages, Desserts and Cereals volume increased 9.6%, driven by continued momentum in ready-to-drink beverages. Operating companies income improved by 11.0% driven by the increase in volume. Double-digit volume gains in ready-to-drink beverages resulted from the continued success of new products, including Capri Sun Big Pouch and Crystal Light in bottles. Shipments of Kool-Aid and Country Time powdered soft drinks also increased, due to strong merchandising programs. In Desserts, volume was down in Jell-O dry packaged desserts, partially offset by gains in ready-to-eat desserts, aided by the launch of Jell-O Oreo pudding. Post cereal volume declined due primarily to increased competition in the ready-to-eat cereal category.



Oscar Mayer and Pizza volume increased 3.2% with gains across all major categories. Operating companies income increased 7.5%, resulting from volume gains, partially offset by higher meat and cheese costs. The processed meats business recorded volume gains in luncheon meats, hot dogs, Lunchables and Boca meat alternatives. Shipments of frozen pizza also increased, aided by the successful introduction of DiGiorno stuffed crust pizza and Tombstone Mexican-style pizza.

#### KRAFT FOODS INTERNATIONAL

Volume for Kraft Foods International (KFI) increased 4.4%, benefiting from gains across most key sectors and driven by a 12.1% growth in the developing markets of Central and Eastern Europe, Latin America and Asia Pacific. Operating companies income increased 8.2%, driven by volume growth, continued productivity savings and Nabisco cost synergies. Excluding an unfavorable currency impact of \$11 million, operating companies income would have increased 12.5%. Operating revenues decreased 4.1%. Excluding the negative currency impact, revenues increased 2.7% with the impact of higher volume moderated by lower coffee pricing due to declining commodity costs.

Following are results by segment for KFI:

Europe, Middle East and Africa (EMEA) volume was in-line with prior year, as double-digit gains in the developing markets of Central and Eastern Europe and growth in Austria, Greece, Norway, Spain, Sweden and the United Kingdom were offset by lower volumes in Germany and Italy. Operating companies income increased 0.5% including an unfavorable currency impact of \$7.0 million. Excluding negative currency, operating companies income would have increased 4.0%.

Snacks volume increased, driven by favorable confectionery and salty snacks performance. Confectionery volume was above last year, reflecting growth of Milka in Bulgaria, Hungary, Italy, Spain and the Ukraine; Cote d'Or in Belgium and Italy; Marabou in Sweden and Korona in the Ukraine. Successful new product introductions included the Milka 100-year anniversary praline box in Germany; Terry's chocolate orange mini segments in a tub in the United Kingdom and Milka line extensions across Europe. Germany volume was lower, due to increased price competition and trade inventory reductions. Double-digit volume growth in salty snacks was driven by successful Estrella

promotions in Lithuania and the strong performance of Lux and Estrella brands in the Ukraine.

Volume growth in beverages was driven by favorable performance in both coffee and refreshment beverages. Coffee volume increases were led by Hag in Austria and Italy; Jacobs in Poland, Lithuania and the Ukraine; Kenco Rappor and Maxwell House in the United Kingdom as well as recent coffee acquisitions in Bulgaria, Romania and Morocco. In Germany, coffee volume declined reflecting continued trade inventory reductions. Refreshment beverages volume grew, driven by higher Tang shipments to the Middle East and Africa.

Cheese volume was lower, as favorable Philadelphia cream cheese performance in Belgium, Italy, Spain, the United Kingdom and Away from Home markets was more than offset by lower volume in Germany, reflecting increased price competition.

In Convenient Meals, volume was down as lower canned meats volume in Italy was partly offset by the continued momentum of new Dairylea Lunchables products in the United Kingdom.

During the quarter, KFI announced its agreement to purchase the Central and Eastern European confectionery business of Stollwerck AG. This acquisition is subject to regulatory approvals in the respective countries.

Latin America and Asia Pacific (LAAP) volume increased 10.7%, driven by gains in Australia, Brazil, China, Peru and the Philippines, partially offset by a decline in Argentina due to economic weakness. Operating companies income increased 34.5%, driven by higher volume, productivity and Nabisco synergies.

In snacks, volume was higher, driven by successful marketing programs for Club Social crackers and line extensions of Trakinas cookies in Brazil, higher sales of Chips Ahoy!, Trakinas and Marbu cookies in China and gains in Club Social crackers and Oreo cookies in Peru.

Double-digit volume growth in beverages was driven by the strong performance of Tang, Fresh and Clight powdered soft drinks and Maguary juice concentrate in Brazil, as well as successful marketing programs and improved distribution of Tang in the Philippines.

Cheese volume also grew strongly, driven by higher Philadelphia cream cheese shipments in Australia and successful marketing programs for Kraft Cheez Whiz and Eden process cheese in the Philippines.

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Kraft Foods Inc. is the largest branded food and beverage company headquartered in the United States and the second largest worldwide. Kraft Foods markets many of the world's leading food brands, including Kraft cheese, Jacobs and Maxwell House coffees, Nabisco cookies and crackers, Philadelphia cream cheese, Oscar Mayer meats, Post cereals and Milka chocolates, in more than 140 countries.

You may learn more by listening to a live audio webcast of the Kraft conference call with members of the investment community at 5:00 p.m. ET on October 16, 2001. Access is available at [www.kraft.com](http://www.kraft.com).

#### Forward-Looking and Cautionary Statements

This press release contains projections of future results and other forward-looking statements that involve a number of risks and uncertainties and are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. The following important factors could cause actual results and outcomes to differ materially from those contained in such forward-looking statements.

The Company is subject to unfavorable currency movements, intense competition, changes in consumer preferences and demand for its products, changing prices for raw materials, fluctuations in levels of customer inventories and the effects of foreign economies and local economic and market conditions. Its results are dependent upon its continued ability to promote brand equity successfully; to anticipate and respond to new consumer trends; to develop new products and markets and to broaden brand portfolios; to compete effectively with lower-priced products in a consolidating environment at the retail and manufacturing levels; to improve productivity; to successfully integrate Nabisco's operations with its own; and other risks detailed from time to time in the Company's publicly-filed documents, including the Prospectus related to its initial public offering of shares. The Company cautions that the foregoing list of important factors is not complete and does not undertake to update any forward-looking statement.

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KRAFT FOODS INC.  
and Subsidiaries  
Condensed Statements of Earnings  
For the Quarters Ended September 30,  
(\$ in millions, except per share data)

	REPORTED			PRO FORMA ( * )		
	2001	2000	% Change	2001	2000	% Change
Operating revenues	\$8,056	\$ 6,215	29.6 %	\$8,056	\$8,110	(0.7)%
Cost of sales	4,224	3,257	29.7 %			
Gross profit	3,832	2,958	29.5 %			
Marketing, administration and research costs	2,335	1,854	25.9 %			
Loss on sale of a North American food factory and integration costs	37	--				
Gain on sale of a French confectionery business	--	(139)				
Operating companies income	1,460	1,243	17.5 %	\$1,497	\$1,363	9.8 %
Amortization of goodwill	239	136				
General corporate expenses	45	50				
Interest and other debt expense, net	256	122				
Earnings before income taxes	920	935	(1.6)%			
Provision for income taxes	417	387	7.8 %			
Net earnings	\$ 503	\$ 548	(8.2)%	\$ 522	\$ 420	24.3 %
Basic earnings per share (**)	\$ 0.29	\$ 0.38	(23.7)%	\$ 0.30	\$ 0.24	25.0 %
Diluted earnings per share (**)	\$ 0.29	\$ 0.38	(23.7)%	\$ 0.30	\$ 0.24	25.0 %
Weighted average number of shares outstanding - Basic	1,735	1,455	19.2 %	1,735	1,735	-- %
- Diluted	1,735	1,455	19.2 %	1,735	1,735	-- %

(\*) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000 and the initial public offering had been completed for all the periods presented.

(\*\*) Basic and Diluted earnings per share are computed for each of the periods presented. Accordingly, the sum of the quarterly earnings per share amounts may not agree to the year-to-date amounts.

KRAFT FOODS INC.  
and Subsidiaries  
Operating Revenues  
For the Quarters Ended September 30,  
(\$ in millions)

OPERATING REVENUES	REPORTED			PRO FORMA ( * )		
	2001	2000	% Change	2001	2000	% Change
Cheese, Meals and Enhancers	\$2,438	\$2,237	9.0 %	\$2,438	\$2,447	(0.4)%
Biscuits, Snacks and Confectionery	1,479	82	100.0+%	1,479	1,479	-- %
Beverages, Desserts and Cereals	1,225	1,188	3.1 %	1,225	1,226	(0.1)%
Oscar Mayer and Pizza	913	872	4.7 %	913	872	4.7 %
Total Kraft Foods North America	6,055	4,379	38.3 %	6,055	6,024	0.5 %
Europe, Middle East and Africa	1,427	1,552	(8.1)%	1,427	1,529	(6.7)%
Latin America and Asia Pacific	574	284	100.0+%	574	557	3.1 %
Total Kraft Foods International	2,001	1,836	9.0 %	2,001	2,086	(4.1)%
Total operating revenues- Kraft Foods Inc.	\$8,056 =====	\$6,215 =====	29.6 %	\$8,056 =====	\$8,110 =====	(0.7)%

(\*) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000.

KRAFT FOODS INC.  
and Subsidiaries  
Operating Companies Income  
For the Quarters Ended September 30,  
(\$ in millions)

OPERATING COMPANIES INCOME	REPORTED			PRO FORMA ( * )		
	2001	2000	% Change	2001	2000	% Change
Cheese, Meals and Enhancers	\$ 525	\$ 456	15.1 %	\$ 525	\$ 507	3.6%
Loss on sale of a North American food factory and integration costs	(31)	--		--	--	
Cheese, Meals and Enhancers, net	494	456	8.3 %	525	507	3.6%
Biscuits, Snacks and Confectionery	278	24	100.0+%	278	220	26.4%
Beverages, Desserts and Cereals	273	240	13.8 %	273	246	11.0%
Loss on sale of a North American food factory and integration costs	(6)	--		--	--	
Beverages, Desserts and Cereals, net	267	240	11.3 %	273	246	11.0%
Oscar Mayer and Pizza	144	134	7.5 %	144	134	7.5%
Total Kraft Foods North America	1,220	854	42.9 %	1,220	1,107	10.2%
Loss on sale of a North American food factory and integration costs	(37)	--		--	--	
Total Kraft Foods North America, net	1,183	854	38.5 %	1,220	1,107	10.2%
Europe, Middle East and Africa	199	211	(5.7)%	199	198	0.5%
Gain on sale of a French confectionery business	--	139		--	--	
Europe, Middle East and Africa, net	199	350	(43.1)%	199	198	0.5%
Latin America and Asia Pacific	78	39	100.0 %	78	58	34.5%
Total Kraft Foods International	277	250	10.8 %	277	256	8.2%
Gain on sale of a French confectionery business	--	139		--	--	
Total Kraft Foods International, net	277	389	(28.8)%	277	256	8.2%
Total operating companies income- Kraft Foods Inc.	\$ 1,497	\$1,104	35.6 %	\$1,497	\$1,363	9.8%
Loss on sale of a North American food factory and integration costs	(37)	--		--	--	
Gain on sale of a French confectionery business	--	139		--	--	
Total operating companies income- Kraft Foods Inc., net	\$ 1,460	\$1,243	17.5 %	\$1,497	\$1,363	9.8%

(\* ) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000.

KRAFT FOODS INC.  
and Subsidiaries  
Condensed Statements of Earnings  
For the Nine Months Ended September 30,  
(\$ in millions, except per share data)

	REPORTED			PRO FORMA (*)		
	2001	2000	% Change	2001	2000	% Change
Operating revenues	\$25,115	\$ 19,649	27.8 %	\$25,111	\$25,171	(0.2)%
Cost of sales	12,883	10,195	26.4 %			
Gross profit	12,232	9,454	29.4 %			
Marketing, administration and research costs	7,673	5,952	28.9 %			
Loss on sale of a North American food factory and integration costs	66	--				
Gain on sale of a French confectionery business	--	(139)				
Operating companies income	4,493	3,641	23.4 %	\$ 4,558	\$ 4,218	8.1 %
Amortization of goodwill	719	403				
General corporate expenses	141	151				
Interest and other debt expense, net	1,189	381				
Earnings before income taxes	2,444	2,706	(9.7)%			
Provision for income taxes	1,110	1,120	(0.9)%			
Net earnings	\$ 1,334	\$ 1,586	(15.9)%	\$ 1,536	\$ 1,329	15.6 %
Basic earnings per share (**)	\$ 0.85	\$ 1.09	(22.0)%	\$ 0.89	\$ 0.77	15.6 %
Diluted earnings per share (**)	\$ 0.85	\$ 1.09	(22.0)%	\$ 0.89	\$ 0.77	15.6 %
Weighted average number of shares outstanding - Basic	1,568	1,455	7.8 %	1,735	1,735	-- %
- Diluted	1,568	1,455	7.8 %	1,735	1,735	-- %

(\*) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000 and the initial public offering had been completed for all the periods presented.

(\*\*) Basic and Diluted earnings per share are computed for each of the periods presented. Accordingly, the sum of the quarterly earnings per share amounts may not agree to the year-to-date amounts.

KRAFT FOODS INC.  
and Subsidiaries  
Operating Revenues  
For the Nine Months Ended September 30,  
(\$ in millions)

	REPORTED			PRO FORMA ( * )		
	2001	2000	% Change	2001	2000	% Change
Cheese, Meals and Enhancers	\$ 7,680	\$ 7,010	9.6 %	\$ 7,680	\$ 7,649	0.4 %
Incremental Year 2000 business	--	(34)		--	--	
Cheese, Meals and Enhancers, net	7,680	6,976	10.1 %	7,680	7,649	0.4 %
Biscuits, Snacks and Confectionery	4,310	225	100.0+%	4,310	4,201	2.6 %
Incremental Year 2000 business	--	(3)		--	--	
Biscuits, Snacks and Confectionery, net	4,310	222	100.0+%	4,310	4,201	2.6 %
Beverages, Desserts and Cereals	4,106	4,037	1.7 %	4,106	4,142	(0.9)%
Incremental Year 2000 business	--	(22)		--	--	
Beverages, Desserts and Cereals, net	4,106	4,015	2.3 %	4,106	4,142	(0.9)%
Oscar Mayer and Pizza	2,759	2,621	5.3 %	2,759	2,621	5.3 %
Incremental Year 2000 business	--	(12)		--	--	
Oscar Mayer and Pizza, net	2,759	2,609	5.7 %	2,759	2,621	5.3 %
Total Kraft Foods North America	18,855	13,893	35.7 %	18,855	18,613	1.3 %
Incremental Year 2000 business	--	(71)		--	--	
Total Kraft Foods North America, net	18,855	13,822	36.4 %	18,855	18,613	1.3 %
Europe, Middle East and Africa	4,477	4,926	(9.1)%	4,477	4,828	(7.3)%
Incremental Year 2000 business	--	(14)		--	--	
Europe, Middle East and Africa, net	4,477	4,912	(8.9)%	4,477	4,828	(7.3)%
Latin America and Asia Pacific	1,783	927	92.3 %	1,779	1,730	2.8 %
Incremental Year 2000 business	--	(12)		--	--	
Latin America and Asia Pacific, net	1,783	915	94.9 %	1,779	1,730	2.8 %
Total Kraft Foods International	6,260	5,853	7.0 %	6,256	6,558	(4.6)%
Incremental Year 2000 business	--	(26)		--	--	
Total Kraft Foods International, net	6,260	5,827	7.4 %	6,256	6,558	(4.6)%
Total operating revenues- Kraft Foods Inc.	\$25,115	\$ 19,746	27.2 %	\$25,111	\$25,171	(0.2)%
Incremental Year 2000 business	--	(97)		--	--	
Total operating revenues- Kraft Foods Inc., net	<u>\$25,115</u>	<u>\$ 19,649</u>	27.8 %	<u>\$25,111</u>	<u>\$25,171</u>	(0.2)%

(\*) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000.



KRAFT FOODS INC.  
and Subsidiaries  
Operating Companies Income  
For the Nine Months Ended September 30,  
(\$ in millions)

	REPORTED			PRO FORMA(*)		
	2001	2000	% Change	2001	2000	% Change
Cheese, Meals and Enhancers	\$1,647	\$1,452	13.4 %	\$1,647	\$1,600	2.9%
Incremental Year 2000 business	--	(15)		--	--	
Loss on sale of a North American food factory and integration costs	(60)	--		--	--	
Cheese, Meals and Enhancers, net	1,587	1,437	10.4 %	1,647	1,600	2.9%
Biscuits, Snacks and Confectionery	689	65	100.0+%	689	549	25.5%
Incremental Year 2000 business	--	(1)		--	--	
Biscuits, Snacks and Confectionery, net	689	64	100.0+%	689	549	25.5%
Beverages, Desserts and Cereals	953	877	8.7 %	953	889	7.2%
Incremental Year 2000 business	--	(7)		--	--	
Loss on sale of a North American food factory and integration costs	(6)	--		--	--	
Beverages, Desserts and Cereals, net	947	870	8.9 %	953	889	7.2%
Oscar Mayer and Pizza	456	429	6.3 %	456	429	6.3%
Incremental Year 2000 business	--	(4)		--	--	
Oscar Mayer and Pizza, net	456	425	7.3 %	456	429	6.3%
Total Kraft Foods North America	3,745	2,823	32.7 %	3,745	3,467	8.0%
Incremental Year 2000 business	--	(27)		--	--	
Loss on sale of a North American food factory and integration costs	(66)	--		--	--	
Total Kraft Foods North America, net	3,679	2,796	31.6 %	3,745	3,467	8.0%
Europe, Middle East and Africa	563	584	(3.6)%	563	553	1.8%
Incremental Year 2000 business	--	(8)		--	--	
Gain on sale of a French confectionery business	--	139		--	--	
Europe, Middle East and Africa, net	563	715	(21.3)%	563	553	1.8%
Latin America and Asia Pacific	251	135	85.9 %	250	198	26.3%
Incremental Year 2000 business	--	(5)		--	--	
Latin America and Asia Pacific, net	251	130	93.1 %	250	198	26.3%
Total Kraft Foods International	814	719	13.2 %	813	751	8.3%
Incremental Year 2000 business	--	(13)		--	--	
Gain on sale of a French confectionery business	--	139		--	--	
Total Kraft Foods International, net	814	845	(3.7)%	813	751	8.3%
Total operating companies income- Kraft Foods Inc.	\$4,559	\$3,542	28.7 %	\$4,558	\$4,218	8.1%
Incremental Year 2000 business	--	(40)		--	--	
Loss on sale of a North American food factory and integration costs	(66)	--		--	--	
Gain on sale of a French confectionery business	--	139		--	--	
Total operating companies income- Kraft Foods Inc., net	\$4,493	\$3,641	23.4 %	\$4,558	\$4,218	8.1%

(\*) Results are presented on a Pro forma basis as if Nabisco had been acquired on Jan. 1, 2000.

KRAFT FOODS INC.  
and Subsidiaries  
Diluted Earnings per Share  
Reconciliation of Reported to Pro forma results  
For the Quarters Ended September 30,  
(\$ and shares in millions, except per share data)

	2001	2000	% Change
	-----	-----	-----
Reported Net Earnings	\$ 503	\$ 548	(8.2)%
After-tax effect of incremental year 2000 income, loss on sale of a food factory and integration costs and divestiture gain*	19	(82)	
Nabisco results**	--	(137)	
Lower after-tax interest expense assuming 1/1/00 IPO data	--	91	
Pro forma net earnings	\$ 522	\$ 420	24.3 %
	=====	=====	
Average shares outstanding	1,735	1,455	
Adjustment to reflect shares outstanding after IPO	--	280	
Pro forma shares outstanding	1,735	1,735	
	=====	=====	
Pro forma diluted earnings per share	\$ 0.30	\$ 0.24	25.0 %
	=====	=====	

For the Nine Months Ended September 30,  
(\$ and shares in millions, except per share data)

	2001	2000	% Change
	-----	-----	-----
Reported Net Earnings	\$1,334	\$1,586	(15.9)%
After-tax effect of incremental year 2000 income, loss on sale of a food factory and integration costs and divestiture gain*	37	(58)	
Nabisco results**	--	(472)	
Lower after-tax interest expense assuming 1/1/00 IPO data	165	273	
Pro forma net earnings	\$1,536	\$1,329	15.6 %
	=====	=====	
Average shares outstanding	1,568	1,455	
Adjustment to reflect shares outstanding after IPO	167	280	
Pro forma shares outstanding	1,735	1,735	
	=====	=====	
Pro forma diluted earnings per share	\$ 0.89	\$ 0.77	15.6 %
	=====	=====	

(\*) See notes on last page.

(\*\*) Nabisco results include goodwill amortization and interest expense as if Nabisco had been acquired on January 1, 2000.

KRAFT FOODS INC.  
and Subsidiaries  
Condensed Balance Sheets  
(\$ in millions, except ratios)

	September 30, 2001 -----	December 31, 2000 -----
Assets		
Current assets	\$ 7,348	\$ 7,152
Property, plant and equipment, net	9,090	9,405
Goodwill and other intangible assets, net	31,472	31,584
Other assets	3,913 -----	3,930 -----
Total assets	\$ 51,823 =====	\$ 52,071 =====
Liabilities and Stockholders' Equity		
Total current liabilities	\$ 8,419	\$ 7,590
Long-term debt	4,654	2,695
Notes payable to parent and affiliates	9,000	21,407
Other long-term liabilities	6,443 -----	6,331 -----
Total liabilities	28,516	38,023
Total stockholders' equity	23,307 -----	14,048 -----
Total liabilities and stockholders' equity	\$ 51,823 -----	\$ 52,071 -----
Total debt	\$ 16,731	\$ 25,826
Debt/equity ratio	0.72	1.84

KRAFT FOODS INC.  
and Subsidiaries  
Notes to Condensed Statements of Earnings and Selected Financial Data  
(\$ in millions)

The following pre-tax items had an impact on underlying results in 2001 and 2000:

	Third Quarter 2001 -----	Third Quarter 2000 -----	Nine Months 2001 -----	Nine Months 2000 -----
- Loss on sale of a North American food factory and integration costs	\$ 37	\$ --	\$ 66	\$ --
- Gain on sale of a French confectionery business	--	(139)	--	(139)
- Related to incremental Year 2000 business:*				
Kraft Foods North America	--	--	--	(27)
Kraft Foods International	--	--	--	(13)
	-----	-----	-----	-----
	\$ 37	\$ (139)	\$ 66	\$ (179)
	=====	=====	=====	=====

\* Relates to sales of products that would normally have occurred in January 2000, but were made in 1999 in order for the Company's customers to avoid potential problems related to the Century Date Change. These sales were previously excluded from the underlying 1999 fourth quarter results.

In addition, operating results of businesses sold since the beginning of 2000 are excluded from underlying operating revenues and operating companies income (but not from underlying net earnings or earnings per share). Several international food and domestic food operations were divested since the beginning of 2000. No assumptions were made as to the application of proceeds from the sales of any operations.

Operating revenues and operating companies income for all periods presented were restated to reflect the transfer of management responsibility for Mexico and Puerto Rico from the international food business to the North American food business.