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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): January 18, 2010**

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**KRAFT FOODS INC.**

(Exact name of registrant as specified in its charter)

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**Virginia**  
(State or other jurisdiction  
of incorporation)

**1-16483**  
(Commission  
File Number)

**52-2284372**  
(I.R.S. Employer  
Identification No.)

**Three Lakes Drive, Northfield, Illinois**  
(Address of Principal executive offices)

**60093-2753**  
(Zip Code)

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

**Not Applicable**

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement.**

The information described below under “Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant” is hereby incorporated by reference into this Item 1.01.

**Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On January 18, 2010, we entered into Amendment No. 1 to Acquisition and Refinancing Bridge Credit Agreement (the “Amendment”), among the lenders named therein and Citibank, N.A., as paying agent, to amend our Acquisition and Refinancing Bridge Credit Agreement dated as of November 9, 2009 (as amended, the “Agreement”), among the lenders named therein, Deutsche Bank Securities Inc., Citigroup Global Markets Inc. and HSBC Securities (USA) Inc., as joint bookrunners, and Deutsche Bank AG Cayman Island Branch and Citibank, N.A., as co-administrative agents. The Agreement was amended to increase the term loan facility by £1.6 billion to an aggregate of £7.1 billion.

We expect to use the borrowings under the Agreement, or if available, proceeds from alternative financing sources, to finance the proposed acquisition of Cadbury plc and to refinance certain indebtedness of Cadbury plc and its subsidiaries. Borrowings under the Agreement are also available for general corporate purposes of Kraft Foods and our subsidiaries. Some of the lenders under the Agreement and their affiliates have various relationships with us and our subsidiaries involving the provision of financial services, including cash management, investment banking and trust services. In addition, we and certain of our subsidiaries have entered into foreign exchange and other derivative arrangements with certain of the lenders and their affiliates.

The foregoing description of the Amendment is qualified in its entirety by reference to the complete terms and conditions of the Amendment, which is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference into this Item 2.03.

**Item 7.01 Regulation FD Disclosure.**

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in that filing.

On January 19, 2010, Kraft Foods Inc., a Virginia corporation, issued an announcement describing the detailed terms of a recommended final offer to acquire each outstanding ordinary share of Cadbury plc (the “Offer”). A copy of the announcement is attached as Exhibit 99.2 and is incorporated by reference into this Item 7.01.

On January 19, 2010, we issued a letter to our shareholders relating to the cancellation of our special meeting of shareholders scheduled for February 1, 2010. On January 19, 2010, we also distributed the Chairman and CEO’s message to employees regarding the Offer. Copies of the letter to shareholders and the Chairman and CEO’s message to employees are attached hereto as Exhibits 99.3 and 99.4.

On January 19, 2010, our independent registered accounting firm, PricewaterhouseCoopers LLP (“PwC”), delivered to us a currently dated and reissued report on our profit estimate regarding earnings per share. This report was prepared at our request to meet our obligations under The City Code on Takeovers and Mergers (the “Takeover Code”) issued by The Panel on Takeovers and Mergers in connection with the Offer. A copy of our profit estimate, the bases for the profit estimate and a copy of the profit estimate report are furnished as Exhibits 99.5 and 99.6 to this report.

On January 19, 2010, Lazard & Co., Limited, Centerview Partners UK LLP, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch (together, the “Financial Advisors”) delivered to us a currently dated and reissued report on our profit estimate regarding earnings per share. This report was prepared at our request to enable us to meet our obligations under the Takeover Code in connection with the Offer. A copy of the Financial Advisors’ report is furnished as Exhibit 99.7 to this report.

On January 19, 2010, the Kraft Foods Board of Directors made a statement pursuant to Rule 28.5 of the Takeover Code regarding the discretionary cash flow guidance first announced on November 3, 2009 and PwC and the Financial Advisors each indicated that they have no objection to their respective reports in respect of that discretionary cash flow guidance (as set out in the document dated December 4, 2009 issued by us in connection with the Offer) continuing to apply. A copy of this statement and confirmation is furnished as Exhibit 99.8 to this report.

On January 19, 2010, we issued a notification of publication on our website of revised offer documents in connection with the Offer. A copy of the website notification is furnished as Exhibit 99.9 to this report.

**Item 9.01 Financial Statements and Exhibits.**

## (d) List of Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Amendment No. 1 to Acquisition and Refinancing Bridge Credit Agreement, dated January 18, 2010.
99.2	Rule 2.5 Announcement, dated January 19, 2010.
99.3	Letter to Kraft Foods Shareholders, dated January 19, 2010.
99.4	Chairman and CEO's Message to Employees, dated January 19, 2010.
99.5	Kraft Foods Profit Estimate Report.
99.6	Report of the Reporting Accountant, PricewaterhouseCoopers LLP, on Profit Estimate, dated January 19, 2010.
99.7	Report of the Financial Advisors on Profit Estimate, dated January 19, 2010.
99.8	Rule 28.5 Statement, dated January 19, 2010, regarding discretionary cash flow guidance.
99.9	U.S. Website Notification

**FORWARD-LOOKING STATEMENTS**

This Current Report on Form 8-K contains forward-looking statements, including, but not limited to, statements regarding the proposed combination with Cadbury plc. Such statements include statements about certain issuances by Kraft Foods of equity securities to finance the proposed combination with Cadbury plc or to refinance certain indebtedness, and other such items, based on our plans, estimates and projections. These forward-looking statements involve risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those indicated in any such forward-looking statements. Such factors include, but are not limited to, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the proposed combination, and the risk factors set forth in our filings with the U.S. Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this Current Report on Form 8-K, except as required by applicable law or regulation.

**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 hereunto duly authorized.

KRAFT FOODS INC.

Date: January 19, 2010

/s/ CAROL J. WARD

Name:  
Title:

\_\_\_\_\_  
Carol J. Ward  
Vice President and Corporate Secretary

AMENDMENT NO. 1 TO ACQUISITION AND REFINANCING  
BRIDGE CREDIT AGREEMENT

AMENDMENT NO. 1, dated as of January 18, 2010 (this "Amendment"), among Kraft Foods Inc., a Virginia corporation ("Kraft"), Citibank, N.A. ("Citi"), as Paying Agent (the "Paying Agent") and the lenders set forth on the signature pages hereto (the "Committing Lenders") to the Acquisition and Refinancing Bridge Credit Agreement dated as of November 9, 2009 (as amended, modified or supplemented from time to time, the "Credit Agreement") among Kraft, the Lenders from time to time party thereto, Citi and Deutsche Bank AG Cayman Islands Branch ("DB"), as co-administrative agents, the Paying Agent; HSBC Securities (USA) Inc., as syndication agent and DB, as documentation agent. Capitalized terms used herein but not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, pursuant to Section 9.01 thereof, the Credit Agreement may be amended to increase the Commitments of any consenting Lenders with the written consent of the Paying Agent, Kraft and any such consenting Lenders; and

WHEREAS, each of the Committing Lenders has agreed to increase its respective Commitment under the Credit Agreement in the manner set forth herein.

NOW, THEREFORE, in consideration of the premises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

**Section 1. Amendments.** Schedule I of the Credit Agreement is hereby deleted and replaced in its entirety with Schedule I attached hereto.

**Section 2. Representations and Warranties.** Kraft hereby represents and warrants to the Paying Agent and the Lenders as of the date hereof that:

(a) The execution, delivery and performance of this Amendment have been duly authorized by all necessary corporate action by Kraft and do not contravene (i) the charter or by-laws of Kraft or (ii) in any material respect, any law, rule, regulation or order of any court or governmental agency or any contractual restriction binding on or affecting Kraft; and

(b) After giving effect to this Amendment, the representations and warranties set forth in the Credit Agreement are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

**Section 3. Conditions to Effectiveness.** This Amendment shall become effective on the date on which each of the following conditions is satisfied or waived:

(a) The Administrative Agents shall have executed this Amendment and the Administrative Agents (or their counsel) shall have received an executed counterpart of this Amendment from Kraft and each of the Committing Lenders;

(b) The Administrative Agents shall have received for the account of each Lender a certificate signed by a duly authorized officer of Kraft, dated the date hereof, stating that: (i) the representations and warranties contained in Section 4.01 of the Credit Agreement are correct on and as of the date hereof, and (ii) no event has occurred and is continuing on and as of the date hereof that constitutes a Default or Event of Default;

(c) The Administrative Agents shall have received on or before the date hereof the following, each dated such day, in form and substance satisfactory to the Administrative Agents: (i) certified copies of the resolutions of the Board of Directors of Kraft approving this Amendment, including the increase in Commitments hereunder, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment, and (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 Amendment and the other documents to be delivered hereunder; and

(d) The Administrative Agents shall have received favorable written opinions of (A) Cravath, Swaine & Moore LLP, special New York counsel to Kraft, (B) Hunton & Williams LLP, special Virginia counsel to Kraft and (C) internal counsel for Kraft of Cravath, in each case, in form and substance reasonably satisfactory to the Administrative Agents.

The Paying Agent shall notify Kraft and the Lenders of the date on which this Amendment shall have become effective upon satisfaction or waiver of all of the conditions precedent set forth in this Section 3.

The Paying Agent and the Committing Lenders agree and acknowledge that they may not, in relation to this Amendment and the increase in the Commitments contemplated hereby, take any action or do any thing described in paragraphs (a) through (e) of Section 3.04 of the Credit Agreement: (i) in relation to any misrepresentation or misstatement made under or in relation to this Amendment or contained in any document delivered pursuant to this Section 3 (unless such misrepresentation or misstatement constitutes a Certain Funds Event of Default); or (ii) because or as a result of any condition precedent to effectiveness of this Amendment set out in this Section 3 subsequently being determined not to have been satisfied.

**Section 4. Fees.** Kraft agrees to pay to each of the Committing Lenders and their affiliates all fees owing to the Committing Lenders and their affiliates as separately agreed in writing by Kraft and the Committing Lenders or their affiliates. Kraft further agrees that the failure to pay any such fees shall constitute an Event of Default under Section 6.01(a) of the Credit Agreement as if such fees were payable in accordance with Section 2.08 thereof.

**Section 5. Counterparts.** This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all of which when taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission or email shall be effective as delivery of a manually executed counterpart hereof.

**Section 6. Applicable Law.** THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CHOICE OF LAW DOCTRINES.

**Section 7. Headings.** The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

**Section 8. Effect of Amendment.** Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Lenders or the Agents under the Credit Agreement or any other documents related thereto, and, save as expressly set forth herein, shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other provision of the Credit Agreement or any document related thereto, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

KRAFT FOODS INC.

By: /s/ Barbara Brasier

Name: Barbara Brasier

Title: Senior Vice President and Treasurer

Amendment No. 1 to Acquisition and Refinancing Bridge Credit Agreement



CITIBANK, N.A.,  
as Paying Agent and as a Lender

By: /s/ Andrew Sidford  
Name: Andrew Sidford  
Title: Vice President

DEUTSCHE BANK AG CAYMAN ISLANDS BRANCH, as a  
Lender

By: /s/ Frederick W. Laird  
Name: Frederick W. Laird  
Title: Managing Director

By: /s/ Heidi Sandquist  
Name: Heidi Sandquist  
Title: Director

DEUTSCHE BANK AG LONDON BRANCH,  
as a Lender

By: /s/ Graham Hodakin  
Name: Graham Hodakin  
Title: Managing Director

By: /s/ Michael Starmer-Smith  
Name: Michael Starmer Smith  
Title: Managing Director

Amendment No. 1 to Acquisition and Refinancing Bridge Credit Agreement

HSBC BANK USA, NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Robert J. Devir

Name: Robert J. Devir

Title: Managing Director

Amendment No. 1 to Acquisition and Refinancing Bridge Credit Agreement

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM JAPAN OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION

For Immediate Release

19 January 2010

**RECOMMENDED FINAL\* OFFER**

by

**KRAFT FOODS INC. ("KRAFT FOODS")**

for

**CADBURY PLC ("CADBURY")**

**VALUING EACH CADBURY SHARE AT 840 PENCE**

**SUMMARY**

***Recommended Final Offer terms***

- The board of Kraft Foods is pleased to announce the detailed terms of a recommended Final Offer for Cadbury and the board of Cadbury unanimously recommends Cadbury Securityholders to accept the terms of the Final Offer.
- Under the terms of the Final Offer, Cadbury Securityholders will be entitled to receive:

**for each Cadbury Share      500 pence in cash  
and  
0.1874 New Kraft Foods Shares**

**for each Cadbury ADS      2,000 pence in cash  
and  
0.7496 New Kraft Foods Shares**

representing, in aggregate, 840 pence per Cadbury Share and GBP 33.60 per Cadbury ADS.

- In addition, Cadbury Shareholders will be entitled to receive 10 pence per Cadbury share by way of a Special Dividend following the date on which the Final Offer becomes or is declared unconditional.
- The terms of the Final Offer reflect the strength of Cadbury's business, its brands and the future potential for growth through the combination of Kraft Foods and Cadbury.

***An attractive valuation and substantial long-term value creation potential as part of the Combined Group***

- Kraft Foods believes that the Final Offer represents a compelling opportunity for Cadbury Securityholders, providing the ability to receive approximately 60 per cent. of their consideration in cash and long-term value creation potential through a continued shareholding in the Combined Group.
- The Final Offer represents an attractive multiple of 13.0 times Cadbury's underlying 2009 EBITDA.
- Kraft Foods believes a combination with Cadbury will provide the potential for meaningful cost savings and revenue synergies from which Cadbury Securityholders will benefit.

***Combination creates a global leader in the global foods and confectionery sector***

- Kraft Foods believes a combination represents a strong and complementary strategic fit, creating a global confectionery leader with a portfolio of more than 40 confectionery brands each with annual sales in excess of USD 100 million.
- Kraft Foods and Cadbury have a highly complementary geographic footprint, providing the Combined Group with a leading presence in attractive global markets.
- The Combined Group will have a leading position in developing markets, including in Brazil, Russia, India, China, and Mexico.
- The Combined Group will benefit from important additional scale in the consolidating confectionery segments.

- The Combined Group will have best-in-class infrastructure in both traditional and instant consumption routes to market.

#### ***Management and employees***

- The combination will augment the world-class capabilities of both Kraft Foods and Cadbury by employing a “best of both” approach, from sales and marketing to distribution and management.
- In particular, Kraft Foods believes that the global business network of the Combined Group will create opportunities for Cadbury employees and managers.
- In addition, Kraft Foods has given assurances to Cadbury that, on the Final Offer becoming or being declared wholly unconditional, the existing contractual employment rights, including pension rights, of all employees will be fully safeguarded.

#### ***Further details of the Final Offer***

- Kraft Foods also announces that it reserves the right to, and intends to, reduce the number of acceptances required to fulfil the Acceptance Condition from 90 per cent. to 50 per cent. plus one Cadbury Share on or after 26 January 2010.
- The Final Offer does not require the approval of Kraft Foods Shareholders. Accordingly, the condition relating to such approval, as set out in the Original Offer Documents, is treated as satisfied for the purposes of the Final Offer.
- Full acceptance of the Final Offer will result in the issue of 265 million New Kraft Foods Shares, representing approximately 18 per cent. of the existing issued share capital and 15 per cent. of the enlarged issued share capital of Kraft Foods.

Commenting on the Offer, Irene Rosenfeld, Chairman and CEO of Kraft Foods, said:

“We have great respect for Cadbury’s brands, heritage and people. We believe they will thrive as part of Kraft Foods. This recommended offer represents a compelling opportunity for Cadbury Shareholders, providing both immediate value certainty and upside potential in the combined company. For Kraft Foods Shareholders it transforms the portfolio, accelerates long-term growth and delivers highly attractive returns, while maintaining financial discipline.”

Commenting on the Offer, Roger Carr, Chairman of Cadbury, said:

“We believe the offer represents good value for Cadbury shareholders and are pleased with the commitment that Kraft Foods has made to our heritage, values and people throughout the world. We will now work with the Kraft Foods’ management to ensure the continued success and growth of the business for the benefit of our customers, consumers and employees.”

**Cadbury Securityholders who have previously accepted the Original Offer (and have not withdrawn those acceptances) will automatically be deemed to have accepted the terms of the Final Offer by virtue of their prior acceptances and therefore need take no further action.**

**Other Cadbury Securityholders who wish to accept the recommended Final Offer must take action to accept the Final Offer by 1.00 pm (London time) / 8.00 am (New York City time) on 2 February 2010.** Details of the procedure for doing so will be set out in the Final Offer Documents (and, in the case of certificated Cadbury Shares and Cadbury ADSs, the Final Acceptance Forms) to be sent to Cadbury Securityholders as soon as practicable. The Final Offer Documents will also be available on Kraft Foods’ website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)).

This summary should be read in conjunction with the full text of the following announcement.

\* The Offer is final and will not be increased, except that Kraft Foods reserves the right to increase the Offer if there is an announcement on or after the date hereof of an offer or a possible offer for Cadbury by a third party offeror or potential offeror.

**Enquiries to Kraft Foods:**

**Kraft Foods**

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**Financial advisers:**

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Leon Kalvaria

**Deutsche Bank**

Nigel Meek

**Further information**

This announcement is being made available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)). Copies of the Original Offer Document, the Prospectus, supplementary prospectuses and the Original US Offer Document, as applicable, are also available on Kraft Foods' website. The Final Offer Documents and the related supplementary prospectus will be available on Kraft Foods' website as soon as practicable.

The conditions to which the Offer is subject are set out in Appendix I to the Original Offer Document (Appendix A to the Original US Offer Document), and certain further terms of the Final Offer will be set out in the Final Offer Documents and the Final Acceptance Forms. Appendix I to this announcement sets out the sources and bases of certain financial and other information contained in this announcement. Appendix II to this announcement contains definitions of certain expressions and terms used in this announcement.

Lazard & Co., Limited, which is authorised and regulated in the UK by the FSA, is acting as financial adviser to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Lazard & Co., Limited, nor for providing advice in relation to the Offer or any matters referred to herein.

Centerview Partners UK LLP, which is authorised and regulated in the UK by the FSA, is acting as financial adviser to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Centerview Partners UK LLP, nor for providing advice in relation to the Offer or any matters referred to herein.

Citigroup Global Markets Limited, which is authorised and regulated in the UK by the FSA, is acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Citigroup Global Markets Limited, nor for providing advice in relation to the Offer or any matters referred to herein.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the FSA. Details about the extent of Deutsche Bank AG’s authorisation and regulation by the FSA are available on request. Deutsche Bank AG, London Branch (and its affiliates) are acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Deutsche Bank AG, London Branch (or its affiliates), nor for providing advice in relation to the Offer or any matters referred to herein.

Each of Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank is acting exclusively for Cadbury and for no one else in connection to the matters referred to in this announcement and will not be responsible to anyone other than Cadbury for the providing the protections afforded to their respective clients nor for providing advice in relation to such matters.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise. The Offer is being made by the Original Offer Documents, the Final Offer Documents and the accompanying documentation. This announcement is not a prospectus and investors should not subscribe for any New Kraft Foods Shares except on the basis of information in the Prospectus (including the supplementary prospectuses) or the Registration Statement (as appropriate) which have been published and/or filed and which are available on Kraft Foods’ website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)) from time to time. The New Kraft Foods Shares are not being offered to the public by means of this announcement.

This announcement has been prepared in accordance with English law and the Takeover Code and the information disclosed herein may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The release, publication or distribution of this announcement and any other applicable Offer-related documentation in jurisdictions other than the UK, the US, Canada, France, Ireland or Spain, and the availability of the Offer to Cadbury Securityholders who are not resident in the UK, the US, Canada, France, Ireland or Spain, may be affected by the laws or regulations of relevant jurisdictions. Therefore, any persons who are subject to the laws and regulations of any jurisdiction other than the UK, the US, Canada, France, Ireland or Spain, or Cadbury Securityholders who are not resident in such jurisdictions should inform themselves of and observe any applicable requirements.

The Offer is not being extended, and will not be extended, directly or indirectly, in or into, or by use of mails or any means or instrumentality (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction. Accordingly, copies of this announcement are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving this announcement (including, without limitation, custodians, nominees, and trustees) should observe these restrictions. Failure to observe these restrictions may render any purported acceptance of the Offer invalid.

Kraft Foods reserves the right to elect, with the agreement of Cadbury and the consent of the Panel (where necessary), to implement the acquisition of Cadbury by way of a court-approved scheme of arrangement in accordance with Part 26 of the 2006 Act. In such event, the acquisition will be implemented on substantially the same terms, subject to appropriate amendments, as those which apply to the Offer.

#### **Notice to US investors**

This announcement does not constitute, or form part of, any offer for, or any solicitation of any offer for securities, nor is it a solicitation of any vote or approval in any jurisdiction, nor will there be any purchase or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law or regulation.

The Offer is being made pursuant to applicable US tender offer rules and otherwise in accordance with the requirements of the Takeover Code. Accordingly, the Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those typically applicable under US domestic tender offer procedures and law.



The receipt of cash and New Kraft Foods Shares pursuant to the Offer by a United States holder of Cadbury Shares may be a taxable transaction for United States federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Cadbury Shares is urged to consult his independent professional adviser regarding the tax consequences of acceptance of the Offer.

Cadbury is incorporated under the laws of England and Wales. All or some of the directors of Cadbury are residents of countries other than the United States. As a result, it may not be possible for Cadbury US Shareholders to effect service of process within the United States upon Cadbury or such directors of Cadbury or to enforce against any of such directors judgements of the United States predicated upon the civil liability provisions of the federal securities laws of the United States. It may not be possible to sue Cadbury or its officers or directors in a non-US court for violations of US securities laws.

#### **Forward-looking statements**

Certain statements contained or incorporated by reference in this announcement may constitute “forward-looking statements”. All statements in this announcement, other than those relating to historical information or current condition, are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of Kraft Foods, that could cause Kraft Foods’ actual results to differ materially from those indicated in any such statements. Such factors include, but are not limited to, continued volatility of input costs, pricing actions, increased competition, Kraft Foods’ ability to differentiate its products from retailer brands, unanticipated expenses in connection with litigation, settlement of legal disputes, regulatory investigations or enforcement actions, Kraft Foods’ indebtedness and ability to pay its indebtedness, the shift in consumer preference to lower priced products, risks from operating outside the US, tax law changes, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other Conditions of the Offer, adverse effects on the market price of Kraft Foods Shares and on Kraft Foods’ operating results because of a failure to complete the proposed acquisition, failure to realise the expected benefits of the proposed acquisition, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the Combined Group following the completion of the proposed acquisition. For more information on these and other factors that could affect Kraft Foods’ forward-looking statements, please also see the section entitled “Risk Factors” in the Prospectus or the Original US Offer Document, as applicable, and the risk factors in Kraft Foods’ filings with the SEC, including Kraft Foods’ most recently filed annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this announcement except as required by applicable law or regulation.

#### **Additional US-related information**

Kraft Foods has filed the Registration Statement and tender offer documents with the SEC, which will be amended to reflect the terms of the Final Offer, and Cadbury will file an amendment to its solicitation / recommendation statement on Schedule 14D-9 in connection with the Offer. **Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders, wherever located, should read those filings, and any other filings to be made by Kraft Foods and Cadbury with the SEC in connection with the Offer as they contain important information.** Those documents, as well as Kraft Foods’ other public filings with the SEC may be obtained without charge at the SEC’s website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods’ website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). In this announcement, Kraft Foods has presented the Offer by referring to multiples of Cadbury’s underlying earnings per share and underlying EBITDA under IFRS. Underlying earnings per share and EBITDA are non-US GAAP measures for IFRS purposes. The Registration Statement includes a discussion of the reasons why Kraft Foods’ management believes that Kraft Foods’ presentation of multiples of Cadbury’s underlying earnings per share and underlying EBITDA under IFRS provides useful information to Cadbury Securityholders and disclosure of the limitations of underlying earnings per share and EBITDA as an analytical tool.

For Immediate Release

19 January 2010

**RECOMMENDED FINAL<sup>(1)</sup> OFFER**

**by**

**KRAFT FOODS INC. (“KRAFT FOODS”)**

**for**

**CADBURY PLC (“CADBURY”)**

**VALUING EACH CADBURY SHARE AT 840 PENCE**

**1. Introduction**

The board of Kraft Foods is pleased to announce the detailed terms of a recommended Final<sup>(1)</sup> Offer to acquire the entire issued and to be issued share capital of Cadbury. The board of Cadbury unanimously recommends Cadbury Securityholders to accept the terms of the Final Offer.

**2. The Final<sup>(1)</sup> Offer**

Under the terms of the Final Offer, Cadbury Securityholders will be entitled to receive:

<b>for each Cadbury Share</b>	<b>500 pence in cash and 0.1874 New Kraft Foods Shares</b>
<b>for each Cadbury ADS</b>	<b>2,000 pence in cash and 0.7496 New Kraft Foods Shares</b>

representing, in aggregate, 840 pence per Cadbury Share and GBP 33.60 per Cadbury ADS (based on the closing share price of USD 29.58 per Kraft Foods Share on 15 January 2010, the last trading day prior to the date of this announcement, and an exchange rate of USD 1.63 to GBP 1.00 as at 18 January 2010).

In addition, Cadbury has advised Kraft Foods that Cadbury Shareholders will be receiving 10 pence per Cadbury Share by way of a Special Dividend. This will, in effect, enable Cadbury Shareholders to receive 10 pence out of the planned final dividend of 12.3 pence per share previously announced by Cadbury, subject to board and shareholder approval, which would otherwise not become payable.<sup>(2)</sup>

Assuming the vesting and exercise of all share options and awards under the Cadbury Share Schemes:

- the Final Offer values the entire issued and to be issued share capital of Cadbury at approximately GBP 11.9 billion; and
- 265 million New Kraft Foods Shares will be issued (assuming full acceptance of the Final Offer), representing approximately 18 per cent. of the existing share capital and 15 per cent. of the enlarged share capital of Kraft Foods.

The terms of the Final Offer supersede those of the Original Offer. The terms of the Original Offer are no longer capable of acceptance. Further information in relation to the Final Offer is set out in sections 11 and 16 of this announcement.

#### ***Mix and Match Facility***

Cadbury Securityholders who accept the Final Offer may make elections under the Mix and Match Facility. Under the Mix and Match Facility, accepting Cadbury Securityholders may elect to vary the proportions in which they receive New Kraft Foods Shares and cash consideration, subject to off-setting elections being made by other Cadbury Securityholders. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro-rata basis.

#### ***Reduction of Acceptance Condition***

Kraft Foods also announces that it reserves the right to, and intends to, reduce the number of acceptances required to fulfil the Acceptance Condition from 90 per cent. to 50 per cent. plus one Cadbury Share on or after 26 January 2010.

If the Acceptance Condition is satisfied and all other Conditions have been satisfied, fulfilled or, to the extent permitted, waived, the Offer will be declared wholly unconditional at that time and withdrawal rights will terminate (except in limited circumstances). Cadbury Securityholders who have already accepted the Offer, but whose willingness to accept the Offer is affected by the reduction of the Acceptance Condition, may wish to consider withdrawing their acceptances with respect to such Cadbury Shares promptly.

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**Condition regarding approval of Kraft Foods Shareholders**

The issue of New Kraft Foods Shares pursuant to the Final Offer does not require the approval of Kraft Foods Shareholders. Accordingly, the condition relating to such approvals is treated as satisfied for the purposes of the Final Offer.

**3. The creation of a global leader in the food and confectionery industry**

The board of Kraft Foods believes that a combination of Kraft Foods and Cadbury represents a strong and complementary strategic fit, creating a global confectionery leader, with a portfolio including more than 40 confectionery brands, each with annual sales in excess of USD 100 million. Globally, the Combined Group would be number one in the chocolate and sugar confectionery segments and a strong number two in the high growth gum segment. Cadbury's leading brands, such as *Cadbury*, *Trident* and *Halls*, are highly complementary to Kraft Foods' portfolio and would benefit from Kraft Foods' global scope, scale and array of proprietary technologies and processes. In addition, the acquisition of Cadbury will significantly enhance the strength of Kraft Foods' presence in the confectionery sector, enabling Kraft Foods to leverage Cadbury's product development capabilities.

Kraft Foods believes that confectionery markets are consolidating and scale is becoming increasingly important, in part due to retailers' increasing bargaining power, control of the supply chain and growing portfolio of their own retailer brands, which have benefited from the global economic climate. The combination of Kraft Foods and Cadbury provides the Combined Group with important additional scale to compete even more effectively in the confectionery sector.

Kraft Foods and Cadbury have highly complementary geographic footprints. Importantly, a combination would increase scale for both companies in developing markets such as Brazil, Russia and China, where Kraft Foods has a stronger presence, and India, Mexico and South Africa, where Cadbury holds leading positions. The Combined Group would also benefit from an improved position across Europe, including in France and Spain.

Kraft Foods' and Cadbury's routes to market are also highly complementary. Kraft Foods is particularly strong in the grocery channel in North America and Western Europe, while Cadbury is well positioned in instant consumption channels, which have become increasingly important in both developed and developing markets. A combination provides an enhanced platform for the Combined Group to distribute both Cadbury's and Kraft Foods' products through both channels, creating an attractive opportunity for higher growth and margins.

#### **4. The Final Offer represents an attractive opportunity for Cadbury Securityholders**

The Final Offer equates to an enterprise value multiple of 13.0 times Cadbury's underlying 2009 EBITDA<sup>(3)</sup>, based on the closing share price of USD 29.58 per Kraft Foods Share on 15 January 2010, and an exchange rate of USD 1.63 to GBP 1.00 as at 18 January 2010. The enterprise value multiple is calculated assuming the exercise of all share options and vesting of all share awards held under the Cadbury Share Schemes.

#### **5. Substantial synergy benefits**

The combination of Kraft Foods and Cadbury is expected to provide the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development. In addition, it is expected that pre-tax cost savings of at least USD 675 million annually can be realised by the end of the third year following completion. Total one-off implementation cash costs of approximately USD 1.3 billion are expected to be incurred in the first three years following completion.<sup>(4)</sup>

Both Kraft Foods and Cadbury have implemented extensive cost saving and operating efficiency programmes in recent years and have already delivered significant margin improvement and revenue growth improvements. These annual cost savings are still expected to be achieved over and above the current performance improvement plans at each of Kraft Foods and Cadbury (including Cadbury's updated Vision into Action programme). While it is anticipated that these targeted savings will continue to be delivered, Kraft Foods believes that the Combined Group would be capable of achieving substantial further cost savings through economies of scale and procurement benefits, general and administrative cost savings and marketing and selling costs savings.

Cadbury Securityholders are able to share in the synergies resulting from the combination of Kraft Foods and Cadbury through the share component of the Offer.

## **6. Recommendation**

**The board of Cadbury, which has been so advised by Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank considers the terms of the Final Offer to be fair and reasonable. In providing their financial advice to the board of Cadbury, Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank have taken into account the board's commercial assessments.**

**Accordingly, the board of Cadbury unanimously recommends Cadbury Securityholders to accept the terms of the Final Offer.**

## **7. Financial effects of the transaction**

Kraft Foods believes that the Final Offer will deliver the following key benefits:

- accretion to earnings per share in 2011 of approximately USD 0.05 on a cash basis; and<sup>(4)</sup>
- a mid teens return on investment, well in excess of Kraft Foods' cost of capital<sup>(4)</sup>.

Kraft Foods believes that the Final Offer is consistent with its commitment to maintain a financially disciplined approach and is well within the key criteria outlined in Kraft Foods' announcement of a possible offer for Cadbury on 7 September 2009:

- accretion to earnings in the second year following completion on a cash basis<sup>(3)</sup> (which excludes the one-time costs to achieve synergies and expenses related to the transaction and the impact of non-cash items such as the amortisation of intangibles after acquisition);
- a return on investment in excess of Kraft Foods' cost of capital within an acceptable timeframe;<sup>(4)</sup>
- retention of Kraft Foods' investment-grade credit rating; and
- maintenance of Kraft Foods' dividend.

Following the combination with Cadbury, Kraft Foods expects to revise its long-term growth targets to 5+ per cent. for revenue and 9-11 per cent. for earnings per share, from its previously announced 4+ per cent. and 7-9 per cent. respectively.<sup>(4)</sup>

In addition, the acquisition is expected to enhance the quality of the Combined Group's earnings, and create a business with strong discretionary cash flow generation and attractive revenue growth prospects across a diversified portfolio of brands and product groups worldwide.

#### **8. Financing the cash consideration**

Kraft Foods is providing the cash consideration payable by it under the Final Offer from its own resources, funds available from an amended bridge facility that has been arranged by a syndicate of banks and/or proceeds from alternative financing sources. A summary of the amended bridge facility will be included in the Final Offer Documents.

Lazard & Co., Limited, Centerview Partners UK LLP, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch are satisfied that sufficient resources are available to Kraft Foods to satisfy in full the cash consideration payable by it as a result of full acceptance of the Final Offer.

#### **9. Management, employees and locations**

Kraft Foods believes that the combination of Cadbury and Kraft Foods represents a strong, complementary fit and expects that the combination will enhance the Combined Group's growth profile<sup>(3)</sup>. The combination will augment the world-class capabilities of both Kraft Foods and Cadbury by employing a "best of both" approach, from sales and marketing to distribution and management. In particular, Kraft Foods believes that the global business network of the Combined Group will create opportunities for Cadbury employees and managers.

In addition, Kraft Foods has given assurances to Cadbury that, on the Offer becoming or being declared wholly unconditional, the existing contractual employment rights, including pension rights, of all Cadbury Group employees will be fully safeguarded.

## **10. Kraft Foods offers an excellent investment opportunity**

### ***Kraft Foods believes that scale is important in the global food industry***

As the world's second largest food company, with 2008 revenues of USD 41.9 billion, Kraft Foods has significant global scale, with operations in more than 70 countries. While the US is a key market and Kraft Foods is the number one food company there based on retail sales, Kraft Foods generated approximately half of its revenues from outside the US in 2008 and sells its products in approximately 150 countries around the world.

Kraft Foods believes that its portfolio of leading brands is one of the strongest in the global food industry, with nine of its brands generating annual revenues exceeding USD 1 billion each. Kraft Foods' objective is to be the category leader in its principal markets and it generates 80 per cent. of its revenues from categories in which it holds the number one position.

Over the past three years, Kraft Foods' management has successfully re-positioned the company for sustainable, profitable growth by reframing its categories, capitalising on its established sales capabilities and driving down costs without compromising its commitment to high quality. Kraft Foods' strategy is centred on marketing and developing leading consumer brands and pursuing growth opportunities to deliver shareholder value. Kraft Foods remains confident in meeting its long-term performance targets.

### ***Kraft Foods has upgraded its EPS guidance***

On 12 January 2010, Kraft Foods increased its guidance for 2009 diluted earnings per share, to at least USD 2.00 (up approximately five per cent. from 2008) versus the previous expectation of at least USD 1.97<sup>(5)</sup>. This increased guidance reflects strong operating gains as well as a significant increase in marketing investments versus the prior year. Kraft Foods expects to achieve this level of diluted earnings per share while continuing to increase investment behind its brands, with advertising and consumer marketing spending expected to grow to approximately 7 per cent. of sales in 2009 from 6.7 per cent. of sales in 2008.

### ***Kraft Foods' share price***

Since the announcement of its possible offer for Cadbury on 7 September 2009, Kraft Foods believes its share price performance has been adversely affected by a number of factors of a short-term nature, including: (i) concern that it will not maintain financial discipline regarding an acquisition of Cadbury; (ii) concern that the issuance of Kraft Foods Shares to certain Cadbury Securityholders may result in "flowback" of such shares; and (iii) short selling activity. Kraft Foods believes that, following completion of its acquisition of Cadbury, these short-term pressures on its share price should dissipate.



By way of illustration, Kraft Foods notes the following:

- Kraft Foods has historically traded on a current year price earnings multiple broadly in line with that of the S&P 500 Index. Based on Kraft Foods' own guidance for its 2009 diluted earnings per share of at least USD 2.00<sup>(5)</sup>, Kraft Foods' historical 2009 price earnings multiple is 14.8 times as at 15 January 2010 (the last trading day prior to the publication of this announcement). The historical 2009 price earnings multiple of the S&P 500 Index is 24.4 times as at the same date;
- between 4 September 2009 (the last Business Day preceding the announcement of its possible offer for Cadbury) and 15 January 2010 (the last trading day prior to the publication of this announcement), the Kraft Foods Share price has increased by approximately 5.3 per cent. from USD 28.10 to USD 29.58. However, the S&P 500 Index has increased by approximately 11.8 per cent. over the same period;
- analysts' consensus price target for Kraft Foods Shares is USD 32.67 and 92 per cent. of Kraft Foods' current analyst recommendations are either a "buy" or a "hold"; and
- Kraft Foods Shares currently have a dividend yield of approximately 4 per cent.

#### **11. Further information on the Final Offer**

**Cadbury Securityholders who have previously accepted the Original Offer (and have not withdrawn those acceptances) will automatically be deemed to have accepted the terms of the Final Offer by virtue of their prior acceptances and therefore need take no further action.**

**Other Cadbury Securityholders who wish to accept the recommended Final Offer must take action to accept the Final Offer by 1.00 pm (London time) / 8.00 am (New York City time) on 2 February 2010.** Details of the procedure for doing so will be set out in the Final Offer Documents (and, in the case of certificated Cadbury Shares and Cadbury ADSs, the Final Acceptance Forms) to be sent to Cadbury Securityholders as soon as practicable. The Final Offer Documents will also be available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)).

In addition to offering the consideration made available under the terms of the Final Offer, Kraft Foods is continuing to provide: (a) accepting Cadbury Securityholders with the Mix and Match Facility, which Kraft Foods has determined will remain open until the end of the Subsequent Offer Period; (b) a facility under which accepting Cadbury Shareholders may elect to receive all cash consideration to which they are entitled in US dollars, if they do not wish to receive it in pounds sterling; (c) a facility under which accepting Cadbury ADS Holders may elect to receive all cash consideration to which they are entitled in pounds sterling, if they do not wish to receive it in US dollars; (d) a facility under which accepting Cadbury Shareholders will, subject to certain exceptions, receive New Kraft Foods Shares in the form of CDIs, which are capable of being held, transferred and settled in CREST; and (e) a designated UK agent to assist small shareholders resident in certain jurisdictions in holding, trading and managing their CDI interests in the New Kraft Foods Shares.

Further details of the Mix and Match Facility, currency elections and Kraft Foods CDIs are set out in the Original Offer Documents and further details of the Final Offer will be set out in the Final Offer Documents which will be sent to Cadbury Securityholders as soon as practicable. The Final Offer Documents are also being made available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)) and, together with the Final Acceptance Forms, on request from the Receiving Agent or the US Information Agent (as applicable).

## **12. Cadbury Share Schemes**

The Final Offer extends to any Cadbury Shares unconditionally allotted or issued before the Final Offer closes (or such earlier time as Kraft Foods may, subject to the rules of the Takeover Code, decide) as a result of the exercise of options or vesting of awards granted under any of the Cadbury Share Schemes. Appropriate proposals will be made in due course to holders of options and awards granted under the Cadbury Share Schemes.

The benefit of Cadbury's Special Dividend of 10 pence per share will be extended to participants in the Cadbury Share Schemes.

## **13. Break fee arrangement**

Cadbury has agreed to pay an inducement fee of GBP 117.7 million in circumstances where a competing offer is announced and either is recommended by Cadbury or that offer or another third party offer becomes unconditional and the Final Offer lapses or is withdrawn, unless, prior to such announcement, Cadbury withdraws its recommendation for reasons demonstrably unrelated to such competing offer.

#### **14. Overseas shareholders**

The availability of the Final Offer and of the New Kraft Foods Shares to persons not resident in the UK, the US, Canada, France, Ireland or Spain may be affected by the laws or regulations of relevant jurisdictions. Such persons should inform themselves about and observe any applicable requirements. Further details in relation to overseas shareholders will be set out in the Final Offer Documents.

#### **15. Small Dealing Facility**

Subject to clarifying certain legal and regulatory considerations and with the agreement of the Panel, Kraft Foods has agreed to consider offering a free dealing facility to Cadbury Shareholders who own not more than 10,000 Cadbury Shares under which the New Kraft Foods Shares to which such Cadbury Shareholders become entitled under the Final Offer may be sold for their benefit at no cost. Details of such facility, if provided, will be communicated to Cadbury Shareholders in due course.

#### **16. General and documentation**

The Final Offer remains subject to the terms and conditions set out in Appendix I to the Original Offer Document (Appendix A to the Original US Offer Document) save that the Final Offer does not require the approval of Kraft Foods Shareholders and that European and US competition clearances have been obtained. The Final Offer also remains on and subject to the terms set out in the Original Offer Documents as such further terms have been revised in connection with the Final Offer as will be set out in the Final Offer Documents and Final Acceptance Forms. The relevant Final Offer Documents and Final Acceptance Forms will be sent to Cadbury Securityholders (other than to certain overseas shareholders) and, for information purposes, to persons with information rights and to participants in the Cadbury Share Schemes, as soon as practicable.

The procedure for accepting the terms of the Final Offer will be set out in the Final Offer Documents which are also being made available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)) and, together with the Final Acceptance Forms, on request from the Receiving Agent or the US Information Agent (as applicable). The Prospectus and any supplementary prospectuses in respect of the New Kraft Foods Shares are or, where applicable, will also be available on Kraft Foods' website.

Appendix I to this announcement sets out the sources and bases of certain financial and other information contained in this announcement. Appendix II to this announcement contains definitions of certain expressions and terms used in this announcement.

Notes:

- (1) The Offer is final and will not be increased, except that Kraft Foods reserves the right to increase the Offer if there is an announcement on or after the date hereof of an offer or a possible offer for Cadbury by a third party offeror or potential offeror.
- (2) The payment date for the Special Dividend will be 14 days following the date on which the Final Offer becomes or is declared wholly unconditional or such other date as Cadbury and Kraft Foods may agree. The payment of the Special Dividend will be conditional on the Final Offer becoming wholly unconditional.
- (3) Underlying EBITDA is as defined by Cadbury. Cadbury Annual Reports and Accounts state that underlying figures include adjustments for restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, derivative accounting and any associated tax effect.
- (4) Nothing in this announcement apart from the Profit Estimate is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that the earnings per Kraft Foods Share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.
- (5) The updated diluted earnings per share profit estimate was announced on 12 January 2010 and reported on for the purposes of the Takeover Code by PricewaterhouseCoopers LLP and by the Financial Advisers. The updated profit estimate and copies of the accompanying reports will be set out in the Final Offer Document.

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**Further information**

This announcement is being made available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)). Copies of the Original Offer Document, the Prospectus, supplementary prospectuses and the Original US Offer Document, as applicable, are also available on Kraft Foods' website. The Final Offer Documents and the related supplementary prospectus will be available on Kraft Foods' website as soon as practicable.

The conditions to which the Offer is subject are set out in Appendix I to the Original Offer Document (Appendix A to the Original US Offer Document), and certain further terms of the Final Offer will be set out in the Final Offer Documents and the Final Acceptance Forms. Appendix I to this announcement sets out the sources and bases of certain financial and other information contained in this announcement. Appendix II to this announcement contains definitions of certain expressions and terms used in this announcement.

Lazard & Co., Limited, which is authorised and regulated in the UK by the FSA, is acting as financial adviser to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Lazard & Co., Limited, nor for providing advice in relation to the Offer or any matters referred to herein.

Centerview Partners UK LLP, which is authorised and regulated in the UK by the FSA, is acting as financial adviser to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Centerview Partners UK LLP, nor for providing advice in relation to the Offer or any matters referred to herein.

Citigroup Global Markets Limited, which is authorised and regulated in the UK by the FSA, is acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Citigroup Global Markets Limited, nor for providing advice in relation to the Offer or any matters referred to herein.

Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the FSA. Details about the extent of Deutsche Bank AG's authorisation and regulation by the FSA are available on request. Deutsche Bank AG, London Branch (and its affiliates) are acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the contents of this announcement and the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Deutsche Bank AG, London Branch (or its affiliates), nor for providing advice in relation to the Offer or any matters referred to herein.

Each of Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank is acting exclusively for Cadbury and for no one else in connection to the matters referred to in this announcement and will not be responsible to anyone other than Cadbury for providing the protections afforded to their respective clients nor for providing advice in relation to such matters.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise. The Offer is being made by the Original Offer Documents, the Final Offer Documents and the accompanying documentation. This announcement is not a prospectus and investors should not subscribe for any New Kraft Foods Shares except on the basis of information in the Prospectus (including the supplementary prospectuses) or the Registration Statement (as appropriate) which have been published and/or filed and which are available on Kraft Foods' website ([www.transactioninfo.com/kraftfoods/](http://www.transactioninfo.com/kraftfoods/)) from time to time. The New Kraft Foods Shares are not being offered to the public by means of this announcement.

This announcement has been prepared in accordance with English law and the Takeover Code and the information disclosed herein may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The release, publication or distribution of this announcement and any other applicable Offer-related documentation in jurisdictions other than the UK, the US, Canada, France, Ireland or Spain, and the availability of the Offer to Cadbury Securityholders who are not resident in the UK, the US, Canada, France, Ireland or Spain, may be affected by the laws or regulations of relevant jurisdictions. Therefore, any persons who are subject to the laws and regulations of any jurisdiction other than the UK, the US, Canada, France, Ireland or Spain, or Cadbury Securityholders who are not resident in such jurisdictions should inform themselves of and observe any applicable requirements.

The Offer is not being extended, and will not be extended, directly or indirectly, in or into, or by use of mails or any means or instrumentality (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction. Accordingly, copies of this announcement are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving this announcement (including, without limitation, custodians, nominees, and trustees) should observe these restrictions. Failure to observe these restrictions may render any purported acceptance of the Offer invalid.

Kraft Foods reserves the right to elect, with the agreement of Cadbury and the consent of the Panel (where necessary), to implement the acquisition of Cadbury by way of a court-approved scheme of arrangement in accordance with Part 26 of the 2006 Act. In such event, the acquisition will be implemented on substantially the same terms, subject to appropriate amendments, as those which apply to the Offer.

#### **Notice to US investors**

This announcement does not constitute, or form part of, any offer for, or any solicitation of any offer for securities, nor is it a solicitation of any vote or approval in any jurisdiction, nor will there be any purchase or transfer of the securities referred to in this announcement in any jurisdiction in contravention of applicable law or regulation.

The Offer is being made pursuant to applicable US tender offer rules and otherwise in accordance with the requirements of the Takeover Code. Accordingly, the Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those typically applicable under US domestic tender offer procedures and law.

The receipt of cash and New Kraft Foods Shares pursuant to the Offer by a United States holder of Cadbury Shares may be a taxable transaction for United States federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Cadbury Shares is urged to consult his independent professional adviser regarding the tax consequences of acceptance of the Offer.

Cadbury is incorporated under the laws of England and Wales. All or some of the directors of Cadbury are residents of countries other than the United States. As a result, it may not be possible for Cadbury US Shareholders to effect service of process within the United States upon Cadbury or such directors of Cadbury or to enforce against any of such directors judgements of the United States predicated upon the civil liability provisions of the federal securities laws of the United States. It may not be possible to sue Cadbury or its officers or directors in a non-US court for violations of US securities laws.

#### **Forward-looking statements**

Certain statements contained or incorporated by reference in this announcement may constitute “forward-looking statements”. All statements in this announcement, other than those relating to historical information or current condition, are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of Kraft Foods, that could cause Kraft Foods’ actual results to differ materially from those indicated in any such statements. Such factors include, but are not limited to, continued volatility of input costs, pricing actions, increased competition, Kraft Foods’ ability to differentiate its products from retailer brands, unanticipated expenses in connection with litigation, settlement of legal disputes, regulatory investigations or enforcement actions, Kraft Foods’ indebtedness and ability to pay its indebtedness, the shift in consumer preference to lower priced products, risks from operating outside the US, tax law changes, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other Conditions of the Offer, adverse effects on the market price of Kraft Foods Shares and on Kraft Foods’ operating results because of a failure to complete the proposed acquisition, failure to realise the expected benefits of the proposed acquisition, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the Combined Group following the completion of the proposed acquisition. For more information on these and other factors that could affect Kraft Foods’ forward-looking statements, please also see the section entitled “Risk Factors” in the Prospectus or in the Original US Offer Document, as applicable, and the risk factors in Kraft Foods’ filings with the SEC, including Kraft Foods’ most recently filed annual report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this announcement except as required by applicable law or regulation.

#### **Additional US-related information**

Kraft Foods has filed the Registration Statement and tender offer documents with the SEC, which will be amended to reflect the terms of the Offer, and Cadbury will file an amendment to its solicitation / recommendation statement on Schedule 14D-9 in connection with the Final Offer . **Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders, wherever located, should read those filings, and any other filings to be made by Kraft Foods and Cadbury with the SEC in connection with the Offer as they contain important information.** Those documents, as well as Kraft Foods’ other public filings with the SEC may be obtained without charge at the SEC’s website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods’ website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). In this announcement, Kraft Foods has presented the Offer by referring to multiples of Cadbury’s underlying earnings per share and underlying EBITDA under IFRS. Underlying earnings per share and EBITDA are non-US GAAP measures for IFRS purposes. The Registration Statement includes a discussion of the reasons why Kraft Foods’ management believes that Kraft Foods’ presentation of multiples of Cadbury’s underlying earnings per share and underlying EBITDA under IFRS provides useful information to Cadbury Securityholders and disclosure of the limitations of underlying earnings per share and EBITDA as an analytical tool.

## APPENDIX I: SOURCES AND BASES

- (a) Unless otherwise stated, financial and other information concerning Cadbury and Kraft Foods has been extracted from published sources or from Kraft Foods' management sources.
- (b) Cadbury's issued and to be issued share capital is based upon 1,373,872,386 Cadbury Shares in issue as at 18 January 2010 as disclosed by Cadbury in its Regulatory Information Service announcement made in accordance with Rule 2.10 of the Takeover Code dated 18 January 2010 and 39,310,631 Cadbury Shares that could be issued to satisfy the exercise and vesting of options and awards under the Cadbury Share Schemes (assuming exercise and vesting of such options and awards in full) as at the close of business on 14 January 2010 based on the figure of 39,478,935 Cadbury Shares disclosed in the Cadbury Second Defence Document as updated by figures disclosed on behalf of Cadbury to Lazard & Co., Limited on 15 January 2010 for the purposes of Note 3 on Rule 10 of the Takeover Code.
- (c) The stated share prices of Cadbury are based on the closing middle-market prices as derived from the daily official list of the London Stock Exchange on any particular date.
- (d) The stated exchange rate of USD 1.63 to GBP 1.00 is as quoted by WM / Reuters on 18 January 2010.
- (e) The share prices of Kraft Foods are based on the closing prices provided by the NYSE on any particular date.
- (f) The Final Offer value per Cadbury Share is based on the cash value of 500 pence and 0.1874 New Kraft Foods Shares offered per Cadbury Share, the Kraft Foods closing share price of USD 29.58 as at 15 January 2010 and the exchange rate of USD 1.63 to GBP 1.00 (as quoted by the NYSE and WM / Reuters on 18 January 2010, the last trading day preceding this announcement).
- (g) The issuance of New Kraft Foods Shares and their value as a percentage of the existing and enlarged share capital is based on:
  - (i) 1,413,183,017 Cadbury Shares in issue and to be issued as in (b) above;



- (ii) the number of New Kraft Foods Shares offered for each Cadbury Share pursuant to the Final Offer resulting in 264,830,497 Kraft Foods Shares in total being issued to Cadbury Securityholders;
  - (iii) 1,478,590,016 Kraft Foods Shares in issue as announced by Kraft Foods on 18 January 2010 for the purpose of Rule 2.10 of the Takeover Code; and
  - (iv) the enlarged issued share capital of 1,743,420,513 Kraft Foods Shares (which is the sum of (g)(ii) and (h)(iii) above).
- (h) The stated Final Offer enterprise value to underlying 2009 EBITDA multiple of 13.0 times is based on:
- (i) Cadbury's stated estimate of underlying 2009 EBITDA in the Cadbury Second Defence Document, where Cadbury states that its estimate comprises underlying profit and underlying depreciation and amortisation. Underlying is defined by Cadbury to mean adjusted for restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, derivative accounting and any associated tax effect; and
  - (ii) an estimated enterprise value of GBP 13.3 billion, based on the sum of Cadbury's net debt (excluding hedging instruments) of GBP 1,375 million minus adjustments of GBP 9 million for book value of associates, trade investments and minority interests as at 31 December 2009, plus GBP 141 million for the cost of the Special Dividend minus GBP 99 million which would be received from the exercise of options pursuant to the adjustment to the number of shares as stated in (b) if all options that Cadbury has disclosed as outstanding as at 14 January 2010 were exercised in full (the amount actually received by Cadbury will depend on the extent to which options vest and the extent to which vested options are exercised and is likely to be lower than the maximum amount) and an Offer value of GBP 11.9 billion (as justified by (b), (d) and (e) above).

- (i) The statement that Kraft Foods has historically traded on a current year price earnings multiple broadly in line with that of the S&P 500 Index is based on the average current year price earnings multiples over the five year period ended 15 January 2010 (the last trading day preceding this announcement) for Kraft Foods and the S&P 500 Index of 16.2 times and 15.7 times respectively as sourced from Factset.
- (j) The increase of approximately 5.3 per cent. in the price of Kraft Foods Shares from 4 September 2009 to 15 January 2010 is based on the closing share price of USD 28.10 per Kraft Foods Share on 4 September 2009 (the last Business Day preceding the announcement by Kraft Foods of a possible offer for Cadbury) and the closing share price of USD 29.58 per Kraft Foods Share on 15 January 2010 (the last trading day preceding this announcement).
- (k) The increase in the S&P 500 Index of approximately 11.8 per cent. from 4 September 2009 to 15 January 2010 is based on the closing S&P 500 Index value of 1,016 on 4 September 2009 (the last Business Day preceding the announcement by Kraft Foods of a possible offer for Cadbury) and the closing S&P 500 Index value of 1,136 on 15 January 2010 (the last trading day preceding this announcement) as sourced from Datastream.
- (l) The stated historical 2009 price earnings ratio of Kraft Foods of 14.8 times is based on the closing share price of USD 29.58 per Kraft Foods Share as at 15 January 2010 (the last trading day preceding this announcement) and the Kraft Foods guidance for 2009 diluted earnings per share of at least USD 2.00<sup>(6)</sup>. The historical 2009 price earnings multiple of the S&P 500 Index of 24.4 times is sourced from Factset as at 15 January 2010 (the last trading day preceding this announcement).
- (m) The quoted analyst consensus price target for Kraft Foods of USD 32.67 and percentage of “buy” or “hold” recommendations of 92 per cent. are sourced from Bloomberg as at 15 January 2010 (the last trading day preceding this announcement).
- (n) The stated dividend yield of approximately 4 per cent. for Kraft Foods is sourced from Bloomberg as at 15 January 2010 (the last trading day preceding this announcement).

- (o) The statement that Kraft Foods expects the Final Offer will be approximately USD 0.05 accretive to earnings per share on a cash basis in 2011 is based on Kraft Foods' internal projections for the Kraft Foods Group and those of the Combined Group.
- (p) The statement that Kraft Foods expects the Final Offer will deliver a mid teens return on investment is based on Kraft Foods' internal projections for the Kraft Foods Group and those of the Combined Group.

## APPENDIX II: DEFINITIONS

In this announcement, the following definitions apply unless the context requires otherwise:

<b>“1985 Act”</b>	the Companies Act 1985 of the UK
<b>“2006 Act”</b>	the Companies Act 2006 of the UK
<b>“Acceptance Condition”</b>	the Condition set out in paragraph 1(a) of Appendix I to the Original Offer Document
<b>“Acceptance Forms”</b>	the Original Acceptance Forms and the Final Acceptance Forms
<b>“Business Day”</b>	any day on which banks are generally open in London for the transaction of general banking business, other than Saturday or Sunday or a public holiday
<b>“Cadbury”</b>	Cadbury plc, incorporated under the 1985 Act with registered number 06497379
<b>“Cadbury ADS Holders”</b>	holders of Cadbury ADSs
<b>“Cadbury ADSs”</b>	American Depositary Shares in respect of and each representing four Cadbury Shares (and, for the purposes of this announcement shall be deemed to include the Cadbury Shares represented thereby)
<b>“Cadbury Annual Report and Accounts”</b>	Cadbury’s annual report and accounts for the year ended 31 December 2008
<b>“Cadbury Canadian Shareholder”</b>	a Cadbury Shareholder resident in Canada
<b>“Cadbury First Defence Document”</b>	the first defence document relating to the Original Offer published by Cadbury on 14 December 2009
<b>“Cadbury Group”</b>	Cadbury and its subsidiary undertakings and, where the context permits, each of them
<b>“Cadbury Half Yearly Report”</b>	the half yearly report issued by Cadbury on 29 July 2009
<b>“Cadbury Second Defence Document”</b>	the second defence document relating to the Original Offer published by Cadbury on 12 January 2010 and updated on 14 January 2010
<b>“Cadbury Securityholders”</b>	Cadbury Shareholders and/or Cadbury ADS Holders (as the context requires)

<b>“Cadbury Share Schemes”</b>	Cadbury Schweppes Savings-Related Share Option Scheme 1982, Cadbury plc 2008 Savings-Related Share Option Scheme, Cadbury Schweppes Share Option Plan 1994, Cadbury Schweppes Share Option Plan 2004, Cadbury Schweppes (New Issue) Share Option Plan 2004, Cadbury Schweppes Irish Savings Related Share Option Scheme, Cadbury plc 2008 Irish Savings-Related Share Option Scheme, Cadbury Schweppes Irish AVC Savings-Related Share Option Scheme, Cadbury plc 2008 Irish AVC Savings-Related Share Option Scheme, Cadbury Schweppes International Savings-Related Share Option Scheme 1998, Cadbury plc 2008 International Savings-Related Share Option Scheme, Cadbury Schweppes plc US Employees Share Option Plan 2005, Cadbury plc 2008 US Employees Share Option Plan, Cadbury Schweppes plc Americas Employee Share Option Plan 2005, Cadbury plc 2008 Americas Employee Share Option Plan, Cadbury Schweppes Long-term Incentive Plans 1997 and 2004, Cadbury Schweppes Bonus Share Retention Plan 2004, Cadbury Schweppes International Share Award Plan, Cadbury plc 2008 Bonus Share Retention Plan, Cadbury plc 2008 Long-term Incentive Plan, Cadbury plc 2008 International Share Award Plan and Cadbury plc 2008 Share Option Plan
<b>“Cadbury Shareholders”</b>	holders of Cadbury Shares
<b>“Cadbury Shares”</b>	the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 10 pence each in the capital of Cadbury (including those represented by Cadbury ADSs) and any further such shares which are unconditionally allotted or issued and fully paid (or credited as fully paid) before the Offer closes (or before such earlier time as Kraft Foods may, subject to the Takeover Code, decide), but excluding in both cases any such shares held or which become held in treasury
<b>“Cadbury US Shareholder”</b>	a US holder (within the meaning of Rule 14d-1(d) under the US Securities Exchange Act) of Cadbury Shares
<b>“CDI”</b>	a CREST depositary interest representing an entitlement to a share
<b>“Combined Group”</b>	the Cadbury Group and the Kraft Foods Group, following completion of the Final Offer
<b>“Conditions”</b>	the conditions of the Final Offer set out in Part A of Appendix I to the Original Offer Document and Part A of Appendix A to the Original US Offer Document and <b>“Condition”</b> means any one of them
<b>“CREST”</b>	the relevant system (as defined in the Regulations) in respect of which Euroclear is the operator (as defined in the Regulations)

<b>“Final Acceptance Forms”</b>	the Final Form of Acceptance, the Final ADS Letter of Transmittal and any other form to be issued by or on behalf of Kraft Foods in connection with the acceptance of the Final Offer
<b>“Final ADS Letter of Transmittal”</b>	the ADS Letter of Transmittal for use by Cadbury ADS Holders in connection with the acceptance of the Final Offer in respect of Cadbury Shares represented by Cadbury ADSs
<b>“Final Form of Acceptance”</b>	a revised Form of Acceptance to be issued in connection with the acceptance of the Final Offer
<b>“Financial Advisers”</b>	Lazard & Co., Limited, Centerview Partners UK LLP, Citigroup Global Markets and Deutsche Bank AG, London Branch (and its affiliates)
<b>“Financial Services Authority” or “FSA”</b>	the UK Financial Services Authority
<b>“Final Offer”</b>	the Offer, as revised, and being made available to accepting Cadbury Securityholders as described in this announcement and on the terms to be set out in the Final Offer Documents
<b>“Final Offer Document”</b>	the revised offer document to be issued in connection with the Final Offer and containing the revised terms of the Final Offer and which will be sent to Cadbury Shareholders other than Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders
<b>“Final Offer Documents”</b>	the Final Offer Document and the Final US Offer Document
<b>“Final US Offer Document”</b>	the prospectus/offer to exchange to be included in the Registration Statement after the date of this announcement which will be sent to Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders, as such may be amended from time to time
<b>“Form of Acceptance”</b>	a form of acceptance, authority and election for use by Cadbury Shareholders in connection with acceptance of the Final Offer, or historically, the Original Offer
<b>“IFRS”</b>	international financial reporting standards and international accounting standards and interpretations thereof, approved or published by the International Accounting Standards Board and adopted by the European Union
<b>“Initial Offer Period”</b>	the period during which the Offer remains conditional, which commenced on 4 December 2009 and expires on the earliest of (i) the Offer lapsing (ii) the Offer becoming or being declared wholly unconditional in accordance with its terms and (iii) 1.00 p.m. (London time) / 8.00 am (New York City time) on 2 February 2010 (or such later date as agreed with the Panel)

<b>“Kraft Foods”</b>	Kraft Foods Inc.
<b>“Kraft Foods Board”</b>	the board of directors of Kraft Foods
<b>“Kraft Foods CDIs”</b>	dematerialised CREST depository interests representing New Kraft Foods Shares
<b>“Kraft Foods Directors”</b>	the directors of Kraft Foods
<b>“Kraft Foods Group”</b>	Kraft Foods and its subsidiary undertakings and, where the context permits, each of them
<b>“Kraft Foods Shareholders”</b>	holders of Kraft Foods Shares
<b>“Kraft Foods Shares”</b>	shares of class A common stock of no par value in the capital of Kraft Foods
<b>“London Stock Exchange”</b>	London Stock Exchange plc or its successor
<b>“Mix and Match Facility”</b>	the mix and match facility under which Cadbury Securityholders are able to elect, subject to availability and off-setting elections, to vary the proportion of New Kraft Foods Shares and cash consideration they will receive pursuant to the Final Offer
<b>“Morgan Stanley”</b>	Morgan Stanley & Co. Limited
<b>“New Kraft Foods Shares”</b>	the new Kraft Foods Shares proposed to be issued in connection with the Final Offer
<b>“Offer”</b>	the offer made by Kraft Foods to acquire all the Cadbury Shares (including those represented by Cadbury ADSs) subject to the conditions set out in the Original Offer Documents, and on the terms set out in the Original Offer Documents, the Final Offer Documents and the Acceptance Forms (and, where the context so requires, any subsequent revision, variation, extension or renewal of such offer, including any election or alternative available in connection with it) and, unless the context otherwise requires, such term includes the Final Offer
<b>“Original Acceptance Forms”</b>	the Original Form of Acceptance and the Original ADS Letter of Transmittal or any other form issued by or on behalf of Kraft Foods prior to the date of this announcement in connection with the acceptance of the Original Offer and <b>“Original Acceptance Form”</b> means any of them

<b>“Original ADS Letter of Transmittal”</b>	the ADS Letter of Transmittal issued prior to the date of this announcement for use by Cadbury ADS Holders in connection with the acceptance of the Original Offer in respect of Cadbury Shares represented by Cadbury ADSs
<b>“Original Form of Acceptance”</b>	a form of acceptance, authority and election issued prior to the date of this announcement for use by Cadbury Shareholders in connection with the acceptance of the Original Offer
<b>“Original Offer”</b>	the Offer, as made by Kraft Foods on 4 December 2009 on the terms and subject to the conditions set out in the Original Offer Documents and the Original Acceptance Forms
<b>“Original Offer Document”</b>	the offer document dated 4 December 2009 in connection with the Original Offer, pursuant to which Kraft Foods made the Original Offer to Cadbury Shareholders other than Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders
<b>“Original Offer Documents”</b>	the Original Offer Document and the Original US Offer Document
<b>“Original US Offer Document”</b>	the prospectus/offer to exchange, as amended prior to the date of this announcement, included in the Registration Statement and pursuant to which Kraft Foods made the Original Offer to Cadbury US Shareholders, Cadbury Canadian Shareholders and Cadbury ADS Holders
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“pounds sterling”, “sterling” or “GBP”</b>	UK pounds sterling, as the lawful currency of the UK (and any references to “pence” shall be construed accordingly)
<b>“Profit Estimate”</b>	the statements regarding diluted earnings per share for the year ended 31 December 2009 and contained in this announcement
<b>“Prospectus”</b>	the prospectus relating to Kraft Foods dated 4 December 2009 in respect of New Kraft Foods Shares issued in connection with the Offer
<b>“Receiving Agent”</b>	Computershare Investor Services PLC of 2 <sup>nd</sup> Floor, Vintners’ Place, 68 Upper Thames Street, London EC4V 3BJ (tel: from inside the UK, 0870 889 3144 and from outside the UK, +44 870 889 3144)
<b>“Registration Statement”</b>	the Registration Statement on Form S-4 relating to New Kraft Foods Shares offered as consideration pursuant to the Offer, filed by Kraft Foods with the SEC under the US Securities Act on 4 December 2009, as such may be amended from time to time
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 of the UK



<b>“Restricted Jurisdiction”</b>	any jurisdiction where the extension or acceptance of the Offer or where sending or making available information concerning the Offer to Cadbury Securityholders in such jurisdiction would violate the laws of that jurisdiction or would require registration of the New Kraft Foods Shares (except the US)
<b>“SEC”</b>	the US Securities and Exchange Commission
<b>“Subsequent Offer Period”</b>	the period commencing immediately after the end of the Initial Offer Period during which the Offer will remain open for acceptance
<b>“Special Dividend”</b>	the dividend of 10 pence per Cadbury Share
<b>“subsidiary undertaking” and “undertaking”</b>	shall be construed in accordance with the 2006 Act
<b>“Takeover Code”</b>	The UK City Code on Takeovers and Mergers
<b>“UBS” or “UBS Investment Bank”</b>	UBS Limited, a company incorporated in England and Wales with registered number 2035362
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US GAAP”</b>	generally accepted accounting principles in the US
<b>“US Information Agent”</b>	Georgeson, Inc. of 199 Water Street, 26 <sup>th</sup> Floor, New York, NY 10038-3560 (tel: from outside the US, +1 212 806 6859 and from inside the US, 800 868 1391)
<b>“US Securities Act”</b>	the US Securities Act of 1933, and the rules and regulations promulgated thereunder
<b>“US Securities Exchange Act”</b>	the US Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder
<b>“USD”, “dollars”, “US dollars” or “\$”</b>	US dollars, as the lawful currency of the United States (and any references to cents shall be construed accordingly)

All times referred to are London time unless otherwise stated.

All references to legislation in this announcement are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.





January 19, 2010

Dear Fellow Shareholder:

We are pleased to provide you with an update on our proposed acquisition of Cadbury plc.

Today, we made a final offer that the Board of Directors of Cadbury plc has unanimously recommended that its shareholders accept. Our final offer consists of 500 pence in cash and 0.1874 shares of Kraft Foods common stock for each outstanding Cadbury ordinary share, including each Cadbury ordinary share represented by a Cadbury American Depositary Share. We reached this excellent result by maintaining a highly disciplined approach, staying well within our stated financial criteria and focusing on the compelling rationale for combining Kraft Foods and Cadbury.

From a financial perspective, we expect the transaction to deliver excellent returns to our shareholders. We believe it will:

- be approximately \$0.05 accretive to earnings per share in 2011 on a cash basis (which excludes the one-time expenses related to the acquisition and the impact of non-cash items such as the amortization of intangibles from the acquisition);
- yield a mid-teens internal rate of return;
- enable us to maintain our investment-grade rating; and
- enable us to maintain our dividend per share.

Further, we expect to increase our long-term revenue growth target to 5+% and our long-term EPS growth target to 9-11%.

From a strategic perspective, we believe the combination of Kraft Foods and Cadbury will:

- create a strong combined portfolio with leading market positions in the fast-growing confectionery category;
- have a significantly strengthened footprint in developing markets, with enhanced scale;
- benefit from world-class infrastructure in traditional and instant consumption channels; and
- offer meaningful revenue synergies and significant cost savings.


Put simply, we believe that Kraft Foods and Cadbury are a perfect strategic fit. With Cadbury's support and cooperation, we can move quickly and efficiently to realize the full benefits that we expect from this transaction.

Your Board is pleased that we have fulfilled the desire expressed by many of you to minimize our use of Kraft Foods stock in the transaction. The final offer greatly reduces the number of Kraft Foods shares we will issue to acquire Cadbury to an estimated 265 million shares from as many as 370 million shares in our prior offer.

The aggregate share component of the final offer is below the 20% threshold set by the New York Stock Exchange rules for shareholder approval. As a result, we do not have a basis under UK regulations to condition the final offer we announced today on a shareholder vote. Accordingly, the Special Meeting that we had scheduled for February 1, 2010 is canceled.

On behalf of your Board, I thank you for your continued support. I am pleased that we are pursuing this transformational acquisition in a way that we believe will deliver significant long-term value for Kraft Foods and all of our shareholders.

Sincerely,



Irene B. Rosenfeld  
Chairman of the Board and Chief Executive Officer

### **Forward-Looking Statements**

This letter contains forward-looking statements regarding Kraft Foods' offer to combine with Cadbury. Such statements include, but are not limited to, statements about the benefits of the proposed combination and other such statements that are not historical facts, which are or may be based on Kraft Foods' plans, estimates and projections. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kraft Foods' control, that could cause Kraft Foods' actual results to differ materially from those indicated in any such forward-looking statements. Such factors include, but are not limited to, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the offer, and the risk factors, as they may be amended from time to time, set forth in Kraft Foods' filings with the US Securities and Exchange Commission ("SEC"), including the registration statement on Form S-4, as amended from time to time, filed by Kraft Foods in connection with the offer, Kraft Foods' most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this letter, except as required by applicable law or regulation.

### **Additional US-Related Information**

This letter is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury or Kraft Foods. Kraft Foods has filed a registration statement and tender offer documents with the SEC, which will be amended to reflect the terms of the recommended offer, and Cadbury will file an amendment to its solicitation/recommendation statement on Schedule 14D-9 in connection with the recommended offer. Cadbury shareholders who are U.S. or Canadian residents and holders of Cadbury American Depositary Shares, wherever located, should read those filings, and any other filings to be made by Kraft Foods and Cadbury with the SEC in connection with the recommended offer, as they will contain important information. Those documents, when available, as well as Kraft Foods' other public filings with the SEC, may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods' website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)

## Cadbury Board Unanimously Recommends Our Final Offer

**January 19, 2010**—I'm delighted to share exciting news about a major step forward in our effort to acquire Cadbury.

Today, we made our final offer for Cadbury, which its board of directors has unanimously recommended that its shareholders accept. The offer consists of 500 pence in cash and .1874 shares of Kraft Foods stock for each share of Cadbury stock. You can read all the details about the offer in the press release that we've just issued.



This will be a transformational acquisition that we believe will deliver significant long-term value for Kraft Foods and all of our shareholders. We believe the combination of Kraft Foods and Cadbury will:

- Create a strong combined portfolio with leading market positions in the fast-growing confectionery category;
- Have significantly enhanced scale and a strengthened footprint in developing markets;
- Benefit from best-in-class infrastructure in traditional and instant consumption channels; and
- Offer meaningful revenue synergies and significant cost savings.

Put simply, we believe that Kraft Foods and Cadbury are a powerful combination.

This is an historic moment for Kraft Foods and Cadbury that we've reached by focusing on the compelling rationale for combining these two great companies; maintaining a highly disciplined approach to the transaction, and staying well within our stated financial criteria.

Up next: Cadbury shareholders have until February 2 to tender their shares to us. With the support of Cadbury's Board, we expect that the offer process will move quickly to a successful conclusion.

Meanwhile, there is still much work to do to complete the transaction and to prepare for integrating our two companies to ensure that we can create the "best of both." Cadbury has a long history and is rightly proud of its heritage, its brands and its products. We should all continue our planning full speed ahead, but I would ask that you not yet reach out to friends or counterparts at Cadbury. We will keep you posted on our integration plans, including the timetable for reaching out to people at Cadbury.

I know you share my enthusiasm as we execute our plans to create a global powerhouse in snacks, confectionery and quick meals. Thanks to everyone for all the work that has led to getting us this far. I knew I could count on you!

A handwritten signature in black ink, appearing to read "Steve".

## Forward-Looking Statements

This note contains forward-looking statements regarding Kraft Foods' offer to combine with Cadbury. Such statements include, but are not limited to, statements about the benefits of the proposed combination and other such statements that are not historical facts, which are or may be based on Kraft Foods' plans, estimates and projections. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kraft Foods' control, that could cause Kraft Foods' actual results to differ materially from those indicated in any such forward-looking statements. Such factors include, but are not limited to, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the offer, and the risk factors, as they may be amended from time to time, set forth in Kraft Foods' filings with the US Securities and Exchange Commission ("SEC"), including the registration statement on Form S-4, as amended from time to time, filed by Kraft Foods in connection with the offer, Kraft Foods' most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this note, except as required by applicable law or regulation.

## Additional US-Related Information

This note is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury or Kraft Foods. Kraft Foods has filed a registration statement and tender offer documents with the SEC, which will be amended to reflect the terms of the recommended offer, and Cadbury will file an amendment to its solicitation/recommendation statement on Schedule 14D-9 in connection with the recommended offer. Cadbury shareholders who are U.S. or Canadian residents and holders of Cadbury American Depositary Shares, wherever located, should read those filings, and any other filings to be made by Kraft Foods and Cadbury with the SEC in connection with the recommended offer, as they will contain important information. Those documents, when available, as well as Kraft Foods' other public filings with the SEC, may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods' website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)

**PROFIT ESTIMATE FOR THE KRAFT FOODS GROUP FOR THE YEAR ENDING 31 DECEMBER 2009****1. GENERAL**

Kraft Foods made the following public statement on 12 January 2010 within a public announcement: “*Kraft Foods increased its guidance for 2009 diluted earnings per share to at least US\$2.00 versus the previous expectation of at least US\$1.97*”.

Diluted earnings per share is defined as net earnings attributable to Kraft Foods divided by weighted average diluted shares. Weighted average shares for diluted earnings per share adds back incremental shares from assumed conversions of stock options, net of assumed share repurchases and LTIP shares to the weighted average shares of basic earnings per share.

The statement regarding diluted earnings per share for the year ended 31 December 2009 constitutes a profit estimate for the purposes of the Takeover Code (the “**Profit Estimate**”). The Kraft Foods Directors have considered and reconfirm the Profit Estimate.

The Profit Estimate includes an estimate for certain costs in connection with Kraft Foods’ possible combination with Cadbury that are recognisable under US GAAP.

The Profit Estimate comprises diluted earnings per share rather than statutory earnings from continuing operations before income taxes, as diluted earnings per share is one of the primary profit measures historically used by Kraft Foods in its external reporting.

**2. BASIS OF PREPARATION**

The Profit Estimate has been prepared on a basis consistent with the accounting policies of Kraft Foods, which are in accordance with US GAAP and those which Kraft Foods anticipates will be applicable for the full year ended 31 December 2009.

The Kraft Foods Directors have prepared the Profit Estimate based on the unaudited interim condensed consolidated financial statements for the nine months ended 30 September 2009, the unaudited management accounts for the two months ended 30 November 2009 and an estimate of the results for Kraft Foods for the one month period ended 31 December 2009.

**Report of Reporting Accountant**

The accounting policies and calculations underlying the Profit Estimate included in Exhibit 99.5 have been reported upon by the U.S. firm of PricewaterhouseCoopers LLP, our independent registered public accounting firm. PricewaterhouseCoopers LLP's report (the "PwC Report") is set forth below.

PricewaterhouseCoopers LLP has prepared the PwC Report at our request solely to enable us to meet certain of our obligations pursuant to Rule 28.3(b) of The City Code on Takeovers and Mergers (the "Takeover Code") in the United Kingdom. The Takeover Code applies to the possible combination with Cadbury plc (the "Offer") because Cadbury plc has its registered office in the United Kingdom and its securities are admitted to trading on the London Stock Exchange. Rule 28.4 of the Takeover Code requires that documents published in connection with the Offer (including this Form 8-K) include an accountants' report on the Profit Estimate because we published the Profit Estimate during the offer period (as defined in the Takeover Code).

We are not required to provide the PwC Report by the U.S. securities laws, the rules of the SEC, or any other applicable U.S. law. Accordingly, the PwC Report is intended to be relied upon only by those persons to whom it is expressly addressed and the Cadbury plc shareholders to which the Offer is made and should not be relied upon by any other person.

The PwC Report was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. It was not prepared in accordance with auditing or other standards and practices generally accepted in the United States of America, or other jurisdictions, nor the auditing standards and practices of the Public Company Accounting Oversight Board (United States), nor does it constitute an examination, compilation or review under those standards and practices. Accordingly, it should not be relied upon as if it had been carried out in accordance with those U.S. standards and practices or any standards other than the U.K. standards mentioned above. Additionally, to the extent permitted by law and as set forth in the PwC Report, PricewaterhouseCoopers LLP's liability for the PwC Report, which is addressed to our Board of Directors and our financial advisers, is limited to any responsibility PricewaterhouseCoopers LLP may have to the addressees of the Report and Cadbury plc's shareholders as a result of inclusion of this report in this Form 8-K.

Cadbury plc shareholders should review the PwC Report in its entirety, and the foregoing statements are qualified by reference to the full PwC Report.



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The Directors  
Kraft Foods Inc.  
Three Lakes Drive  
Northfield, Illinois, 60093  
United States of America

Lazard & Co., Limited  
50 Stratton Street  
London, W1J 8LL  
United Kingdom

Centerview Partners UK LLP  
Ryder Court  
14 Ryder Street  
London SW1Y 6QB  
United Kingdom

Citigroup Global Markets Limited  
Citigroup Centre  
London, E14 5LB  
United Kingdom

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London, EC2N 2DB  
United Kingdom

19 January 2010

Dear Sirs

**Kraft Foods Inc.**

We report on the profit estimate comprising the statement by Kraft Foods Inc. (“Kraft Foods”) in respect of diluted earnings per share of Kraft Foods and its consolidated subsidiaries (together the “Kraft Foods Group”) for the year ended 31 December 2009 (the “Profit Estimate”). The Profit Estimate and the basis on which it is prepared, is set out in Exhibit 99.5 of this Form 8-K furnished by Kraft Foods dated 19 January 2010 (the “Form 8-K”).

This report is required by Rule 28.3(b) of the City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers (the “Takeover Code”) and is given for the purpose of complying with that rule and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of Kraft Foods (the “Kraft Foods Directors”) to prepare the Profit Estimate in accordance with the requirements of the Takeover Code. In preparing the Profit Estimate the Directors are responsible for correcting errors that they have identified which may have arisen in unaudited financial results and unaudited management accounts used as the basis of preparation for the Profit Estimate.

It is our responsibility to form an opinion as required by Rule 28.3(b) of the Takeover Code as to the proper compilation of the Profit Estimate and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed or to the shareholders of Cadbury plc as a result of the inclusion of this report in the Form 8-K under Rule 28.3(b) of the Takeover Code, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 28.4 of the Takeover Code, consenting to its inclusion in the Form 8-K.

### **Basis of Preparation of the Profit Estimate**

The Profit Estimate has been prepared on the basis stated in Exhibit 99.5 of the Form 8-K and is based on the unaudited interim financial results for the nine months ended 30 September 2009, the unaudited management accounts for the two months ended 30 November 2009 and an estimate of the results of Kraft Foods for the one month ended 31 December 2009. The Profit Estimate is required to be presented on a basis consistent with the accounting policies of the Kraft Foods Group.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the eleven months to 30 November 2009 included in the Profit Estimate has been prepared and considering whether the Profit Estimate has been accurately computed using that information and whether the basis of accounting used is consistent with the accounting policies of the Kraft Foods Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Estimate has been properly compiled on the basis stated.

However, the Profit Estimate has not been audited. The actual results reported, therefore, may be affected by revisions required to accounting estimates due to changes in circumstances, the impact of unforeseen events and the correction of errors in the interim financial results or management accounts. Consequently we can express no opinion as to whether the actual results achieved will correspond to those shown in the Profit Estimate and the difference may be material.

Our work on the Profit Estimate does not constitute an audit. Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America, or other jurisdictions (other than in the United Kingdom), nor the auditing standards and practices of the Public Company Accounting Oversight Board (United States), nor does it constitute an examination, compilation or review under those standards and practices. Accordingly, it should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Kraft Foods Group.

Yours faithfully

/s/ PricewaterhouseCoopers LLP  
Chicago, Illinois

PricewaterhouseCoopers LLP has given and not withdrawn its consent to the publication of this Form 8-K dated 19 January 2010 with the inclusion of its report in the form and context in which it appears. This is not a consent pursuant to or as contemplated or referenced by the U.S. Securities Act of 1933 or any other U.S. law, rule or regulation.

Lazard & Co., Limited  
50 Stratton Street  
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W1J 8LL  
United Kingdom

Centerview Partners UK LLP  
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14 Ryder Street  
London  
SW1 6QB  
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E14 5LB  
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Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB  
United Kingdom

To: The Directors  
Kraft Foods Inc.  
Three Lakes Drive  
Northfield  
Illinois  
60093  
United States of America

19 January 2010

Dear Sirs

**Report on profit estimate by Kraft Foods Inc.**

We refer to the profit estimate comprising the statement by Kraft Foods Inc. (“**Kraft Foods**”) in respect of the diluted earnings per share of Kraft Foods and its consolidated subsidiaries (together the “**Kraft Foods Group**”) for the year ending 31 December 2009 (the “**Profit Estimate**”).

We have discussed the Profit Estimate and the basis on which it has been prepared with the executive officers of Kraft Foods and with PricewaterhouseCoopers LLP. Kraft Foods has confirmed to us that all information relevant to the Profit Estimate has been disclosed to us. We have relied upon the accuracy and completeness of all such information and have assumed such accuracy and completeness for the purposes of providing this letter to you. We have also discussed the accounting policies and basis of calculation for the Profit Estimate with the executive officers of Kraft Foods and with PricewaterhouseCoopers LLP and we have considered PricewaterhouseCoopers LLP’s letter dated 19 January 2010 addressed to you and us on this matter.

This letter to you is solely in connection with Rule 28.3(b) of the City Code on Takeovers and Mergers and for no other purpose. Accordingly, save for any responsibility that we may have to those persons to whom this letter is expressly addressed, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person for any loss suffered by any such person as a result of, or in connection with, this letter.

On the basis of the foregoing, we consider that the Profit Estimate, for which you in your capacity as directors are solely responsible, for the purposes of the City Code on Takeovers and Mergers, has been prepared with due care and consideration by the directors.

Yours faithfully,

for and on behalf of

Lazard & Co., Limited

Centerview Partners UK LLP

Citigroup Global Markets Limited

Deutsche Bank AG, London Branch

*Lazard & Co., Limited, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as financial adviser to Kraft Foods and no one else in connection with the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Lazard & Co., Limited, nor for providing advice in relation to the Offer or any matters referred to herein.*

*Centerview Partners UK LLP, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as financial adviser to Kraft Foods and no one else in connection with the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Centerview Partners UK LLP, nor for providing advice in relation to the Offer or any matters referred to herein.*

*Citigroup Global Markets Limited, which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Citigroup Global Markets Limited, nor for providing advice in relation to the Offer or any matters referred to herein.*

*Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin—Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Services Authority. Details about the extent of Deutsche Bank AG's authorisation and regulation by the Financial Services Authority are available on request. Deutsche Bank AG, London Branch (and its affiliates) are acting as financial adviser and corporate broker to Kraft Foods and no one else in connection with the Offer and will not be responsible to any person other than Kraft Foods for providing the protections afforded to clients of Deutsche Bank AG, London Branch (or its affiliates), nor for providing advice in relation to the Offer or any matters referred to herein.*

The Kraft Foods Directors confirm that the discretionary cash flow guidance for the year ended 31 December 2009, as first announced on 3 November 2009 and repeated in the offer document dated 4 December 2009 issued by Kraft Foods (the "Original Offer Document") remains valid for the purposes of the Final Offer and PricewaterhouseCoopers LLP and Lazard & Co., Limited, Centerview Partners UK LLP, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch (and its affiliates) have each indicated that they have no objection to their respective reports in respect of that discretionary cash flow guidance (as set out in Part B of Appendix IV to the Original Offer Document) continuing to apply.



**RECOMMENDED FINAL\* OFFER BY KRAFT FOODS INC. FOR CADBURY PLC**

**NOTIFICATION OF PUBLICATION OF REVISED OFFER DOCUMENTS**

**THE OFFER**

On December 4, 2009 Kraft Foods Inc. ("**Kraft Foods**") published formal documentation relating to its offer for the whole of the issued and to be issued share capital of Cadbury plc (the "**Offer**"), including the prospectus/offer to exchange and related transmittal materials.

On January 5, 2010, Kraft Foods announced that it would publish revised offer documentation on or before January 19, 2010.

On January 19, 2010, Kraft Foods announced the detailed terms of its recommended final\* offer for Cadbury plc (the "**Final Offer**").

**WEBSITE NOTIFICATION**

The purpose of this document is to give you notice that revised offer documents (the "**Final Offer Documents**"), which set out the terms of the Final Offer, have been published on Kraft Foods' website at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

This document is not a summary of the information in the Final Offer Documents and is not a substitute for reading the relevant Final Offer Document in full.

**RIGHT TO REQUEST HARD COPIES**

A hard copy of the relevant Final Offer Document and, if applicable, a revised form of acceptance and/or ADS letter of transmittal to be issued in connection with the Final Offer will be sent to you in due course. Should you wish to receive a copy of the relevant Final Offer Document and/or the revised form of acceptance or ADS letter of transmittal urgently, you should contact Georgeson, Inc. (acting as Kraft Foods' U.S. information agent) at (800) 868-1391 (from within the U.S.) or at (212) 806-6859 (from outside the U.S.) to arrange this.

You may also request a further copy of the relevant Final Offer Document and/or copies of any information incorporated into it by reference in hard copy form. A hard copy of such documents will not be sent to you unless requested from Georgeson, Inc. in writing at 199 Water Street, 26<sup>th</sup> Floor, New York, NY, 10038-3560, or by telephone at (800) 868-1391 (from within the U.S.) or at (212) 806-6859 (from outside the U.S.).

You may also request that all future documents, announcements and information sent to you in relation to the Offer should be sent to you in hard copy form, again by writing to the address or by calling the telephone numbers set out above.

**RESPONSIBILITY**

The directors of Kraft Foods, whose names are set out below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of Kraft Foods (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

\* The Offer is final and will not be increased, except that Kraft Foods reserves the right to increase the Offer if there is an announcement on or after the date hereof of an offer or a possible offer for Cadbury by a third party offeror or potential offeror.

## DIRECTORS

The directors of Kraft Foods and their positions in Kraft Foods are as follows:

<u>Name</u>	<u>Position</u>
Irene B. Rosenfeld	Director, Chairman and Chief Executive Officer
Ajaypal S. Banga	Director
Myra M. Hart	Director
Lois D. Juliber	Director
Mark D. Ketchum	Director
Richard A. Lerner, M.D.	Director
Mackey J. McDonald	Director
John C. Pope	Director
Fredric G. Reynolds	Director
Jean-Francois M. L. van Boxmeer	Director
Deborah C. Wright	Director
Frank G. Zarb	Director

## DEALING DISCLOSURE REQUIREMENTS

Under the provisions of Rule 8.3 of the U.K. Takeover Code (the “Code”), if any person is or becomes “interested” (directly or indirectly) in 1 per cent. or more of any class of “relevant securities” of Kraft Foods or of Cadbury plc, all “dealings” in any “relevant securities” of that company (including by means of an option in respect of, or a derivative referenced to, any such “relevant securities”) must be publicly disclosed by no later than 10:30 a.m. (New York City time) / 3:30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the “offer period” otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an “interest” in “relevant securities” of Kraft Foods or of Cadbury plc, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Code, all “dealings” in “relevant securities” of Kraft Foods or Cadbury plc by Kraft Foods or Cadbury plc, or by any of their respective “associates”, must be disclosed by no later than 7:00 a.m. (New York City time) / 12:00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose “relevant securities” “dealings” should be disclosed, and the number of such securities in issue, can be found on the website of the U.K. Panel on Takeovers and Mergers (the “U.K. Takeover Panel”) at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk).

“Interests in securities” arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of “relevant securities”. In particular, a person will be treated as having an “interest” by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Code, which can also be found on the U.K. Takeover Panel’s website. If you are in any doubt as to whether or not you are required to disclose a “dealing” under Rule 8, you should consult the U.K. Takeover Panel.

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements regarding the Offer. Such statements include, but are not limited to, statements about the benefits of the proposed combination and other such statements that are not



historical facts, which are or may be based on Kraft Foods' plans, estimates and projections. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kraft Foods' control, that could cause Kraft Foods' actual results to differ materially from those indicated in any such forward-looking statements. Such factors include, but are not limited to, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the Offer, and the risk factors set forth in Kraft Foods' filings with the U.S. Securities and Exchange Commission ("SEC"), including the registration statement on Form S-4 filed by Kraft Foods in connection with the offer, Kraft Foods' most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this document, except as required by applicable law or regulation.

#### **ADDITIONAL U.S.-RELATED INFORMATION**

This document is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury plc or Kraft Foods. Kraft Foods has filed a registration statement and tender offer documents with the SEC in connection with the Offer. **Cadbury plc shareholders who are U.S. or Canadian residents and holders of Cadbury plc American Depositary Receipts, wherever located, should read those filings, and any other filings made by Kraft Foods with the SEC in connection with the proposed combination, as they contain important information.** Those documents, as well as Kraft Foods' other public filings with the SEC, may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods' website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).