

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

Commission file number 1-16483



Kraft Foods Inc.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

52-2284372

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

**Three Lakes Drive,
Northfield, Illinois**

(Address of principal executive offices)

60093-2753

(Zip Code)

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

Not Applicable

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

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

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

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

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

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

At July 29, 2011, there were 1,766,106,763 shares of the registrant's common stock outstanding.

PART I – FINANCIAL INFORMATION

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net revenues	\$ 13,878	\$ 12,253	\$ 26,451	\$ 23,571
Cost of sales	9,007	7,559	16,944	14,788
Gross profit	4,871	4,694	9,507	8,783
Selling, general and administrative expenses	3,008	2,933	5,941	5,783
Amortization of intangibles	57	60	114	93
Operating income	1,806	1,701	3,452	2,907
Interest and other expenses, net	441	439	887	1,063
Earnings from continuing operations before income taxes	1,365	1,262	2,565	1,844
Provision for income taxes	389	323	787	656
Earnings from continuing operations	976	939	1,778	1,188
Earnings and gain from discontinued operations, net of income taxes (Note 2)	—	—	—	1,644
Net earnings	976	939	1,778	2,832
Noncontrolling interest	—	2	3	12
Net earnings attributable to Kraft Foods	<u>\$ 976</u>	<u>\$ 937</u>	<u>\$ 1,775</u>	<u>\$ 2,820</u>
Per share data:				
Basic earnings per share attributable to Kraft Foods:				
Continuing operations	\$ 0.55	\$ 0.54	\$ 1.01	\$ 0.70
Discontinued operations	—	—	—	0.98
Net earnings attributable to Kraft Foods	<u>\$ 0.55</u>	<u>\$ 0.54</u>	<u>\$ 1.01</u>	<u>\$ 1.68</u>
Diluted earnings per share attributable to Kraft Foods:				
Continuing operations	\$ 0.55	\$ 0.53	\$ 1.01	\$ 0.70
Discontinued operations	—	—	—	0.97
Net earnings attributable to Kraft Foods	<u>\$ 0.55</u>	<u>\$ 0.53</u>	<u>\$ 1.01</u>	<u>\$ 1.67</u>
Dividends declared	\$ 0.29	\$ 0.29	\$ 0.58	\$ 0.58

See notes to condensed consolidated financial statements.

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

	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 2,267	\$ 2,481
Receivables (less allowances of \$169 in 2011 and \$246 in 2010)	6,830	6,539
Inventories, net	6,414	5,310
Deferred income taxes	919	898
Other current assets	1,066	993
Total current assets	17,496	16,221
Property, plant and equipment, net	14,216	13,792
Goodwill	39,063	37,856
Intangible assets, net	26,509	25,963
Prepaid pension assets	153	86
Other assets	1,590	1,371
TOTAL ASSETS	\$ 99,027	\$ 95,289
LIABILITIES		
Short-term borrowings	\$ 1,242	\$ 750
Current portion of long-term debt	4,918	1,115
Accounts payable	5,308	5,409
Accrued marketing	2,738	2,515
Accrued employment costs	1,215	1,292
Other current liabilities	4,859	4,812
Total current liabilities	20,280	15,893
Long-term debt	23,420	26,859
Deferred income taxes	7,993	7,984
Accrued pension costs	1,836	2,382
Accrued postretirement health care costs	3,001	3,046
Other liabilities	3,386	3,183
TOTAL LIABILITIES	59,916	59,347
Commitments and Contingencies (Note 12)		
EQUITY		
Common Stock, no par value (1,996,537,778 shares issued in 2011 and 2010)	-	-
Additional paid-in capital	31,240	31,231
Retained earnings	17,300	16,619
Accumulated other comprehensive losses	(2,004)	(3,890)
Treasury stock, at cost	(7,545)	(8,126)
Total Kraft Foods Shareholders' Equity	38,991	35,834
Noncontrolling interest	120	108
TOTAL EQUITY	39,111	35,942
TOTAL LIABILITIES AND EQUITY	\$ 99,027	\$ 95,289

See notes to condensed consolidated financial statements.

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

	Kraft Foods Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings / (Losses)	Treasury Stock	Noncontrolling Interest	Total Equity
Balances at January 1, 2010	\$ -	\$ 23,611	\$ 14,636	\$ (3,955)	\$ (8,416)	\$ 96	\$ 25,972
Comprehensive earnings / (losses):							
Net earnings	-	-	4,114	-	-	25	4,139
Other comprehensive earnings, net of income taxes	-	-	-	65	-	(19)	46
Total comprehensive earnings *						6	4,185
Exercise of stock options and issuance of other stock awards	-	153	(106)	-	290	-	337
Cash dividends declared (\$1.16 per share)	-	-	(2,025)	-	-	-	(2,025)
Net impact of noncontrolling interests from Cadbury acquisition	-	38	-	-	-	33	71
Purchase from noncontrolling interest, dividends paid and other activities	-	(28)	-	-	-	(27)	(55)
Issuance of Common Stock	-	7,457	-	-	-	-	7,457
Balances at December 31, 2010	\$ -	\$ 31,231	\$ 16,619	\$ (3,890)	\$ (8,126)	\$ 108	\$ 35,942
Comprehensive earnings / (losses):							
Net earnings	-	-	1,775	-	-	3	1,778
Other comprehensive earnings, net of income taxes	-	-	-	1,886	-	15	1,901
Total comprehensive earnings*						18	3,679
Exercise of stock options and issuance of other stock awards	-	4	(72)	-	581	-	513
Cash dividends declared (\$0.58 per share)	-	-	(1,022)	-	-	-	(1,022)
Purchase from noncontrolling interest, dividends paid and other activities	-	5	-	-	-	(6)	(1)
Balances at June 30, 2011	\$ -	\$ 31,240	\$ 17,300	\$ (2,004)	\$ (7,545)	\$ 120	\$ 39,111

* Total comprehensive earnings / (losses) were \$1,721 million for the three months ended and \$3,679 million for the six months ended June 30, 2011, as compared to \$(622) million for the three months ended and \$785 million for the six months ended June 30, 2010. Comprehensive earnings / (losses) attributable to Kraft Foods were \$1,716 million for the three months ended and \$3,661 million for the six months ended June 30, 2011, as compared to \$(601) million for the three months ended and \$815 million for the six months ended June 30, 2010.

See notes to condensed consolidated financial statements.

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

	For the Six Months Ended	
	June 30,	
	2011	2010
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net earnings	\$ 1,778	\$ 2,832
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	742	679
Stock-based compensation expense	89	81
Deferred income tax provision	(166)	106
Gain on discontinued operations (Note 2)	-	(1,596)
Other non-cash expense / (income), net	8	(360)
Change in assets and liabilities, excluding the effects of acquisitions and divestitures:		
Receivables, net	(72)	488
Inventories, net	(947)	(425)
Accounts payable	(404)	(302)
Other current assets	(164)	210
Other current liabilities	(81)	(1,032)
Change in pension and postretirement assets and liabilities, net	(487)	98
Net cash provided by operating activities	<u>296</u>	<u>779</u>
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(655)	(608)
Acquisitions, net of cash received	-	(9,844)
Proceeds from divestitures	-	3,697
Other	30	(24)
Net cash used in investing activities	<u>(625)</u>	<u>(6,779)</u>
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		
Net issuance / (repayments) of short-term borrowings	477	(1,310)
Long-term debt proceeds	25	9,422
Long-term debt repaid	(7)	(9)
Dividends paid	(1,017)	(1,156)
Proceeds from stock option exercises and other	562	46
Net cash provided by financing activities	<u>40</u>	<u>6,993</u>
Effect of exchange rate changes on cash and cash equivalents	<u>75</u>	<u>(240)</u>
Cash and cash equivalents:		
(Decrease) / Increase	(214)	753
Balance at beginning of period	<u>2,481</u>	<u>2,101</u>
Balance at end of period	<u>\$ 2,267</u>	<u>\$ 2,854</u>

See notes to condensed consolidated financial statements.

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

Note 1. Summary of Significant Accounting Policies:

Basis of Presentation:

Our interim condensed consolidated financial statements are unaudited. We prepared the condensed consolidated financial statements following SEC rules for interim reporting. As permitted under those rules, we have condensed or omitted a number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP.

You should read these statements in conjunction with our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain revisions of prior-year amounts were made to conform with the current-year presentation.

Principles of Consolidation:

The consolidated financial statements include Kraft Foods, as well as our wholly-owned and majority-owned subsidiaries. The majority of our operating subsidiaries report results as of the last Saturday of the period. A portion of our international operating subsidiaries report results as of the last calendar day of the period or two weeks prior to the last Saturday of the period.

In the second quarter of 2011, we changed the consolidation date for certain operations of our Kraft Foods Europe segment and operations in certain regions of our Kraft Foods Developing Markets segment (Latin America, Eastern and Central Europe, Africa and the Middle East). Previously, these operations primarily reported results two weeks prior to the end of the period. Now, our Kraft Foods Europe segment reports results as of the last Saturday of each period. Our operations in Latin America and certain operations in Eastern and Central Europe, Africa and the Middle East region report results as of the last calendar day of the period. These changes resulted in a favorable impact to net revenues of \$360 million and a favorable impact of \$50 million to operating income.

In the second quarter of 2010, we changed the consolidation date for certain European biscuits operations within our Kraft Foods Europe segment and certain operations in Asia Pacific within our Kraft Foods Developing Markets segment. Previously, these operations primarily reported period-end results one month prior to the end of the period and moved to reporting results two weeks prior to the last Saturday of the period. These changes resulted in a favorable impact to net revenues of \$70 million and had an insignificant impact on operating income.

We believe these changes are preferable and will improve business planning and financial reporting by better matching the close dates of the operating subsidiaries within our Kraft Foods Europe segment and Kraft Foods Developing Markets segment and by bringing the reporting date closer to the period-end date. As the impact to prior-period results was not material, we have not revised prior-period results.

Highly Inflationary Accounting:

We account for our Venezuelan subsidiaries under highly inflationary accounting rules, which principally means all transactions are recorded in U.S. dollars. Venezuela has two exchange rates: the official rate and the government-regulated Transaction System for Foreign Currency Denominated Securities ("SITME") rate. We used both the official rate and the SITME rate to translate our Venezuelan operations into U.S. dollars, based on the nature of the operations of each individual subsidiary.

We recorded approximately \$15 million of favorable foreign currency impacts relating to highly inflationary accounting in Venezuela during the first six months of 2011 and approximately \$65 million of unfavorable foreign currency impacts during the first six months of 2010. The 2010 loss included a one-time impact to translate cash of \$34 million that we previously carried at the secondary market exchange rate. Upon the change to highly inflationary accounting in January 2010, we were required to translate those U.S. dollars on hand using the official rate.

New Accounting Pronouncements:

In June 2011, the Financial Accounting Standards Board ("FASB") issued an amendment related to statements of comprehensive income. This amendment requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This amended guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, this amended guidance requires retrospective application. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this standard will not have a material impact on our financial results, but will change the current financial presentation of other comprehensive income within our financial statements.

In May 2011, the FASB issued an amendment to revise fair value measurement and disclosure requirements. This amended guidance provides clarification about the application of existing fair value measurement and disclosure requirements and expands certain other disclosure requirements. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We are currently evaluating the impact of this amendment on our financial statements and disclosures.

Subsequent Events:

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

Note 2. Acquisitions and Divestitures:

Cadbury Acquisition:

On February 2, 2010, we acquired 71.73% of Cadbury Limited ("Cadbury") and as of June 1, 2010, we owned 100% of all outstanding Cadbury Shares. The Cadbury acquisition was valued at \$18,547 million, or \$17,503 million net of cash and cash equivalents.

As part of our Cadbury acquisition, we expensed and incurred transaction-related fees of \$12 million for the three months and \$215 million for the six months ended June 30, 2010. We recorded these expenses within selling, general and administrative expenses. We also incurred acquisition financing fees of \$96 million in the first quarter of 2010. We recorded these expenses within interest and other expense, net.

Cadbury contributed net revenues of \$3,922 million and net earnings of \$175 million from February 2, 2010 through June 30, 2010. The following unaudited pro forma summary presents Kraft Foods' consolidated information as if Cadbury had been acquired on January 1, 2010. These amounts were calculated after conversion to U.S. GAAP, applying our accounting policies, and adjusting Cadbury's results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied from January 1, 2010, together with the consequential tax effects. These adjustments also reflect the additional interest expense incurred on the debt to finance the purchase.

	Pro forma for the Six Months Ended June 30, 2010 (in millions)
Net revenues	\$ 24,252
Net earnings attributable to Kraft Foods	2,533

Pizza Divestiture:

On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business ("Frozen Pizza") to Nestlé USA, Inc. ("Nestlé") for \$3.7 billion. Accordingly, the results of the Frozen Pizza business have been reflected as discontinued operations on the condensed consolidated statement of earnings in the prior-period results.

Summary results of operations for the Frozen Pizza business through June 30, 2010 were:

	<u>For the Six Months Ended June 30, 2010</u> (in millions)
Net revenues	\$ 335
Earnings before income taxes	73
Provision for income taxes	(25)
Gain on discontinued operations, net of income taxes	1,596
Earnings and gain from discontinued operations, net of income taxes	<u>\$ 1,644</u>

Earnings before income taxes, as presented, exclude associated allocated overheads of \$25 million for the first six months of 2010.

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

Note 3. Inventories:

Inventories at June 30, 2011 and December 31, 2010 were:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	(in millions)	
Raw materials	\$ 2,137	\$ 1,743
Finished product	4,277	3,567
Inventories, net	<u>\$ 6,414</u>	<u>\$ 5,310</u>

Note 4. Property, Plant and Equipment:

Property, plant and equipment at June 30, 2011 and December 31, 2010 were:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	(in millions)	
Land and land improvements	\$ 822	\$ 795
Buildings and building equipment	5,171	4,934
Machinery and equipment	16,982	16,147
Construction in progress	1,290	1,154
	24,265	23,030
Accumulated depreciation	(10,049)	(9,238)
Property, plant and equipment, net	<u>\$ 14,216</u>	<u>\$ 13,792</u>

Note 5. Goodwill and Intangible Assets:

Goodwill by reportable segment at June 30, 2011 and December 31, 2010 was:

	June 30, 2011	December 31, 2010
	(in millions)	
Kraft Foods North America:		
U.S. Beverages	\$ 1,290	\$ 1,290
U.S. Cheese	3,000	3,000
U.S. Convenient Meals	985	985
U.S. Grocery	3,046	3,046
U.S. Snacks	9,125	9,125
Canada & N.A. Foodservice	3,501	3,430
Kraft Foods Europe	9,756	9,023
Kraft Foods Developing Markets	8,360	7,957
Total goodwill	<u>\$ 39,063</u>	<u>\$ 37,856</u>

Intangible assets at June 30, 2011 and December 31, 2010 were:

	June 30, 2011	December 31, 2010
	(in millions)	
Non-amortizable intangible assets	\$ 23,892	\$ 23,351
Amortizable intangible assets	3,063	2,928
	26,955	26,279
Accumulated amortization	(446)	(316)
Intangible assets, net	<u>\$ 26,509</u>	<u>\$ 25,963</u>

Non-amortizable intangible assets consist substantially of brand names purchased through our acquisitions of Nabisco Holdings Corp., the Spanish and Portuguese operations of United Biscuits, the global *LU* biscuit business of Groupe Danone S.A. and Cadbury. Amortizable intangible assets consist primarily of trademark licenses, customer-related intangibles, process technology and non-compete agreements. At June 30, 2011, the weighted-average life of our amortizable intangible assets was 13.2 years.

The movements in goodwill and intangible assets were:

	Goodwill	Intangible Assets, at Cost
	(in millions)	
Balance at January 1, 2011	\$ 37,856	\$ 26,279
Changes due to:		
Foreign currency	1,207	676
Balance at June 30, 2011	<u>\$ 39,063</u>	<u>\$ 26,955</u>

Amortization expense was \$57 million for the three months and \$114 million for the six months ended June 30, 2011. We currently estimate annual amortization expense for each of the next five years to be approximately \$230 million.

Note 6. Integration Program:

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

Integration Program costs include the costs associated with combining our operations with Cadbury's and are separate from the costs related to the acquisition. We incurred charges under the Integration Program of \$136 million for the three months and \$240 million for the six months ended June 30, 2011, and \$149 million for the three months and \$192 million for the six months ended June 30, 2010. We recorded these charges in operations, as a part of selling, general and administrative expenses primarily within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses. Since the inception of the Integration Program, we have incurred \$897 million of the \$1.5 billion in expected charges.

Liability activity for Integration Program for the six months ended June 30, 2011 was (in millions):

Liability balance, January 1, 2011	\$ 406
Charges	240
Cash spent	(291)
Write-offs	(3)
Currency / other	16
Liability balance, June 30, 2011	<u>\$ 368</u>

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

Note 7. Debt:

Borrowing Arrangements:

On April 1, 2011, we entered into a revolving credit agreement for a \$4.5 billion four-year senior unsecured revolving credit facility. The agreement replaced our former revolving credit agreement, which was terminated upon the signing of the new agreement. We intend to use the revolving credit facility for general corporate purposes, including for working capital purposes, and to support our commercial paper issuances. No amounts have been drawn on the facility.

The revolving credit facility agreement includes a covenant that we maintain a minimum total shareholders' equity, excluding accumulated other comprehensive earnings / (losses) and non-controlling interest, of at least \$28.6 billion. At June 30, 2011, our total shareholders' equity, excluding accumulated other comprehensive losses and non-controlling interest, was \$41.0 billion. We expect to continue to meet this covenant. The revolving credit facility agreement also contains customary representations, covenants and events of default. However, there are no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security.

Note 8. Accumulated Other Comprehensive Earnings / (Losses):

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

	Currency Translation Adjustments	Pension and Other Benefits	Derivatives Accounted for as Hedges	Total
	(in millions)			
Balances at January 1, 2011	\$ (311)	\$ (3,658)	\$ 79	\$ (3,890)
Other comprehensive earnings / (losses), net of income taxes:				
Currency translation adjustments	1,907	(71)	–	1,836
Amortization of experience losses and prior service costs	–	121	–	121
Settlement losses	–	22	–	22
Net actuarial gain arising during period		42		42
Net changes in cash flow hedges	–	–	(135)	(135)
Total other comprehensive earnings				1,886
Balances at June 30, 2011	<u>\$ 1,596</u>	<u>\$ (3,544)</u>	<u>\$ (56)</u>	<u>\$ (2,004)</u>

Note 9. Stock Plans:

At our annual meeting of shareholders held on May 24, 2011, our shareholders approved the Kraft Foods Inc. Amended and Restated 2006 Stock Compensation Plan for Non-Employee Directors. The amended plan includes, among other provisions, an increase to the number of shares we are authorized to issue to a maximum of 1.0 million shares of our Common Stock. As of the effective date of the amendment, there were 0.8 million shares available to be granted under the plan.

Restricted and Deferred Stock:

In January 2011, we granted 1.5 million shares of stock in connection with our long-term incentive plan, and the market value per share was \$31.62 on the date of grant. In February 2011, as part of our annual equity program, we issued 2.6 million shares of restricted and deferred stock to eligible employees, and the market value per restricted or deferred share was \$31.83 on the date of grant. In aggregate, we issued 4.6 million restricted and deferred shares during the first six months of 2011, including those issued as part of our long-term incentive plan, with a weighted-average market value per share of \$31.79.

During the first six months of 2011, 4.1 million shares of restricted and deferred stock vested at a market value of \$125 million.

Stock Options:

In February 2011, as part of our annual equity program, we granted 15.8 million stock options to eligible employees at an exercise price of \$31.83. In aggregate, we granted 16.3 million stock options in the first six months of 2011 at a weighted-average exercise price of \$31.80.

There were 15.6 million stock options exercised during the first six months of 2011 with a total intrinsic value of \$81 million.

Note 10. Benefit Plans:**Pension Plans***Components of Net Periodic Pension Cost:*

Net periodic pension cost consisted of the following for the three and six months ended June 30, 2011 and 2010:

	U.S. Plans		Non-U.S. Plans	
	For the Three Months Ended		For the Three Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	(in millions)			
Service cost	\$ 33	\$ 35	\$ 46	\$ 41
Interest cost	91	91	118	99
Expected return on plan assets	(124)	(124)	(138)	(110)
Amortization:				
Net loss from experience differences	56	42	26	18
Prior service cost	1	2	1	1
Other expenses	19	14	-	-
Net periodic pension cost	\$ 76	\$ 60	\$ 53	\$ 49

	U.S. Plans		Non-U.S. Plans	
	For the Six Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	(in millions)			
Service cost	\$ 73	\$ 72	\$ 90	\$ 77
Interest cost	182	183	231	185
Expected return on plan assets	(248)	(245)	(270)	(207)
Amortization:				
Net loss from experience differences	112	85	50	36
Prior service cost	3	3	1	3
Other expenses	36	61	-	-
Net periodic pension cost	\$ 158	\$ 159	\$ 102	\$ 94

Included within other expenses above are severance payments related to our cost savings initiatives and lump-sum payments made to retired employees which resulted in settlement losses under our U.S. plans of \$19 million for the three months and \$36 million for the six months ended June 30, 2011, and \$14 million for the three months and \$56 million for the six months ended June 30, 2010. Our U.S. plans also incurred a \$5 million curtailment expense in the first quarter of 2010 related to the divestiture of our Frozen Pizza business.

Employer Contributions:

We make contributions to our U.S. and non-U.S. pension plans, primarily to the extent that they are tax deductible and do not generate an excise tax liability. During the first six months of 2011, we contributed \$527 million to our U.S. plans and \$185 million to our non-U.S. plans. Based on current tax law, we plan to make further contributions of approximately \$15 million to our U.S. plans and approximately \$215 million to our non-U.S. plans during the remainder of 2011. However, our actual contributions may differ due to many factors, including changes in tax and other benefit laws, or significant differences between expected and actual pension asset performance or interest rates.

Postretirement Benefit Plans

Net postretirement health care costs consisted of the following for the three and six months ended June 30, 2011 and 2010:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Service cost	\$ 8	\$ 10	\$ 18	\$ 20
Interest cost	41	44	83	86
Amortization:				
Net loss from experience differences	15	14	31	27
Prior service credit	(8)	(8)	(16)	(16)
Net postretirement health care costs	<u>\$ 56</u>	<u>\$ 60</u>	<u>\$ 116</u>	<u>\$ 117</u>

Postemployment Benefit Plans

Net postemployment costs consisted of the following for the three and six months ended June 30, 2011 and 2010:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Service cost	\$ 3	\$ 1	\$ 5	\$ 4
Interest cost	2	2	5	4
Amortization of net gains	(1)	—	(1)	—
Net postemployment costs	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$ 8</u>

Note 11. Financial Instruments:

See our consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2010 for additional information on our accounting and purpose for entering into derivatives and our overall risk management strategies.

Fair Value of Derivative Instruments:

The fair values of derivative instruments recorded in the condensed consolidated balance sheet as of June 30, 2011 and December 31, 2010 were:

	June 30, 2011		December 31, 2010	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
	(in millions)			
Derivatives designated as hedging instruments:				
Foreign exchange contracts	\$ 10	\$ 195	\$ 24	\$ 115
Commodity contracts	34	28	74	5
Interest rate contracts	21	49	58	13
	<u>\$ 65</u>	<u>\$ 272</u>	<u>\$ 156</u>	<u>\$ 133</u>
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	\$ 48	\$ 27	\$ 21	\$ 48
Commodity contracts	244	195	202	114
Interest rate contracts	62	25	59	21
	<u>\$ 354</u>	<u>\$ 247</u>	<u>\$ 282</u>	<u>\$ 183</u>
Total fair value	<u>\$ 419</u>	<u>\$ 519</u>	<u>\$ 438</u>	<u>\$ 316</u>

We include the fair value of our asset derivatives within other current assets and the fair value of our liability derivatives within other current liabilities.

The fair values (asset / (liability)) of our derivative instruments at June 30, 2011 were determined using:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Foreign exchange contracts	\$ (164)	\$ —	\$ (164)	\$ —
Commodity contracts	55	31	24	—
Interest rate contracts	9	—	9	—
Total derivatives	<u>\$ (100)</u>	<u>\$ 31</u>	<u>\$ (131)</u>	<u>\$ —</u>

Level 2 financial assets and liabilities consist of foreign exchange forwards and currency swaps; commodity forwards, and options; and interest rate swaps. Foreign currency contracts are valued using an income approach based on observable market forward rates less the contract rate multiplied by the notional amount. Commodity derivatives are valued using an income approach based on the observable market commodity index prices less the contract rate multiplied by the notional amount. Our calculation of the fair value of interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the observable market interest rate curve. Our calculation of the fair value of financial instruments takes into consideration the risk of nonperformance, including counterparty credit risk.

Derivative Coverage:

As of June 30, 2011, we had hedged forecasted transactions for the following durations:

- commodity transactions for periods not exceeding the next 21 months;
- interest rate transactions for periods not exceeding the next 31 years and 10 months; and
- foreign currency transactions for periods not exceeding the next 12 months.

Derivative Volume:

As of June 30, 2011 and December 31, 2010, we had the following outstanding hedges:

	Notional Amount	
	June 30, 2011	December 31, 2010
	(in millions)	
Foreign exchange contracts:		
Intercompany loans and forecasted interest payments	\$ 3,436	\$ 2,183
Forecasted transactions	1,746	1,946
Commodity contracts	465	630
Interest rate contracts	5,300	5,167
Net investment hedge – euro notes	4,133	3,814
Net investment hedge – pound sterling notes	1,044	1,015

Cash Flow Hedges:

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Accumulated gain at beginning of period	\$ 66	\$ 68	\$ 79	\$ 101
Transfer of realized gains in fair value to earnings	(3)	(3)	(17)	(6)
Unrealized loss in fair value	(119)	(131)	(118)	(161)
Accumulated loss at June 30	<u>\$ (56)</u>	<u>\$ (66)</u>	<u>\$ (56)</u>	<u>\$ (66)</u>

The effects of cash flow hedges for the three and six months ended June 30, 2011 and 2010 were:

	For the Three Months Ended June 30, 2011		For the Three Months Ended June 30, 2010	
	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings
	(in millions)			
Foreign exchange contracts – intercompany loans	\$ –	\$ –	\$ (2)	\$ –
Foreign exchange contracts – forecasted transactions	(23)	28	13	(7)
Commodity contracts	(18)	(31)	8	4
Interest rate contracts	(78)	–	(150)	–
Total	<u>\$ (119)</u>	<u>\$ (3)</u>	<u>\$ (131)</u>	<u>\$ (3)</u>

	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010	
	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings	Gain / (Loss) Recognized in OCI	(Gain) / Loss Reclassified from AOCI into Earnings
	(in millions)			
Foreign exchange contracts – intercompany loans	\$ 1	\$ –	\$ 1	\$ –
Foreign exchange contracts – forecasted transactions	(73)	33	25	(14)
Commodity contracts	(4)	(51)	(3)	7
Interest rate contracts	(42)	1	(184)	1
Total	<u>\$ (118)</u>	<u>\$ (17)</u>	<u>\$ (161)</u>	<u>\$ (6)</u>

	For the Three Months Ended June 30, 2011		For the Three Months Ended June 30, 2010	
	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
	(in millions)			
Foreign exchange contracts – intercompany loans	\$ –	\$ –	\$ –	\$ –
Foreign exchange contracts – forecasted transactions	–	–	–	–
Commodity contracts	–	–	–	–
Interest rate contracts	(5)	–	–	–
Total	\$ (5)	\$ –	\$ –	\$ –

	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010	
	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings	Gain / (Loss) on Ineffectiveness Recognized in Earnings	Gain / (Loss) on Amount Excluded from Effectiveness Testing Recognized in Earnings
	(in millions)			
Foreign exchange contracts – intercompany loans	\$ –	\$ –	\$ –	\$ –
Foreign exchange contracts – forecasted transactions	–	–	–	–
Commodity contracts	4	–	(9)	(1)
Interest rate contracts	(6)	–	–	–
Total	\$ (2)	\$ –	\$ (9)	\$ (1)

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

- cost of sales for commodity contracts;
- cost of sales for foreign exchange contracts related to forecasted transactions; and
- interest and other expense, net for interest rate contracts and foreign exchange contracts related to intercompany loans.

We expect to transfer unrealized gains of \$3 million (net of taxes) for commodity cash flow hedges, unrealized losses of \$23 million (net of taxes) for foreign currency cash flow hedges and unrealized losses of \$2 million (net of taxes) for interest rate cash flow hedges to earnings during the next 12 months.

Fair Value Hedges:

The effects of fair value hedges for the three and six months ended June 30, 2011 and 2010 were:

	For the Three Months Ended June 30, 2011		For the Three Months Ended June 30, 2010	
	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings
	(in millions)			
Interest rate contracts	\$ (3)	\$ 3	\$ (2)	\$ 2

	For the Six Months Ended June 30, 2011		For the Six Months Ended June 30, 2010	
	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings	Gain / (Loss) Recognized in Income on Derivatives	Gain / (Loss) Recognized in Income on Borrowings
	(in millions)			
Interest rate contracts	\$ (3)	\$ 3	\$ 3	\$ (3)

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

Economic Hedges:

The effects of economic hedges which are not designated as hedging instruments for the three and six months ended June 30, 2011 and 2010 were:

	Gain / (Loss) Recognized in Earnings				Location of Gain / (Loss) Recognized in Earnings
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2011	2010	2011	2010	
	(in millions)				
Foreign exchange contracts:					
Intercompany loans and forecasted interest payments	\$ (34)	\$ 17	\$ (38)	\$ 23	Interest expense
Forecasted transactions	(7)	1	(6)	2	Cost of sales
Forecasted transactions	4	–	5	(17)	Interest expense
Cadbury acquisition related	–	–	–	(395)	Interest expense
Interest rate contracts	1	(4)	(1)	5	Interest expense
Commodity contracts	108	35	155	11	Cost of sales
Total	\$ 72	\$ 49	\$ 115	\$ (371)	

The 2010 hedging losses related to the Cadbury acquisition were economically offset by foreign exchange movement net gains of \$240 million on the British pound cash, borrowings on the senior unsecured bridge facility utilized for the Cadbury acquisition, and other payable balances associated with the acquisition.

Hedges of Net Investments in Foreign Operations:

The effects of hedges of net investments in foreign operations for the three and six months ended June 30, 2011 and 2010 were:

	Gain / (Loss) Recognized in OCI				Location of Gain / (Loss) Recorded in AOCI
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2011	2010	2011	2010	
	(in millions)				
Euro notes	\$ (62)	\$ 231	\$ (203)	\$ 378	Currency Translation Adjustment
Pound sterling notes	(1)	–	(18)	–	Currency Translation Adjustment
	16				

Note 12. Commitments and Contingencies:*Legal Proceedings:*

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

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

Starbucks CPG Business:

As we previously disclosed, on November 29, 2010, we initiated an arbitration proceeding against Starbucks Coffee Company ("Starbucks") to challenge Starbucks' attempt to end our retail coffee agreement without compensating us pursuant to the agreement's termination provisions. On March 1, 2011, Starbucks, without our authorization and in what we contend is a violation and breach of our agreements with Starbucks, unilaterally took control of the sale and distribution of the packaged coffee business in grocery stores and other channels by terminating its agreements ("Agreements") with us without valid grounds. We are vigorously contesting Starbucks' action and are seeking appropriate remedies under the Agreements, including but not limited to payment of the fair market value of the business plus the premium the Agreements specify. In accordance with our rights under the Agreements, we initiated an arbitration proceeding in Chicago, Illinois in order to determine the parties' respective rights and obligations under the Agreements. The arbitration proceeding is set for April 30 through May 18, 2012.

Third-Party Guarantees:

We have third-party guarantees primarily covering the long-term obligations of our vendors. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At June 30, 2011, the carrying amount of our third-party guarantees on our condensed consolidated balance sheet and the maximum potential payment under these guarantees was \$26 million. Substantially all of these guarantees expire at various times through 2018.

Note 13. Income Taxes:

As of January 1, 2011, our unrecognized tax benefits were \$1,281 million. If we had recognized all of these benefits, the net impact on our income tax provision would have been \$1,062 million. Our unrecognized tax benefits increased \$250 million during the six months ended June 30, 2011 for additions based on prior year tax positions, current year tax positions and adjustments for currency, partially offset by decreases from positions taken during prior periods. As of June 30, 2011, our unrecognized tax benefits were \$1,531 million. If we had recognized all of these benefits, the net impact on our income tax provision would have been \$1,306 million.

The amount of unrecognized tax benefits could decrease by approximately \$150 – \$200 million during the next 12 months due to audit settlements and the expiration of statutes of limitations in various jurisdictions.

We include accrued interest and penalties related to uncertain tax positions in our tax provision. As of January 1, 2011, we had \$246 million of accrued interest and penalties. The increase in accrued interest and penalties during the six months ended June 30, 2011 was \$35 million.

Our income tax returns are regularly examined by various federal, state and foreign tax authorities. The U.S. federal statute of limitations remains open for all tax periods beginning with the 2004 tax year. The IRS is currently examining our 2004 – 2006 tax returns and we expect this examination to close during 2012. Our income tax filings are also currently under examination by taxing authorities in various U.S. state and foreign jurisdictions. U.S. state and foreign jurisdictions have statutes of limitations generally ranging from three to five years, however these statutes are often extended by mutual agreement with the tax authorities. Years still open to examination by foreign tax authorities in major jurisdictions include (earliest open tax year in parentheses): Germany (1999), Brazil (2005), Canada (2003), Spain (2002), France (2006), United Kingdom (2006), Australia (2008), Russia (2004) and India (2003).

Note 14. Earnings Per Share:

Basic and diluted EPS were calculated using the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions, except per share data)			
Earnings from continuing operations	\$ 976	\$ 939	\$ 1,778	\$ 1,188
Earnings and gain from discontinued operations, net of income taxes	—	—	—	1,644
Net earnings	976	939	1,778	2,832
Noncontrolling interest	—	2	3	12
Net earnings attributable to Kraft Foods	<u>\$ 976</u>	<u>\$ 937</u>	<u>\$ 1,775</u>	<u>\$ 2,820</u>
Weighted-average shares for basic EPS	1,764	1,747	1,759	1,681
Plus incremental shares from assumed conversions of stock options and long-term incentive plan shares	7	5	7	5
Weighted-average shares for diluted EPS	<u>1,771</u>	<u>1,752</u>	<u>1,766</u>	<u>1,686</u>
Basic earnings per share attributable to Kraft Foods:				
Continuing operations	\$ 0.55	\$ 0.54	\$ 1.01	\$ 0.70
Discontinued operations	—	—	—	0.98
Net earnings attributable to Kraft Foods	<u>\$ 0.55</u>	<u>\$ 0.54</u>	<u>\$ 1.01</u>	<u>\$ 1.68</u>
Diluted earnings per share attributable to Kraft Foods:				
Continuing operations	\$ 0.55	\$ 0.53	\$ 1.01	\$ 0.70
Discontinued operations	—	—	—	0.97
Net earnings attributable to Kraft Foods	<u>\$ 0.55</u>	<u>\$ 0.53</u>	<u>\$ 1.01</u>	<u>\$ 1.67</u>

We exclude antidilutive Kraft Foods stock options from our calculation of weighted-average shares for diluted EPS. We excluded 16.0 million antidilutive stock options for the three months and 17.6 million antidilutive stock options for the six months ended June 30, 2011, and we excluded 31.1 million antidilutive stock options for the three months and 33.9 million antidilutive stock options for the six months ended June 30, 2010.

Note 15. Segment Reporting:

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

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

Segment data were:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Net revenues:				
Kraft Foods North America:				
U.S. Beverages	\$ 779	\$ 886	\$ 1,600	\$ 1,707
U.S. Cheese	875	797	1,749	1,642
U.S. Convenient Meals	881	839	1,673	1,609
U.S. Grocery	973	923	1,767	1,739
U.S. Snacks	1,510	1,516	3,002	2,908
Canada & N.A. Foodservice	1,300	1,200	2,463	2,244
Kraft Foods Europe	3,525	2,793	6,541	5,502
Kraft Foods Developing Markets	4,035	3,299	7,656	6,220
Net revenues	<u>\$ 13,878</u>	<u>\$ 12,253</u>	<u>\$ 26,451</u>	<u>\$ 23,571</u>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Earnings from continuing operations before income taxes:				
Operating income:				
Kraft Foods North America:				
U.S. Beverages	\$ 138	\$ 178	\$ 299	\$ 350
U.S. Cheese	143	136	277	270
U.S. Convenient Meals	99	101	204	185
U.S. Grocery	379	357	671	643
U.S. Snacks	192	240	385	447
Canada & N.A. Foodservice	188	175	339	275
Kraft Foods Europe	415	335	723	624
Kraft Foods Developing Markets	518	429	923	788
Unrealized gains / (losses) on hedging activities	(100)	22	(38)	(16)
Certain U.S. pension plan costs	(44)	(25)	(86)	(81)
General corporate expenses	(65)	(187)	(131)	(485)
Amortization of intangibles	(57)	(60)	(114)	(93)
Operating income	1,806	1,701	3,452	2,907
Interest and other expense, net	441	439	887	1,063
Earnings from continuing operations before income taxes	<u>\$ 1,365</u>	<u>\$ 1,262</u>	<u>\$ 2,565</u>	<u>\$ 1,844</u>

General Corporate Expenses – The 2011 decrease in general corporate expenses was primarily due to the 2010 Cadbury acquisition-related transaction fees.

Integration Program – We incurred charges under the Integration Program of \$136 million for the three months and \$240 million for the six months ended June 30, 2011, and \$149 million for the three months and \$192 million for the six months ended June 30, 2010. We recorded these charges in operations, as a part of selling, general and administrative expenses primarily within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses.

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

	For the Three Months Ended June 30, 2011			
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	Total
	(in millions)			
Biscuits	\$ 1,459	\$ 745	\$ 877	\$ 3,081
Confectionery	454	1,351	1,887	3,692
Beverages	934	868	815	2,617
Cheese	1,293	342	249	1,884
Grocery	938	119	172	1,229
Convenient Meals	1,240	100	35	1,375
Total net revenues	<u>\$ 6,318</u>	<u>\$ 3,525</u>	<u>\$ 4,035</u>	<u>\$ 13,878</u>

	For the Three Months Ended June 30, 2010			Total
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	
	(in millions; as revised)			
Biscuits ⁽¹⁾	\$ 1,397	\$ 658	\$ 673	\$ 2,728
Confectionery ⁽¹⁾	470	1,125	1,567	3,162
Beverages ⁽¹⁾	1,022	597	667	2,286
Cheese	1,181	240	216	1,637
Grocery	916	94	144	1,154
Convenient Meals	1,175	79	32	1,286
Total net revenues	<u>\$ 6,161</u>	<u>\$ 2,793</u>	<u>\$ 3,299</u>	<u>\$ 12,253</u>

	For the Six Months Ended June 30, 2011			Total
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	
	(in millions)			
Biscuits	\$ 2,857	\$ 1,312	\$ 1,607	\$ 5,776
Confectionery	880	2,756	3,765	7,401
Beverages	1,898	1,533	1,436	4,867
Cheese	2,562	602	475	3,639
Grocery	1,656	188	308	2,152
Convenient Meals	2,401	150	65	2,616
Total net revenues	<u>\$ 12,254</u>	<u>\$ 6,541</u>	<u>\$ 7,656</u>	<u>\$ 26,451</u>

	For the Six Months Ended June 30, 2010			Total
	Kraft Foods North America	Kraft Foods Europe	Kraft Foods Developing Markets	
	(in millions; as revised)			
Biscuits ⁽¹⁾	\$ 2,763	\$ 1,215	\$ 1,274	\$ 5,252
Confectionery ⁽¹⁾	777	2,311	2,952	6,040
Beverages ⁽¹⁾	1,962	1,197	1,237	4,396
Cheese	2,392	482	425	3,299
Grocery	1,663	168	271	2,102
Convenient Meals	2,292	129	61	2,482
Total net revenues	<u>\$ 11,849</u>	<u>\$ 5,502</u>	<u>\$ 6,220</u>	<u>\$ 23,571</u>

(1) Within the above sector revenues disclosures, we reclassified certain net revenues as of June 30, 2010 to conform to the current quarter's presentation.

Note 16. Subsequent Events:

On August 4, 2011, we announced that our Board of Directors intends to create two independent public companies: (i) a high-growth global snacks business with estimated revenues of approximately \$32 billion (the "Global Snacks Business") and (ii) a high-margin North American grocery business with estimated revenues of approximately \$16 billion (the "North American Grocery Business"). The Global Snacks Business will consist of our current Kraft Foods Europe and Developing Markets segments as well as our North American snack and confectionary brands. The North American Grocery Business will consist of our current U.S. Beverages, Cheese, Convenient Meals and Grocery segments and the non-snack categories in our Canada & N.A. Food Service segment. We expect to create these companies through a tax-free spin-off of the North American Grocery Business to our shareholders.

The transaction is subject to a number of conditions, including the receipt of regulatory approvals, an opinion from tax counsel and a favorable ruling from the Internal Revenue Service to ensure the tax-free status of the spin-off of the North American Grocery Business, execution of intercompany agreements, further diligence as appropriate and final approval from our Board of Directors. While our current target is to complete the spin-off before year-end 2012, we cannot assure that the spin-off will be completed on the anticipated timeline or that the terms of the spin-off will not change.

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

Description of the Company

We manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We have operations in more than 75 countries and sell our products in approximately 170 countries.

Proposed Spin-Off Transaction

On August 4, 2011, we announced that our Board of Directors intends to create two independent public companies: (i) a high-growth global snacks business (the "Global Snacks Business") and (ii) a high-margin North American grocery business (the "North American Grocery Business"). The Global Snacks Business will consist of our current Kraft Foods Europe and Developing Markets segments as well as our North American snack and confectionary brands. The North American Grocery Business will consist of our current U.S. Beverages, Cheese, Convenient Meals and Grocery segments and the non-snack categories in our Canada & N.A. Food Service segment. We expect to create these companies through a tax-free spin-off of the North American Grocery Business to our shareholders.

The transaction is subject to a number of conditions, including the receipt of regulatory approvals, an opinion from tax counsel and a favorable ruling from the Internal Revenue Service to ensure the tax-free status of the spin-off of the North American Grocery Business, execution of intercompany agreements, further diligence as appropriate and final approval from our Board of Directors. While our current target is to complete the spin-off before year-end 2012, we cannot assure that the spin-off will be completed on the anticipated timeline or that the terms of the spin-off will not change. See "Part II, Item 1A – Risk Factors" for certain risk factors relating to the proposed spin-off transaction. The disclosures within this Management Discussion and Analysis of Financial Condition and Results of Operations are on a consolidated Kraft Foods Inc. basis and do not take into account the proposed spin-off of the North American Grocery Business.

Executive Summary

Significant highlights of the three and six months ended June 30, 2011 are summarized below and discussed in the Discussion and Analysis that follows.

- Net revenues increased 13.3% (including a 2.1 pp benefit from accounting calendar changes) to \$13.9 billion in the second quarter of 2011 and increased 12.2% (including 3.0 pp due to an additional month of Cadbury results in 2011 than in the first six months of 2010 and a 1.1 pp benefit from accounting calendar changes) to \$26.5 billion in the first six months of 2011 as compared to the same periods in the prior year.
- Organic net revenues increased 7.1% to \$12.9 billion in the second quarter of 2011 and increased 5.9% to \$24.5 billion in the first six months of 2011 as compared to the same periods in the prior year.
- Diluted EPS attributable to Kraft Foods increased 3.8% to \$0.55 (including a \$0.01 benefit from accounting calendar changes) in the second quarter of 2011 as compared to \$0.53 for the same period in the prior year. Diluted EPS attributable to Kraft Foods decreased 39.5% to \$1.01 (including a \$0.01 benefit from accounting calendar changes) in the first six months of 2011 as compared to \$1.67 for the same period in the prior year. The first six months of 2010 included the discontinued operations impact of \$0.97 from the Frozen Pizza divestiture. Diluted EPS attributable to Kraft Foods from continuing operations increased 44.3% to \$1.01 (including a \$0.01 benefit from accounting calendar changes) in the first six months of 2011 as compared to \$0.70 for the same period in the prior year.
- Operating EPS attributable to Kraft Foods increased 3.3% to \$0.62 (including a \$0.01 benefit from accounting calendar changes) in the second quarter of 2011 as compared to \$0.60 for the same period in the prior year. Operating EPS attributable to Kraft Foods increased 3.6% to \$1.14 (including a \$0.01 benefit from accounting calendar changes) in the first six months of 2011 as compared to \$1.10 for the same period in the prior year.

Discussion and Analysis

Items Affecting Comparability of Financial Results

Acquisitions and Divestitures

Cadbury Acquisition:

On February 2, 2010, we acquired 71.73% of Cadbury Limited ("Cadbury") and as of June 1, 2010, we owned 100% of all outstanding Cadbury Shares. The Cadbury acquisition was valued at \$18,547 million, or \$17,503 million net of cash and cash equivalents.

As part of our Cadbury acquisition, we expensed and incurred transaction-related fees of \$12 million for the three months and \$215 million for the six months ended June 30, 2010. We recorded these expenses within selling, general and administrative expenses. We also incurred acquisition financing fees of \$96 million in the first quarter of 2010. We recorded these expenses within interest and other expense, net.

Cadbury contributed net revenues of \$3,922 million and net earnings of \$175 million from February 2, 2010 through June 30, 2010. The following unaudited pro forma summary presents Kraft Foods' consolidated information as if Cadbury had been acquired on January 1, 2010. These amounts were calculated after conversion to accounting principles generally accepted in the United States of America ("U.S. GAAP"), applying our accounting policies, and adjusting Cadbury's results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied from January 1, 2010, together with the consequential tax effects. These adjustments also reflect the additional interest expense incurred on the debt to finance the purchase.

	<u>Pro forma for the Six Months Ended June 30, 2010</u> (in millions)
Net revenues	\$ 24,252
Net earnings attributable to Kraft Foods	2,533

Pizza Divestiture:

On March 1, 2010, we completed the sale of the assets of our North American frozen pizza business ("Frozen Pizza") to Nestlé USA, Inc. ("Nestlé") for \$3.7 billion. Accordingly, the results of the Frozen Pizza business have been reflected as discontinued operations on the condensed consolidated statement of earnings in the prior-period results.

Summary results of operations for the Frozen Pizza business through June 30, 2010 were:

	<u>For the Six Months Ended June 30, 2010</u> (in millions)
Net revenues	\$ 335
Earnings before income taxes	73
Provision for income taxes	(25)
Gain on discontinued operations, net of income taxes	1,596
Earnings and gain from discontinued operations, net of income taxes	\$ 1,644

Earnings before income taxes, as presented, exclude associated allocated overheads of \$25 million for the first six months of 2010.

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

Starbucks CPG Business:

As we previously disclosed, on November 29, 2010, we initiated an arbitration proceeding against Starbucks Coffee Company (“Starbucks”) to challenge Starbucks’ attempt to end our retail coffee agreement without compensating us pursuant to the agreement’s termination provisions. On March 1, 2011, Starbucks, without our authorization and in what we contend is a violation and breach of our agreements with Starbucks, unilaterally took control of the sale and distribution of the packaged coffee business in grocery stores and other channels by terminating its agreements (“Agreements”) with us without valid grounds. We are vigorously contesting Starbucks’ action and are seeking appropriate remedies under the Agreements, including but not limited to payment of the fair market value of the business plus the premium the Agreements specify. In accordance with our rights under the Agreements, we initiated an arbitration proceeding in Chicago, Illinois in order to determine the parties’ respective rights and obligations under the Agreements. The arbitration proceeding is set for April 30 through May 18, 2012.

Integration Program

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

Integration Program costs include the costs associated with combining our operations with Cadbury’s and are separate from the costs related to the acquisition. We incurred charges under the Integration Program of \$136 million for the three months and \$240 for the six months ended June 30, 2011, and \$149 million for the three months and \$192 million for the six months ended June 30, 2010. We recorded these charges in operations, as a part of selling, general and administrative expenses primarily within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses. Since the inception of the Integration Program, we have incurred \$897 million of the \$1.5 billion in expected charges. At June 30, 2011, we had an accrual of \$368 million related to the Integration Program.

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

Accounting Calendar Changes in 2011 and 2010

The majority of our operating subsidiaries report results as of the last Saturday of the period. A portion of our international operating subsidiaries report results as of the last calendar day of the period or two weeks prior to the last Saturday of the period.

In the second quarter of 2011, we changed the consolidation date for certain operations of our Kraft Foods Europe segment and operations in certain regions of our Kraft Foods Developing Markets segment (Latin America, Eastern and Central Europe, Africa and the Middle East). Previously, these operations primarily reported results two weeks prior to the end of the period. Now, our Kraft Foods Europe segment reports results as of the last Saturday of each period. Our operations in Latin America and certain operations in Central and Eastern Europe, Middle East and Africa region (“CEEMA”) report results as of the last calendar day of the period. These changes resulted in a favorable impact to net revenues of \$360 million and a favorable impact of \$50 million to operating income. For 2011, we plan to reinvest the favorable operating income impact realized from these accounting calendar changes.

In the second quarter of 2010, we changed the consolidation date for certain European biscuits operations within our Kraft Foods Europe segment and certain operations in Asia Pacific within our Kraft Foods Developing Markets segment. Previously, these operations primarily reported period-end results one month prior to the end of the period and moved to reporting results two weeks prior to the last Saturday of the period. These changes resulted in a favorable impact to net revenues of \$70 million and had an insignificant impact on operating income.

We believe these changes are preferable and will improve business planning and financial reporting by better matching the close dates of the operating subsidiaries within our Kraft Foods Europe segment and Kraft Foods Developing Markets segment and by bringing the reporting date closer to the period-end date. As the impact to prior-period results was not material, we have not revised prior-period results.

Provision for Income Taxes

Our effective tax rate was 28.5% in the second quarter of 2011 and 30.7% in the first six months of 2011. The 2011 second quarter effective tax rate was favorably impacted by net discrete items totaling \$52 million, arising principally from the favorable resolution with foreign tax authorities of several tax positions taken in prior years. For the first six months of 2011, our effective tax rate was favorably impacted by net discrete items totaling \$58 million, primarily from favorable resolutions reached with foreign tax authorities in the second quarter.

Our effective tax rate was 25.6% in the second quarter of 2010 and 35.6% in the first six months of 2010. Our second quarter 2010 effective tax rate included net tax benefits of \$104 million, primarily resulting from the resolution of a federal tax audit and several items in our international operations. For the first six months of 2010, our effective tax rate included net tax benefits of \$32 million, primarily due to the second quarter resolution of a federal tax audit, the tax impacts of the highly inflationary accounting adjustments related to our Venezuelan subsidiaries, and the resolution of several items in our international operations, partially offset by a \$137 million write-off of deferred tax assets as a result of the U.S. health care legislation enacted in March 2010.

Consolidated Results of Operations

The following discussion compares our consolidated results of operations for the three months ended June 30, 2011 and 2010 and for the six months ended June 30, 2011 and 2010.

Three Months Ended June 30:

	For the Three Months Ended June 30,		\$ change	% change
	2011	2010		
	(in millions, except per share data)			
Net revenues	\$ 13,878	\$ 12,253	\$ 1,625	13.3%
Operating income	1,806	1,701	105	6.2%
Earnings from continuing operations	976	939	37	3.9%
Net earnings attributable to Kraft Foods	976	937	39	4.2%
Diluted earnings per share attributable to Kraft Foods from continuing operations	0.55	0.53	0.02	3.8%
Diluted earnings per share attributable to Kraft Foods	0.55	0.53	0.02	3.8%

Net Revenues – Net revenues increased \$1,625 million (13.3%) to \$13,878 million in the second quarter of 2011, and organic net revenues increased \$852 million (7.1%) to \$12,875 million as follows.

Change in net revenues (by percentage point)

Higher net pricing	5.5pp
Favorable volume/mix	1.6pp
Total change in organic net revenues ⁽¹⁾	7.1%
Favorable foreign currency	5.7pp
Impact of accounting calendar changes	2.1pp
Impact of divestitures (including the Starbucks CPG business)	(1.6)pp
Total change in net revenues	<u>13.3%</u>

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

Organic net revenues growth was driven by higher net pricing and favorable volume/mix. Higher net pricing was reflected across all reportable business segments as we increased pricing to offset higher input costs. Favorable volume/mix was driven primarily by higher base business shipments in Kraft Foods Developing Markets. Favorable foreign currency increased net revenues by \$687 million, due primarily to the strength of the euro, Brazilian real, Australian dollar, British pound, Canadian dollar, Swedish krona and Swiss franc versus the U.S. dollar. Excluding the effects of foreign currency, accounting calendar changes added \$316 million in net revenues in the second quarter of 2011, as compared to \$59 million in the second quarter of 2010. These gains were partially offset by the impact of divestitures (including the Starbucks CPG business).

Operating Income – Operating income increased \$105 million (6.2%) to \$1,806 million in the second quarter of 2011, due to the following:

	<u>Operating Income</u> (in millions)	<u>Change</u> (percentage point)
Operating Income for the Three Months Ended June 30, 2010	\$ 1,701	
Integration Program costs	149	8.6pp
2010 acquisition-related costs associated with Cadbury	10	0.6pp
Underlying Operating Income for the Three Months Ended June 30, 2010 ⁽¹⁾	\$ 1,860	
Higher net pricing	661	36.5pp
Higher input costs	(678)	(37.4)pp
Favorable volume/mix	55	3.0pp
Lower selling, general and administrative expenses	35	1.9pp
Increased operating income from accounting calendar changes	34	1.9pp
Change in unrealized gains/losses on hedging activities	(122)	(6.7)pp
Favorable foreign currency	127	6.8pp
Decreased operating income from divestitures (including the Starbucks CPG business)	(39)	(2.1)pp
Other, net	9	0.5pp
Total change in underlying operating income	82	4.4%
Underlying Operating Income for the Three Months Ended June 30, 2011 ⁽¹⁾	\$ 1,942	
Integration Program costs	(136)	(7.4)pp
Operating Income for the Three Months Ended June 30, 2011	\$ 1,806	6.2%

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

Higher input costs offset higher pricing during the quarter. The increase in input costs was driven by significantly higher raw material costs and to a lesser extent higher manufacturing costs, primarily in Kraft Foods Developing Markets. The favorable volume/mix was driven primarily by a strong contribution from Kraft Foods Developing Markets, which was partially offset by declines in all other reportable segments except U.S. Cheese. Total selling, general and administrative expenses increased \$75 million over the second quarter of 2010. Excluding the impacts of divestitures (including the Starbucks CPG business), foreign currency, accounting calendar changes and our Cadbury acquisition (including Integration Program and acquisition-related costs), selling, general and administrative expenses decreased \$35 million from the second quarter of 2010. Favorable foreign currency increased operating income by \$127 million, due primarily to the impact of the highly inflationary Venezuelan economy and the strength of the euro, Australian dollar, Brazilian real and Canadian dollar versus the U.S. dollar. Accounting calendar changes added \$34 million in operating income, as we realized operating income from accounting calendar changes of \$44 million (excluding the effects of foreign currency) in the second quarter of 2011, versus \$10 million in the second quarter of 2010. The change in unrealized gains/losses on hedging activities decreased operating income by \$122 million, as we recognized losses of \$100 million in the second quarter of 2011, versus gains of \$22 million in the second quarter of 2010. In addition, the impact of divestitures includes Starbucks unilaterally taking control of significant coffee contracts, and the 2010 divestitures of certain *Cadbury* confectionery operations in Poland and Romania. As a result of these changes, operating income margin decreased, from 13.9% in the second quarter of 2010 to 13.0% in the second quarter of 2011. The margin decline was driven primarily by the change in unrealized gains/losses on hedging activities and the impact of the higher revenue base on the margin calculation.

Net Earnings and Diluted Earnings per Share Attributable to Kraft Foods – Net earnings attributable to Kraft Foods of \$976 million increased by \$39 million (4.2%) in the second quarter of 2011. Diluted EPS attributable to Kraft Foods was \$0.55 in the second quarter of 2011, up \$0.02 from \$0.53 in the second quarter of 2010. These changes were due to the following:

	<u>Diluted EPS</u>
Diluted EPS Attributable to Kraft Foods for the Three Months Ended June 30, 2010	\$ 0.53
Acquisition-related costs	0.01
Integration Program costs	0.06
Operating EPS for the Three Months Ended June 30, 2010 ⁽¹⁾	0.60
Increases in operations	0.03
Decreased operating income from divestitures (including the Starbucks CPG business)	(0.01)
Increased operating income from accounting calendar changes	0.01
Change in unrealized gains/losses on hedging activities	(0.05)
Favorable foreign currency	0.05
Higher interest and other expense, net ⁽²⁾	–
Changes in taxes	(0.01)
Higher shares outstanding	–
Operating EPS for the Three Months Ended June 30, 2011 ⁽¹⁾	0.62
Integration Program costs	(0.07)
Diluted EPS Attributable to Kraft Foods for the Three Months Ended June 30, 2011	\$ 0.55

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

(2) Excludes impacts of acquisition-related interest and other expense, net.

Six Months Ended June 30:

	For the Six Months Ended June 30,		\$ change	% change
	2011 (in millions, except per share data)	2010		
Net revenues	\$ 26,451	\$ 23,571	\$ 2,880	12.2%
Operating income	3,452	2,907	545	18.7%
Earnings from continuing operations	1,778	1,188	590	49.7%
Net earnings attributable to Kraft Foods	1,775	2,820	(1,045)	(37.1%)
Diluted earnings per share attributable to Kraft Foods from continuing operations	1.01	0.70	0.31	44.3%
Diluted earnings per share attributable to Kraft Foods	1.01	1.67	(0.66)	(39.5%)

Net Revenues – Net revenues increased \$2,880 million (12.2%) to \$26,451 million in the first six months of 2011, and organic net revenues increased \$1,369 million (5.9%) to \$24,539 million as follows.

Change in net revenues (by percentage point)		
Higher net pricing		4.6pp
Favorable volume/mix		1.3pp
Total change in organic net revenues ⁽¹⁾		5.9%
Favorable foreign currency		3.5pp
Impact of the Cadbury acquisition ⁽²⁾		3.0pp
Impact of accounting calendar changes		1.1pp
Impact of divestitures (including the Starbucks CPG business)		(1.3)pp
Total change in net revenues		<u>12.2%</u>

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

(2) Impact of acquisition reflects the incremental January 2011 operating results from our Cadbury acquisition.

Organic net revenues growth was driven by higher net pricing and favorable volume/mix. Higher net pricing was reflected across all reportable business segments as we increased pricing to offset higher input costs. Favorable volume/mix was driven primarily by higher base business shipments in Kraft Foods Developing Markets, Kraft Foods Europe and U.S. Cheese. Favorable foreign currency increased net revenues by \$808 million, due primarily to the strength of the euro, Brazilian real, Australian dollar, Canadian dollar and British pound versus the U.S. dollar. The Cadbury acquisition, due to the incremental January 2011 operating results, added \$697 million in net revenues. Excluding the effects of foreign currency, accounting calendar changes added \$316 million in net revenues in the first six months of 2011, as compared to \$63 million in the first six months of 2010. These gains were partially offset by the impact of divestitures (including the Starbucks CPG business).

Operating Income – Operating income increased \$545 million (18.7%) to \$3,452 million in the first six months of 2011, due to the following:

	Operating Income (in millions)	Change (percentage point)
Operating Income for the Six Months Ended June 30, 2010	\$ 2,907	
Integration Program costs	192	7.3pp
2010 acquisition-related costs associated with Cadbury	270	9.5pp
Underlying Operating Income for the Six Months Ended June 30, 2010 ⁽¹⁾	\$ 3,369	
Higher net pricing	1,068	32.5pp
Higher input costs	(1,065)	(32.4)pp
Favorable volume/mix	108	3.3pp
Lower selling, general and administrative expenses	40	1.2pp
Incremental operating income from the Cadbury acquisition ⁽²⁾	83	2.5pp
Increased operating income from accounting calendar changes	34	1.0pp
Change in unrealized gains/losses on hedging activities	(22)	(0.7)pp
Favorable foreign currency	132	3.9pp
Decreased operating income from divestitures (including the Starbucks CPG business)	(58)	(1.8)pp
Other, net	3	0.1pp
Total change in underlying operating income	323	9.6%
Underlying Operating Income for the Six Months Ended June 30, 2011 ⁽¹⁾	\$ 3,692	
Integration Program costs	(240)	(7.7)pp
Operating Income for the Six Months Ended June 30, 2011	\$ 3,452	18.7%

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

(2) Impact of acquisition reflects the incremental January 2011 operating results from our Cadbury acquisition.

Higher pricing offset higher input costs during the first six months of 2011. The increase in input costs was driven by significantly higher raw material costs and to a lesser extent higher manufacturing costs in Kraft Foods Developing Markets. The favorable volume/mix was driven primarily by strong contributions from Kraft Foods Developing Markets, Kraft Foods Europe and U.S. Cheese, partially offset by declines in all other reportable segments. Total selling, general and administrative expenses increased \$158 million from the first six months of 2010. Excluding the impacts of divestitures (including the Starbucks CPG business), foreign currency, accounting calendar changes and our Cadbury acquisition (including Integration Program and acquisition-related costs), selling, general and administrative expenses decreased \$40 million from the first six months of 2010. Favorable foreign currency increased operating income by \$132 million, due primarily to the strength of the euro, Brazilian real, Canadian dollar, Australian dollar and British pound versus the U.S. dollar. The Cadbury acquisition, net of changes in acquisition-related and Integration Program costs, increased operating income by \$83 million. Accounting calendar changes added \$34 million in operating income, as we realized operating income from accounting calendar changes of \$44 million (excluding the effects of foreign currency) in the first six months of 2011, versus \$10 million in the first six months of 2010. The impact of divestitures includes Starbucks unilaterally taking control of significant coffee contracts, and the 2010 divestitures of certain *Cadbury* confectionery operations in Poland and Romania. The change in unrealized gains/losses on hedging activities decreased operating income by \$22 million, as we recognized losses of \$38 million in the first six months of 2011, versus losses of \$16 million in the first six months of 2010. As a result of these changes, operating income margin increased, from 12.3% in the first six months of 2010 to 13.1% in the first six months of 2011. The margin gain was driven primarily by lower corporate expenses reflecting lower Integration Program and acquisition-related costs. In certain reportable segments, operating margins declined, driven primarily by the impact of the higher revenue base on the margin calculation.

Net Earnings and Diluted Earnings per Share Attributable to Kraft Foods – Net earnings attributable to Kraft Foods of \$1,775 million decreased by \$1,045 million (37.1%) in the first six months of 2011. Diluted EPS attributable to Kraft Foods from continuing operations was \$1.01 in the first six months of 2011, up \$0.31 from \$0.70 in the first six months of 2010. Diluted EPS attributable to Kraft Foods was \$1.01 in the first six months of 2011, down \$0.66 from \$1.67 in the first six months of 2010. These changes were due to the following:

	<u>Diluted EPS</u>
Diluted EPS Attributable to Kraft Foods for the Six Months Ended June 30, 2010	\$ 1.67
Earnings and gain from discontinued operations, net of income taxes	0.97
Diluted EPS Attributable to Kraft Foods from Continuing Operations for the Six Months Ended June 30, 2010	0.70
Acquisition-related costs	0.14
Acquisition-related interest and other expense, net	0.10
Integration Program costs	0.08
U.S. health care legislation impact on deferred taxes	0.08
Operating EPS for the Six Months Ended June 30, 2010 ⁽¹⁾	1.10
Increases in operations	0.06
Increases in operations from the Cadbury acquisition ⁽²⁾	0.04
Decreased operating income from divestitures (including the Starbucks CPG business)	(0.02)
Increased operating income from accounting calendar changes	0.01
Favorable foreign currency	0.05
Change in unrealized gains/losses on hedging activities	(0.01)
Higher interest and other expense, net ⁽³⁾	(0.03)
Changes in taxes ⁽⁴⁾	(0.01)
Higher shares outstanding	(0.05)
Operating EPS for the Six Months Ended June 30, 2011 ⁽¹⁾	1.14
Integration Program costs	(0.13)
Diluted EPS Attributable to Kraft Foods for the Six Months Ended June 30, 2011	\$ 1.01

- (1) Please see the *Non-GAAP Financial Measures* section at the end of this item.
(2) Impact of acquisition reflects the incremental January 2011 operating results from our Cadbury acquisition.
(3) Excludes impacts of acquisition-related interest and other expense, net.
(4) Excludes the impact of the 2010 U.S. health care legislation on deferred taxes.

Results of Operations by Reportable Segment

We manage and report operating results through three geographic units: Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. We manage the operations of Kraft Foods North America and Kraft Foods Europe by product category and we manage the operations of Kraft Foods Developing Markets by location. Our reportable segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks, Canada & N.A. Foodservice, Kraft Foods Europe and Kraft Foods Developing Markets.

The following discussion compares the operating results of each of our reportable segments for the three and six months ended June 30, 2011 and 2010.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Net revenues:				
Kraft Foods North America:				
U.S. Beverages	\$ 779	\$ 886	\$ 1,600	\$ 1,707
U.S. Cheese	875	797	1,749	1,642
U.S. Convenient Meals	881	839	1,673	1,609
U.S. Grocery	973	923	1,767	1,739
U.S. Snacks	1,510	1,516	3,002	2,908
Canada & N.A. Foodservice	1,300	1,200	2,463	2,244
Kraft Foods Europe	3,525	2,793	6,541	5,502
Kraft Foods Developing Markets	4,035	3,299	7,656	6,220
Net revenues	\$ 13,878	\$ 12,253	\$ 26,451	\$ 23,571

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in millions)			
Operating income:				
Kraft Foods North America:				
U.S. Beverages	\$ 138	\$ 178	\$ 299	\$ 350
U.S. Cheese	143	136	277	270
U.S. Convenient Meals	99	101	204	185
U.S. Grocery	379	357	671	643
U.S. Snacks	192	240	385	447
Canada & N.A. Foodservice	188	175	339	275
Kraft Foods Europe	415	335	723	624
Kraft Foods Developing Markets	518	429	923	788
Unrealized gains / (losses) on hedging activities	(100)	22	(38)	(16)
Certain U.S. pension plan costs	(44)	(25)	(86)	(81)
General corporate expenses	(65)	(187)	(131)	(485)
Amortization of intangibles	(57)	(60)	(114)	(93)
Operating income	\$ 1,806	\$ 1,701	\$ 3,452	\$ 2,907

As discussed in Note 15, *Segment Reporting*, management uses segment operating income to evaluate segment performance and allocate resources. We believe it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of our U.S. pension plan cost (which is a component of cost of sales and selling, general and administrative expenses), general corporate expenses (which are a component of selling, general and administrative expenses) and amortization of intangibles for all periods presented. We exclude the unrealized gains and losses on hedging activities from segment operating income in order to provide better transparency of our segment operating results. Once realized, we record the gains and losses on hedging activities within segment operating results. We exclude certain components of our U.S. pension plan cost from segment operating income because we centrally manage pension plan funding decisions and the determination of discount rate, expected rate of return on plan assets and other actuarial assumptions. Therefore, we allocate only the service cost component of our U.S. pension plan expense to segment operating income.

The 2011 decrease in general corporate expenses was primarily due to the 2010 Cadbury acquisition-related transaction fees.

We incurred charges under the Integration Program of \$136 million for the three months and \$240 million for the six months ended June 30, 2011 and \$149 million for the three months and \$192 million for the six months ended June 30, 2010. We recorded these charges in operations, primarily as a part of selling, general and administrative expenses within our Kraft Foods Europe and Kraft Foods Developing Markets segments, as well as general corporate expenses. We also reversed \$3 million of previously accrued costs savings initiative charges during the three months and \$23 million for the six months ended June 30, 2011. We recorded these reversals, which were primarily related to severance charges for previously announced and planned position eliminations that did not occur, in operations, primarily within selling, general and administrative expenses across all reportable business segments, except Kraft Foods Europe. We incurred charges associated with our cost savings initiatives of \$42 million for the three months and \$76 million for the six months ended June 30, 2010.

U.S. Beverages

	For the Three Months Ended June 30,		_____ \$ change	_____ % change
	2011	2010		
	(in millions)			
Net revenues	\$ 779	\$ 886	\$ (107)	(12.1%)
Segment operating income	138	178	(40)	(22.5%)

	For the Six Months Ended June 30,		_____ \$ change	_____ % change
	2011	2010		
	(in millions)			
Net revenues	\$ 1,600	\$ 1,707	\$ (107)	(6.3%)
Segment operating income	299	350	(51)	(14.6%)

Three Months Ended June 30:

Net revenues decreased \$107 million (12.1%), due to the impact of the Starbucks CPG business cessation (14.3 pp) and unfavorable volume/mix (5.0 pp, net of a positive 0.8 pp impact due to the Easter shift), partially offset by higher net pricing (7.2 pp). Unfavorable volume/mix was primarily driven by lower shipments in *Maxwell House* and *Gevalia* coffee and powdered beverages, which were partially offset by the introduction of *MiO* liquid concentrate and higher shipments in ready-to-drink beverages, primarily *Capri Sun*, and *Tassimo* coffee. Higher net pricing was due primarily to input cost-driven pricing in coffee.

Segment operating income decreased \$40 million (22.5%), due primarily to higher raw material costs, the impact of the Starbucks CPG business cessation and unfavorable volume/mix, partially offset by higher net pricing, lower advertising and consumer promotion costs and lower manufacturing costs.

Six Months Ended June 30:

Net revenues decreased \$107 million (6.3%), due to the impact of the Starbucks CPG business cessation (9.4 pp) and unfavorable volume/mix (3.2 pp), partially offset by higher net pricing (6.3 pp). Unfavorable volume/mix was primarily driven by lower shipments in *Maxwell House* and *Gevalia* coffee and *Kool-Aid* powdered beverages. These were partially offset by the introduction of *MiO* liquid concentrate and higher shipments in ready-to-drink beverages, primarily *Capri Sun* and *Kool-Aid*, *Tassimo* coffee and *Tang* powdered beverages. Higher net pricing was due primarily to input cost-driven pricing in coffee.

Segment operating income decreased \$51 million (14.6%), due primarily to higher raw material costs, the impact of the Starbucks CPG business cessation, unfavorable volume/mix and higher other selling, general, and administrative expenses, partially offset by higher net pricing, lower manufacturing costs and lower advertising and consumer support costs.

U.S. Cheese

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	June 30,			
	<u>2011</u>	<u>2010</u>		
	(in millions)			
Net revenues	\$ 875	\$ 797	\$ 78	9.8%
Segment operating income	143	136	7	5.1%

	For the Six Months Ended		<u>\$ change</u>	<u>% change</u>
	June 30,			
	<u>2011</u>	<u>2010</u>		
	(in millions)			
Net revenues	\$ 1,749	\$ 1,642	\$ 107	6.5%
Segment operating income	277	270	7	2.6%

Three Months Ended June 30:

Net revenues increased \$78 million (9.8%), due to higher net pricing (9.2 pp) and favorable volume/mix (1.1 pp, which includes a positive 2.9 pp impact due to the Easter shift), partially offset by the impact of divestitures (0.5 pp). Higher net pricing, across natural, sandwich, cream and recipe cheeses, was due to input cost-driven pricing. Favorable volume/mix was driven primarily by higher shipments in natural and cream cheeses, partially offset by lower shipments in sandwich and recipe cheeses.

Segment operating income increased \$7 million (5.1%), due primarily to higher net pricing, lower advertising and consumer promotion costs and lower manufacturing costs, partially offset by higher raw material costs (primarily higher dairy costs).

Six Months Ended June 30:

Net revenues increased \$107 million (6.5%), due to higher net pricing (5.7 pp) and favorable volume/mix (1.4 pp), partially offset by the impact of divestitures (0.6 pp). Higher net pricing, across natural, cream, sandwich and recipe cheeses, was due to input cost-driven pricing. Favorable volume/mix was driven primarily by higher shipments in natural and cream cheeses, partially offset by lower shipments in cultured, sandwich and recipe cheeses.

Segment operating income increased \$7 million (2.6%), due primarily to higher net pricing, lower manufacturing costs and lower other selling, general and administrative expenses, partially offset by higher raw material costs (primarily higher dairy costs).

U.S. Convenient Meals

	For the Three Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 881	\$ 839	\$ 42	5.0%
Segment operating income	99	101	(2)	(2.0%)

	For the Six Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 1,673	\$ 1,609	\$ 64	4.0%
Segment operating income	204	185	19	10.3%

Three Months Ended June 30:

Net revenues increased \$42 million (5.0%), due to higher net pricing (6.0 pp), partially offset by unfavorable volume/mix (1.0 pp, net of a positive 0.9 pp impact due to the Easter shift). Higher net pricing was due to input cost-driven pricing primarily related to bacon, hot dogs, cold cuts and *Lunchables* combination meals. Unfavorable volume/mix was primarily driven by lower shipments in hot dogs and bacon, partially offset by higher shipments in cold cuts and *Lunchables* combination meals.

Segment operating income decreased \$2 million (2.0%), due primarily to higher raw material costs and unfavorable volume/mix, partially offset by higher net pricing, lower other selling, general and administrative expenses and lower manufacturing costs.

Six Months Ended June 30:

Net revenues increased \$64 million (4.0%), due to higher net pricing (5.3 pp), partially offset by unfavorable volume/mix (1.3 pp). Higher net pricing was due to input cost-driven pricing primarily related to bacon, hot dogs, cold cuts and *Lunchables* combination meals. Unfavorable volume/mix was primarily driven by lower shipments in bacon and hot dogs, partially offset by higher shipments in cold cuts and *Lunchables* combination meals.

Segment operating income increased \$19 million (10.3%), due primarily to higher net pricing, lower manufacturing costs and lower other selling, general and administrative expenses, partially offset by higher raw material costs and unfavorable volume/mix.

U.S. Grocery

	For the Three Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 973	\$ 923	\$ 50	5.4%
Segment operating income	379	357	22	6.2%

	For the Six Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 1,767	\$ 1,739	\$ 28	1.6%
Segment operating income	671	643	28	4.4%

Three Months Ended June 30:

Net revenues increased \$50 million (5.4%), due to higher net pricing (5.5 pp), partially offset by unfavorable volume/mix (0.1 pp, net of a positive 3.5 pp impact due to the Easter shift). Higher net pricing was primarily related to spoonable dressings, *Kraft* macaroni and cheese dinners, dry packaged desserts and ready-to-eat desserts. Unfavorable volume/mix was driven by lower shipments, primarily spoonable dressings, barbecue sauce, ready-to-eat desserts and *Kraft* macaroni and cheese dinners, partially offset by higher shipments in pourable dressings, marshmallows and *Cool Whip* whipped topping; and the introduction of *Planters* peanut butter.

Segment operating income increased \$22 million (6.2%), due primarily to higher net pricing and lower manufacturing costs, partially offset by higher raw material costs, unfavorable volume/mix and higher advertising and consumer promotion costs.

Six Months Ended June 30:

Net revenues increased \$28 million (1.6%), due to higher net pricing (4.9 pp), partially offset by unfavorable volume/mix (3.3 pp). Higher net pricing was primarily related to spoonable dressings, *Kraft* macaroni and cheese dinners, dry packaged desserts and ready-to-eat desserts, partially offset by pourable dressings due to increased promotional spending. Unfavorable volume/mix was driven by lower shipments, primarily spoonable dressings, barbecue sauce, *Kraft* macaroni and cheese dinners, ready-to-eat desserts, *Cool Whip* whipped topping and dry packaged desserts.

Segment operating income increased \$28 million (4.4%), due primarily to higher net pricing and lower manufacturing costs, partially offset by unfavorable volume/mix, higher raw material costs and higher advertising and consumer promotion costs.

U.S. Snacks

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	June 30,			
	2011	2010		
	(in millions)			
Net revenues	\$ 1,510	\$ 1,516	\$ (6)	(0.4%)
Segment operating income	192	240	(48)	(20.0%)
	For the Six Months Ended			
	June 30,			
	2011	2010	<u>\$ change</u>	<u>% change</u>
	(in millions)			
Net revenues	\$ 3,002	\$ 2,908	\$ 94	3.2%
Segment operating income	385	447	(62)	(13.9%)

Three Months Ended June 30:

Net revenues decreased \$6 million (0.4%), due to unfavorable volume/mix (3.0 pp), partially offset by higher net pricing (2.6 pp). Biscuits net revenues increased, due to higher net pricing and favorable volume/mix. Biscuits higher net pricing was related primarily to *Oreo* and *Newtons* cookies and *Ritz* and *Honey Maid* crackers. Biscuits favorable volume/mix was due primarily to higher shipments in cookies (primarily *Chips Ahoy!* and *Newtons*), partially offset by lower shipments in *Ritz* and *Premium* crackers. Snack nuts net revenues increased, due to higher net pricing, partially offset by unfavorable volume/mix. Confectionery net revenues decreased, due to unfavorable volume/mix, partially offset by higher net pricing.

Segment operating income decreased \$48 million (20.0%), due to higher manufacturing costs, higher raw material costs and unfavorable volume/mix, partially offset by higher net pricing and lower other selling, general and administrative expenses.

Six Months Ended June 30:

Net revenues increased \$94 million (3.2%), due to our Cadbury acquisition (2.6 pp) and higher net pricing (1.6 pp), partially offset by unfavorable volume/mix (1.0 pp). Biscuits net revenues increased, due to favorable volume/mix and higher net pricing. Biscuits favorable volume/mix was due primarily to higher shipments in cookies (primarily *Chips Ahoy!* and *Newtons*) and crackers (primarily *Ritz*). Biscuits higher net pricing was related primarily to *Oreo*, *Chips Ahoy!* and *Newtons* cookies and *Ritz* and *Honey Maid* crackers. Snack nuts net revenues increased, due to higher net pricing, partially offset by unfavorable volume/mix. Confectionery net revenues increased, due to our Cadbury acquisition and higher net pricing, partially offset by unfavorable volume/mix.

Segment operating income decreased \$62 million (13.9%), due to higher raw material costs, higher manufacturing costs, unfavorable volume/mix and higher advertising and consumer promotion costs, partially offset by higher net pricing, lower other selling, general and administrative expenses and our Cadbury acquisition (including Integration Program and acquisition-related costs).

Canada & N.A. Foodservice

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	June 30,			
	2011	2010		
	(in millions)			
Net revenues	\$ 1,300	\$ 1,200	\$ 100	8.3%
Segment operating income	188	175	13	7.4%

	For the Six Months Ended		<u>\$ change</u>	<u>% change</u>
	June 30,			
	2011	2010		
	(in millions)			
Net revenues	\$ 2,463	\$ 2,244	\$ 219	9.8%
Segment operating income	339	275	64	23.3%

Three Months Ended June 30:

Net revenues increased \$100 million (8.3%), due primarily to higher net pricing (5.1 pp) and favorable foreign currency (4.3 pp), partially offset by unfavorable volume/mix (0.6 pp, net of a positive 1.1 pp impact due to the Easter shift) and the impact of divestitures (including the Starbucks CPG business) (0.5 pp). In Canada, net revenues increased, driven by favorable foreign currency and higher net pricing, partially offset by unfavorable volume/mix, reflecting volume declines across most retail businesses, except Snacks and Cheese. In N.A. Foodservice, net revenues increased, driven by higher net pricing, favorable volume/mix and favorable foreign currency.

Segment operating income increased \$13 million (7.4%), due primarily to higher net pricing, favorable foreign currency, lower advertising and consumer promotion costs and lower other selling, general and administrative expenses, partially offset by higher raw material costs and higher manufacturing costs.

Six Months Ended June 30:

Net revenues increased \$219 million (9.8%), due primarily to higher net pricing (5.1 pp), favorable foreign currency (4.1 pp) and our Cadbury acquisition (1.9 pp), partially offset by unfavorable volume/mix (1.0 pp) and the impact of divestitures (including the Starbucks CPG business) (0.3 pp). In Canada, net revenues increased, driven by favorable foreign currency, our Cadbury acquisition and higher net pricing, partially offset by unfavorable volume/mix, reflecting volume declines across most retail businesses, except Snacks. In N.A. Foodservice, net revenues increased, driven by higher net pricing, favorable volume/mix, favorable foreign currency and our Cadbury acquisition.

Segment operating income increased \$64 million (23.3%), due primarily to higher net pricing, favorable foreign currency, lower other selling, general and administrative expenses and our Cadbury acquisition (including Integration Program and acquisition-related costs), partially offset by higher raw material costs and unfavorable volume/mix.

	For the Three Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 3,525	\$ 2,793	\$ 732	26.2%
Segment operating income	415	335	80	23.9%

	For the Six Months Ended June 30,		<u>\$ change</u>	<u>% change</u>
	2011	2010		
	(in millions)			
Net revenues	\$ 6,541	\$ 5,502	\$ 1,039	18.9%
Segment operating income	723	624	99	15.9%

Three Months Ended June 30:

Net revenues increased \$732 million (26.2%), due to favorable foreign currency (13.5 pp), the impact of accounting calendar changes (6.3 pp), higher net pricing (5.6 pp) and favorable volume/mix (0.8 pp, including a positive 2.4 pp impact due to the Easter shift). Favorable foreign currency primarily reflected the strength of the euro, British pound, Swedish krona and Swiss franc against the U.S. dollar. The change in the consolidation date for certain operations increased net revenues, as previously these operations primarily reported period-end results two weeks prior to the end of the period. Now results are reported on the last Saturday of each period. Higher net pricing was reflected across all major categories. Volume/mix gains in chocolate, cheese and coffee, due primarily to higher shipments, also drove net revenues higher.

Segment operating income increased \$80 million (23.9%), due primarily to higher net pricing, lower manufacturing costs, favorable foreign currency, the impact of accounting calendar changes, lower advertising and consumer promotion costs and lower other selling, general and administrative expenses, partially offset by higher raw material costs, higher Integration Program costs and unfavorable volume/mix.

Six Months Ended June 30:

Net revenues increased \$1,039 million (18.9%), due to favorable foreign currency (6.6 pp), higher net pricing (4.0 pp), our Cadbury acquisition (3.7 pp), the impact of accounting calendar changes (3.2 pp) and favorable volume/mix (1.4 pp). Favorable foreign currency primarily reflected the strength of the euro, British pound, Swedish krona and Swiss franc against the U.S. dollar. Higher net pricing was reflected across all major categories. The change in the consolidation date for certain operations increased net revenues. Volume/mix gains in chocolate, cheese and coffee, due primarily to higher shipments, also drove net revenues higher.

Segment operating income increased \$99 million (15.9%), due primarily to higher net pricing, lower manufacturing costs, lower other selling, general and administrative expenses, favorable foreign currency, the impact of accounting calendar changes, favorable volume/mix and lower advertising and consumer promotion costs, partially offset by higher raw material costs and our Cadbury acquisition (net of Integration Program and acquisition-related costs).

	For the Three Months Ended June 30,		\$ change	% change
	2011	2010		
	(in millions)			
Net revenues	\$ 4,035	\$ 3,299	\$ 736	22.3%
Segment operating income	518	429	89	20.7%

	For the Six Months Ended June 30,		\$ change	% change
	2011	2010		
	(in millions)			
Net revenues	\$ 7,656	\$ 6,220	\$ 1,436	23.1%
Segment operating income	923	788	135	17.1%

Three Months Ended June 30:

Net revenues increased \$736 million (22.3%), due to favorable volume/mix (8.1 pp, including a positive 0.7 pp impact due to the Easter shift), favorable foreign currency (7.9 pp), higher net pricing (5.4 pp) and the impact of accounting calendar changes (2.3 pp), partially offset by the impact of the 2010 divestiture of certain Cadbury confectionery operations in Poland and Romania (1.4 pp). In CEEMA, net revenues increased, driven by favorable foreign currency, the impact of accounting calendar changes, higher net pricing across the region and favorable volume/mix, partially offset by the impact of divestitures. In Latin America, net revenues increased, driven by favorable volume/mix across the region, favorable foreign currency, higher net pricing across most of the region and the impact of accounting calendar changes. In Asia Pacific, net revenues increased, due primarily to favorable volume/mix, largely in Southeast Asia, China, Australia/New Zealand and, Indonesia and favorable foreign currency.

Segment operating income increased \$89 million (20.7%), due primarily to higher net pricing, favorable volume/mix, favorable foreign currency and the impact of accounting calendar changes, partially offset by higher raw material costs, higher manufacturing costs, higher advertising and consumer promotion costs, higher other selling, general and administrative expenses (net of a gain on the sale of land) and higher Integration Program costs.

Six Months Ended June 30:

Net revenues increased \$1,436 million (23.1%), due to our Cadbury acquisition (6.2 pp), favorable volume/mix (6.2 pp), favorable foreign currency (5.7 pp), higher net pricing (5.4 pp) and the impact of accounting calendar changes (1.2 pp), partially offset by the impact of the 2010 divestiture of certain Cadbury confectionery operations in Poland and Romania (1.6 pp). In CEEMA, net revenues increased, driven by higher net pricing across the region, our Cadbury acquisition, the impact of accounting calendar changes and favorable foreign currency, partially offset by the impact of divestitures. In Latin America, net revenues increased, driven by higher net pricing across most of the region, favorable volume/mix across the region, favorable foreign currency, our Cadbury acquisition and the impact of accounting calendar changes. In Asia Pacific, net revenues increased, due primarily to favorable volume/mix, largely in Southeast Asia, Indonesia, Australia/New Zealand and China, our Cadbury acquisition, favorable foreign currency and higher net pricing across most of the region.

Segment operating income increased \$135 million (17.1%), due primarily to higher net pricing, favorable volume/mix, favorable foreign currency, our Cadbury acquisition (including Integration Program and acquisition-related costs) and the impact of accounting calendar changes, partially offset by higher raw material costs, higher manufacturing costs, higher advertising and consumer promotion costs and higher other selling, general and administrative expenses (net of a gain on the sale of land).

Venezuela – We account for our Venezuelan subsidiaries under highly inflationary accounting rules, which principally means all transactions are recorded in U.S. dollars. Venezuela has two exchange rates: the official rate and the government-regulated Transaction System for Foreign Currency Denominated Securities (“SITME”) rate. We used both the official rate and the SITME rate to translate our Venezuelan operations into U.S. dollars, based on the nature of the operations of each individual subsidiary.

We recorded approximately \$15 million of favorable foreign currency impacts relating to highly inflationary accounting in Venezuela during the first six months of 2011 and approximately \$65 million of unfavorable foreign currency impacts during the first six months of 2010. The 2010 loss included a one-time impact to translate cash of \$34 million that we previously carried at the secondary market exchange rate. Upon the change to highly inflationary accounting in January 2010, we were required to translate those U.S. dollars on hand using the official rate.

We do not expect our 2011 full year operating results to be significantly impacted by the devaluation of the Venezuelan bolivar.

Commodity Trends

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

During the first six months of 2011, our aggregate commodity costs increased primarily as a result of coffee, dairy, packaging material costs, grains and oils. In the first six months of 2011, our commodity costs were approximately \$1.0 billion higher than in the first six months of 2010. We expect the price volatility and higher cost environment to continue over the remainder of the year.

Liquidity

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

Net Cash Provided by Operating Activities:

During the first six months of 2011, net cash provided by operating activities was \$296 million, compared with \$779 million provided in the first six months of 2010. The decrease in operating cash flows primarily relates to increased contributions to our pension plans, the timing of receivables and increased inventory levels, partially offset by increased earnings and the 2010 payment of taxes on the Frozen Pizza divestiture.

Net Cash Used in Investing Activities:

During the first six months of 2011, net cash used in investing activities was \$625 million, compared with \$6.8 billion used in the first six months of 2010. The decrease in cash used in investing activities primarily relates to the 2010 acquisition and divestiture activity.

Capital expenditures, which were funded by operating activities, were \$655 million in the first six months of 2011, compared with \$608 million in the first six months of 2010. We expect full-year capital expenditures to be approximately \$1.9 billion, including capital expenditures required for systems investments and the Integration Program. We expect to fund these expenditures from operations.

Net Cash Provided by Financing Activities:

During the first six months of 2011, net cash provided by financing activities was \$40 million, compared with \$7.0 billion provided in the first six months of 2010. The net cash provided by financing activities in the first six months of 2011 primarily relates to \$477 million of proceeds from our net short-term borrowings and \$438 million in proceeds from the exercise of stock options, partially offset by \$1.0 billion in dividends paid. The net cash provided by financing activities in the first six months of 2010 primarily related to proceeds from our long-term debt issuance of \$9.4 billion, partially offset by \$1.3 billion in net repayments of short-term borrowings and \$1.2 billion in dividends paid.

Borrowing Arrangements:

On April 1, 2011, we entered into a revolving credit agreement for a \$4.5 billion four-year senior unsecured revolving credit facility. The agreement replaced our former revolving credit agreement, which was terminated upon the signing of the new agreement. We intend to use the revolving credit facility for general corporate purposes, including for working capital purposes, and to support our commercial paper issuances. No amounts have been drawn on the facility.

The revolving credit facility agreement includes a covenant that we maintain a minimum total shareholders' equity, excluding accumulated other comprehensive earnings / (losses) and non-controlling interest, of at least \$28.6 billion. At June 30, 2011, our total shareholders' equity, excluding accumulated other comprehensive losses and non-controlling interest, was \$41.0 billion. We expect to continue to meet this covenant. The revolving credit facility agreement also contains customary representations, covenants and events of default. However, there are no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security.

In addition to the above, some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. Collectively, these credit lines amounted to \$2.3 billion at June 30, 2011. In the aggregate, borrowings on these lines were \$206 million at June 30, 2011 and \$267 million at December 31, 2010.

Debt:

Our total debt was \$29.6 billion at June 30, 2011 and \$28.7 billion at December 31, 2010. Our debt-to-capitalization ratio was 0.43 at June 30, 2011 and 0.44 at December 31, 2010. At June 30, 2011, the weighted-average term of our outstanding long-term debt was 9.3 years.

We expect to continue to comply with our long-term debt covenants. Refer to our Annual Report on Form 10-K for the year ended December 31, 2010 for further details of these debt covenants.

In the next twelve months, \$4.9 billion of long-term debt becomes due as follows: \$1.1 billion in November 2011, €2.0 billion (approximately \$2.9 billion) in March 2012, and \$0.9 billion in June 2012. We expect to fund these repayments with cash from operations, the issuance of commercial paper and the issuance of additional debt.

From time to time we refinance long-term and short-term debt. The nature and amount of our long-term and short-term debt and the proportionate amount of each varies as a result of future business requirements, market conditions and other factors. As of June 30, 2011, we had \$12 billion remaining in long-term financing authority from our Board of Directors.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

There were no material changes to our off-balance sheet arrangements and aggregate contractual obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010. We also do not expect a material change in the effect these arrangements and obligations will have on our liquidity. See Note 12, *Commitments and Contingencies*, for a discussion of guarantees.

Equity and Dividends

Stock Plans:

At our annual meeting of shareholders held on May 24, 2011, our shareholders approved the Kraft Foods Inc. Amended and Restated 2006 Stock Compensation Plan for Non-Employee Directors. The amended plan includes, among other provisions, an increase to the number of shares we are authorized to issue to a maximum of 1.0 million shares of our Common Stock. As of the effective date of the amendment, there were 0.8 million shares available to be granted under the amended plan.

In January 2011, we granted 1.5 million shares of stock in connection with our long-term incentive plan, and the market value per share was \$31.62 on the date of grant. In February 2011, as part of our annual equity program, we issued 2.6 million shares of restricted and deferred stock to eligible employees, and the market value per

restricted or deferred share was \$31.83 on the date of grant. In aggregate, we issued 4.6 million restricted and deferred shares during the first six months of 2011, including those issued as part of our long-term incentive plan, with a weighted-average market value per share of \$31.79.

In February 2011, as part of our annual equity program, we also granted 15.8 million stock options to eligible employees at an exercise price of \$31.83. In aggregate, we granted 16.3 million stock options in the first six months of 2011 with a weighted-average market value per share of \$31.80.

Dividends:

We paid dividends of \$1,017 million in the first six months of 2011 and \$1,156 million in the first six months of 2010. The 12.0% decrease is mainly due to a dividend payment of \$224 million in the prior year related to the Cadbury acquisition. The present annualized dividend rate is \$1.16 per share. The declaration of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors that our Board of Directors deems relevant to its analysis and decision making.

Outlook

Our outlook for 2011 remains strong and reflects our anticipation of better alignment between pricing and input costs with volume remaining steady. We revised our expectations to deliver organic net revenue growth from at least 4 percent to at least 5 percent and Operating EPS from at least \$2.20 to at least \$2.25.

Please see the *Non-GAAP Financial Measures* section below.

Significant Accounting Estimates

We prepare our condensed consolidated financial statements in conformity with U.S. GAAP. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies are described in Note 1 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2010. Our significant accounting estimates are described in our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2010. There were no changes in our accounting policies in the current period that had a material impact on our financial statements.

New Accounting Guidance

See Note 1, *Summary of Significant Accounting Policies*, for a discussion of new accounting guidance.

Contingencies

See Note 12, *Commitments and Contingencies*, and Part II, Item 1. *Legal Proceedings* for a discussion of contingencies.

Non-GAAP Financial Measures

Management uses certain non-GAAP financial measures to budget, make operating and strategic decisions and evaluate our performance. We have disclosed the following measures so that you have the same financial data that management uses with the intention of assisting you in making comparisons to our historical operating results and analyzing our underlying performance.

Our management believes that the presentation of these non-U.S. GAAP financial measures, when considered together with our U.S. GAAP financial measures and the reconciliations to the corresponding U.S. GAAP financial measures, provides you with a more complete understanding of the factors and trends affecting Kraft Foods than could be obtained absent these disclosures. Because non-GAAP financial measures may vary among other companies, the non-GAAP financial measures presented in the Consolidated Results of Operations section may not be comparable to similarly titled measures used by other companies. Our use of non-GAAP financial measures are not meant to be considered in isolation or as a substitute for any U.S. GAAP financial measure. You should carefully evaluate the following tables reconciling U.S. GAAP reported figures to non-GAAP financial measures.

We use the non-U.S. GAAP financial measure “organic net revenues” and corresponding growth ratios. The difference between “organic net revenues” and “net revenues,” which is the most comparable U.S. GAAP financial measure, is that organic net revenues excludes the impact of acquisitions, divestitures (including Starbucks unilateral action), currency and accounting calendar changes. Our management believes that organic net revenues better reflects the underlying growth from the ongoing activities of our business and provide improved comparability of results because they exclude the impact of fluctuations in foreign currency exchange rates, which are not under our control, and also exclude the one-time impacts of acquisitions and divestitures on net revenues. The limitation of this measure is that it excludes items that have an impact on net revenues. The best way that this limitation can be addressed is by using organic net revenues in combination with our U.S. GAAP reported net revenues.

	For the Three Months Ended		<u>\$ Change</u>	<u>% Change</u>
	June 30,			
	<u>2011</u>	<u>2010</u>		
	(in millions)			
Organic net revenues	\$ 12,875	\$ 12,023	\$ 852	7.1%
Impact of divestitures ⁽¹⁾	–	171	(171)	(1.6)pp
Impact of accounting calendar changes	316	59	257	2.1pp
Impact of foreign currency	687	–	687	5.7pp
Net revenues	\$ 13,878	\$ 12,253	\$ 1,625	13.3%

(1) Impact of divestitures (including the Starbucks CPG business).

	For the Six Months Ended		<u>\$ Change</u>	<u>% Change</u>
	June 30,			
	<u>2011</u>	<u>2010</u>		
	(in millions)			
Organic net revenues	\$ 24,539	\$ 23,170	\$ 1,369	5.9%
Impact of divestitures ⁽¹⁾	91	338	(247)	(1.3)pp
Impact of acquisitions ⁽²⁾	697	–	697	3.0pp
Impact of accounting calendar changes	316	63	253	1.1pp
Impact of foreign currency	808	–	808	3.5pp
Net revenues	\$ 26,451	\$ 23,571	\$ 2,880	12.2%

(1) Impact of divestitures (including the Starbucks CPG business).

(2) Impact of acquisition reflects the incremental January 2011 operating results from our Cadbury acquisition.

We use the non-U.S. GAAP financial measure “underlying operating income” and corresponding growth ratios. The difference between “underlying operating income” and “operating income,” which is the most comparable U.S. GAAP financial measure, is that underlying operating income excludes costs related to: the Integration Program; and acquisition-related costs, including transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation. Our management believes that underlying operating income provides improved comparability of results because it excludes certain impacts related to the Cadbury acquisition from operating income.

	For the Three Months Ended		<u>\$ Change</u>	<u>% Change</u>
	June 30,			
	<u>2011</u>	<u>2010</u>		
	(in millions)			
Underlying operating income	\$ 1,942	\$ 1,860	\$ 82	4.4%
Integration Program costs	(136)	(149)	13	1.2pp
Cadbury acquisition-related costs	—	(10)	10	0.6pp
Operating income	\$ 1,806	\$ 1,701	\$ 105	6.2%
	For the Six Months Ended			
	June 30,			
	<u>2011</u>	<u>2010</u>	<u>\$ Change</u>	<u>% Change</u>
	(in millions)			
Underlying operating income	\$ 3,692	\$ 3,369	\$ 323	9.6%
Integration Program costs	(240)	(192)	(48)	(0.4)pp
Cadbury acquisition-related costs	—	(270)	270	9.5pp
Operating income	\$ 3,452	\$ 2,907	\$ 545	18.7%

We use the non-U.S. GAAP financial measure "Operating EPS" and corresponding growth ratios. The difference between "Operating EPS" and "diluted EPS attributable to Kraft Foods from continuing operations," which is the most comparable U.S. GAAP financial measure, is that Operating EPS excludes costs related to: the Integration Program; acquisition-related costs, including transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation; acquisition-related financing fees, including hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury Bridge Facility; and the impact of a deferred tax charge resulting from the recently enacted U.S. health care legislation. Our management believes Operating EPS provides improved comparability of results because it excludes certain impacts related to the Cadbury acquisition and other one-time impacts from earnings per share. The limitation of this measure is that it excludes items that have an impact on diluted EPS attributable to Kraft Foods from continuing operations. The best way that this limitation can be addressed is by using Operating EPS in combination with our U.S. GAAP reported diluted EPS attributable to Kraft Foods from continuing operations.

	For the Three Months Ended June 30, 2011		
	<u>As Reported (GAAP)</u>	<u>Integration Program Costs (1)</u>	<u>Operating EPS (Non-GAAP)</u>
Diluted earnings per share attributable to Kraft Foods:			
Continuing operations	\$ 0.55	\$ 0.07	\$ 0.62
Discontinued operations	-		
Net earnings attributable to Kraft Foods	\$ 0.55		
	For the Six Months Ended June 30, 2011		
	<u>As Reported (GAAP)</u>	<u>Integration Program Costs (1)</u>	<u>Operating EPS (Non-GAAP)</u>
Diluted earnings per share attributable to Kraft Foods:			
Continuing operations	\$ 1.01	\$ 0.13	\$ 1.14
Discontinued operations	-		
Net earnings attributable to Kraft Foods	\$ 1.01		

	For the Three Months Ended June 30, 2010				
	As Reported (GAAP)	Integration Program Costs (1)	Acquisition- Related Costs (2) and Financing Fees (3)	U.S. Healthcare Legislation Impact on Deferred Taxes	Operating EPS (Non-GAAP)
Diluted earnings per share attributable to Kraft Foods:					
Continuing operations	\$ 0.53	\$ 0.06	\$ 0.01	\$ —	\$ 0.60
Discontinued operations	—				
Net earnings attributable to Kraft Foods	\$ 0.53				

	For the Six Months Ended June 30, 2010				
	As Reported (GAAP)	Integration Program Costs (1)	Acquisition- Related Costs (2) and Financing Fees (3)	U.S. Healthcare Legislation Impact on Deferred Taxes	Operating EPS (Non-GAAP)
Diluted earnings per share attributable to Kraft Foods:					
Continuing operations	\$ 0.70	\$ 0.08	\$ 0.24	\$ 0.08	\$ 1.10
Discontinued operations	0.97				
Net earnings attributable to Kraft Foods	\$ 1.67				

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

Forward-Looking Statements

This report contains a number of forward-looking statements. Words such as “expects,” “goals,” “plans,” “believes,” “continues,” “may,” “will,” and variations of those words and similar expressions are intended to identify the forward-looking statements. The forward-looking statements contained in this report include our intent to create two independent public companies, our expectation that it will be a tax-free spin-off, the conditions and timing of the transaction, our beliefs and expectations regarding our contention regarding Starbucks’ actions and our contentions; our combination with Cadbury, including synergies, cost savings and integration charges; the effect of the Venezuelan devaluation; commodity price volatility and cost; our liquidity, including effects on our funding sources; our full-year capital expenditures and funding; our revolving credit facility and the corresponding covenant; our long-term debt covenants; repayments of long-term debt; the effect of arrangements and obligations on our liquidity; our 2011 Outlook, including organic net revenue growth and Operating EPS; and our belief on the final outcomes of our legal proceedings. These forward-looking statements involve risks and uncertainties, many of which are beyond our control, and important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, continued volatility and increase in commodity costs, pricing actions, increased competition, the continuing weak economic environment, our indebtedness and our ability to pay our indebtedness, risks from operating globally and tax law changes. For additional information on these and other factors that could affect our forward-looking statements, see our risk factors, as they may be amended from time to time, set forth in our filings with the SEC, 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 report, except as required by applicable law or regulation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As a global operation, we use certain financial instruments to manage our foreign currency exchange rate, commodity price and interest rate risks. We monitor and manage these exposures as part of our overall risk management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We maintain foreign currency, commodity price and interest rate risk management policies that principally use derivative instruments to reduce significant, unanticipated earnings fluctuations that may arise from volatility in foreign currency exchange rates, commodity prices and interest rates. We also sell commodity futures to unprice future purchase commitments, and we occasionally use related futures to cross-hedge a commodity exposure. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes. Refer to Note 11, *Financial Instruments*, for further information on the types of derivative instruments we used to hedge our exposures. There were no significant changes in our exposures or the types of derivative instruments we use to hedge those exposures since December 31, 2010.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Management, together with our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

Management, together with our CEO and CFO, evaluated the changes in our internal control over financial reporting during the quarter ended June 30, 2011. We determined that there were no changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

As we previously disclosed, on November 29, 2010, we initiated an arbitration proceeding against Starbucks Coffee Company (“Starbucks”) to challenge Starbucks’ attempt to end our retail coffee agreement without compensating us pursuant to the agreement’s termination provisions. On March 1, 2011, Starbucks, without our authorization and in what we contend is a violation and breach of our agreements with Starbucks, unilaterally took control of the sale and distribution of the packaged coffee business in grocery stores and other channels by terminating its agreements (“Agreements”) with us without valid grounds. We are vigorously contesting Starbucks’ action and are seeking appropriate remedies under the Agreements, including but not limited to payment of the fair market value of the business plus the premium the Agreements specify. In accordance with our rights under the Agreements, we initiated an arbitration proceeding in Chicago, Illinois in order to determine the parties’ respective rights and obligations under the Agreements. The arbitration proceeding is set for April 30 through May 18, 2012.

Other information regarding Legal Matters is available in the Legal Proceedings discussions in our Annual Report on Form 10-K for the year ended December 31, 2010, and is incorporated by reference into this report.

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

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2010 contains a detailed discussion of risk factors that could materially adversely affect our business, our operating results, or our financial condition. The risk factor described below is in addition to those risk factors.

The proposed spin-off may not be completed on the terms or timeline currently contemplated, if at all, and may not achieve the intended results.

Unanticipated developments could delay, prevent or otherwise adversely affect the proposed spin-off of the North American Grocery Business, including possible problems or delays in obtaining various regulatory and tax approvals or clearances and disruptions in general market conditions, among other things. In addition, consummation of the proposed spin-off will require final approval from our Board of Directors. Therefore, we cannot assure that we will be able to complete the spin-off on the terms or on the timeline that we announced, if at all.

We will incur significant expenses in connection with the spin-off. In addition, completion of the proposed spin-off will require significant amounts of management’s time and effort which may divert management’s attention from other aspects of our business operations.

Further, if the spin-off is completed, it may not achieve the intended results. Any such difficulties could adversely affect our business, results of operations or financial condition.

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

The following activity represents shares tendered to us by employees who used shares to exercise options, and who used shares to pay the related taxes for grants of restricted and deferred stock that vested. Accordingly, these are non-cash transactions.

	<u>Total Number of Shares</u>	<u>Average Price per Share</u>
April 1-30, 2011	49,893	\$ 32.76
May 1-31, 2011	92,661	34.20
June 1-30, 2011	97,173	34.51
For the Quarter Ended June 30, 2011	<u>239,727</u>	34.03

Item 6. Exhibits.

Exhibit Number	Description
10.1	\$4.5 Billion 4-Year Revolving Credit Agreement, by and among the Registrant, the initial lenders named therein, JPMorgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and HSBC Securities (USA) LLC, as joint bookrunners, and JPMorgan Chase Bank, N.A. and Deutsche Bank AG New York Branch, as co-administrative agents, dated as of April 1, 2011.
10.2	Separation Agreement and General Release, between the Registrant and Timothy R. McLevish, dated April 6, 2011.
10.3	Amendment to Separation Agreement and General Release, between the Registrant and Timothy R. McLevish, dated June 28, 2011.
10.4	Kraft Foods Inc. Amended and Restated 2006 Stock Compensation Plan for Non-Employee Directors, effective as of May 24, 2011 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 filed with the SEC on June 2, 2011).
11	Computation of Per Share Earnings.*
12	Statement regarding computation of ratios of earnings to fixed charges.
18.1	Preferability letter of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	The following materials from Kraft Foods' Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Equity, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows, (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text, and (vi) document and entity information.

* Data required by Item 601(b)(11) of Regulation S-K is provided in Note 14 to the condensed consolidated financial statements in this Report.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KRAFT FOODS INC.

/s/ DAVID A. BREARTON

David A. Brearton
Executive Vice President and
Chief Financial Officer

August 5, 2011

U.S. \$4,500,000,000
4-YEAR REVOLVING CREDIT AGREEMENT

Dated as of April 1, 2011

Among

KRAFT FOODS INC.

and

THE INITIAL LENDERS NAMED HEREIN

and

JPMorgan Chase Bank, N.A. and Deutsche Bank AG New York Branch,
as Co-Administrative Agents

and

JPMorgan Chase Bank, N.A.,
as Paying Agent

and

Citigroup Global Markets Inc.,
as Syndication Agent

and

Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc.,
as Co-Documentation Agents

JPMorgan Securities LLC,
Deutsche Bank Securities Inc.,
Citigroup Global Markets Inc.,
Credit Suisse Securities (USA) LLC
and
HSBC Securities (USA) Inc.,
as Joint Bookrunners

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4-YEAR REVOLVING CREDIT AGREEMENT (as amended from time to time, this "Agreement") dated as of April 1, 2011, among KRAFT FOODS INC., a Virginia corporation ("Kraft Foods"); the banks, financial institutions and other institutional lenders listed on the signature pages hereof (the "Initial Lenders"); JPMorgan Chase Bank, N.A. ("JPMorgan") and Deutsche Bank AG New York Branch ("DB"), as co-administrative agents (each, in such capacity, a "Co-Administrative Agent"); JPMorgan Chase Bank, N.A., as paying agent (in such capacity, the "Paying Agent"); Citigroup Global Markets Inc., as syndication agent (in such capacity, the "Syndication Agent"); and Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc., as co-documentation agents (each, in such capacity, a "Documentation Agent") for the Lenders (as hereinafter defined).

The parties hereto agree as follows:

ARTICLE I

Definitions and Accounting Terms

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

"Administrative Agent" means the Co-Administrative Agent responsible for performing the functions of the Administrative Agent under this Agreement, which shall be the Paying Agent, and unless the context otherwise requires, all singular references to "the Administrative Agent" in this Agreement shall be deemed to refer to the Paying Agent.

"Administrative Agent Account" means (a) the account of the Administrative Agent, maintained by the Administrative Agent, at its office at JPMorgan Chase Bank, N.A., JPMorgan Loan Services, 1111 Fannin Street, 10th Floor, Houston, Texas 77002, Attention: Jocelyn T. Shields, jocelyn.t.shields@jpmorgan.com, 212-270-6637 (facsimile) and Lisa A. McCants, lisa.a.mccants@jpmorgan.com, 713-750-2956 (facsimile), or (b) such other account of the Administrative Agent as is designated in writing from time to time by the Administrative Agent to Kraft Foods and the Lenders for such purpose.

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

"Agents" means each Co-Administrative Agent, the Paying Agent, the Syndication Agent, the Documentation Agents and each Joint Bookrunner.

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

<u>Long-Term Senior Unsecured Debt Rating</u>	<u>Applicable Unused Line Fee Rate</u>
A or higher by Standard & Poor's A2 or higher by Moody's	0.100%
A- by Standard & Poor's A3 by Moody's	0.125%
BBB+ by Standard & Poor's Baa1 by Moody's	0.150%
BBB by Standard & Poor's Baa2 by Moody's	0.175%
BBB- by Standard & Poor's Baa3 by Moody's	0.250%
Lower than BBB- by Standard & Poor's Lower than Baa3 by Moody's	0.300%

provided that if on any date of determination (x) a rating is available on such date from only one of Standard & Poor's and Moody's but not the other, the Applicable Unused Line Fees Rate shall be determined by reference to the then available rating; and (y) no rating is available from any of Standard & Poor's, Moody's or any other nationally recognized statistical rating organization designated by Kraft Foods and approved in writing by the Required Lenders, the Applicable Unused Line Fees Rate shall be 0.300%.

"Applicable Interest Rate Margin" means (a) as to any Base Rate Advance, a rate per annum equal to the Credit Default Swap Spread less 1.00% and (b) as to any LIBO Rate Advance, a rate per annum equal to the Credit Default Swap Spread.

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

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

"Augmenting Lender" has the meaning assigned to such term in Section 2.18(a).

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

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

(iii) the LIBO Rate for Dollars for a one month Interest Period appearing on Reuters Screen LIBOR01 on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1% per annum.

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

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

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

“Borrowing” means a Pro Rata Borrowing or a Competitive Bid Borrowing.

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

“Commission” means the United States Securities and Exchange Commission.

“Commitment” means as to any Lender (i) the Dollar amount set forth opposite such Lender’s name on Schedule I hereto, (ii) if such Lender has entered into an Assignment and Acceptance, the Dollar amount set forth for such Lender in the Register maintained by the Administrative Agent, pursuant to Section 9.07(d), or (iii) if such Lender becomes a Lender pursuant to a Commitment Increase Amendment, the Dollar amount set forth for such Lender in such Commitment Increase Amendment, in each case as such amount may be increased pursuant to Section 2.18 or reduced pursuant to Section 2.10.

“Commitment Increase” has the meaning assigned to such term in Section 2.18(a).

“Commitment Increase Amendment” has the meaning assigned to such term in Section 2.18(a).

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

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

“Competitive Bid Note” means a promissory note of any Borrower payable to the order of any Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness

of such Borrower to such Lender resulting from a Competitive Bid Advance made by such Lender to such Borrower.

“Competitive Bid Reduction” has the meaning specified in Section 2.01.

“Consolidated Tangible Assets” means the total assets appearing on a consolidated balance sheet of Kraft Foods and its Subsidiaries, less goodwill and other intangible assets and the minority interests of other Persons in such Subsidiaries, all as determined in accordance with GAAP.

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

“Credit Default Swap Spread” means the credit default swap mid-rate spread of Kraft Foods (as provided by Markit Group Limited (or any appropriate successor)) for the four-year period beginning on the date on which the Credit Default Swap Spread has most recently been determined; provided, that the Credit Default Swap Spread shall in no event be less than (the “Credit Default Swap Spread Floor”) or greater than (the “Credit Default Swap Spread Cap”) the percentages set forth below determined by reference to the higher of (i) the rating of Kraft Foods’ long-term senior unsecured Debt from Standard & Poor’s and (ii) the rating of Kraft Foods’ long-term senior unsecured Debt from Moody’s, in each case on such date:

<u>Long-Term Senior Unsecured Debt Rating</u>	<u>Credit Default Swap Spread Floor/Cap</u>
A or higher by Standard & Poor’s A2 or higher by Moody’s	Floor: 0.375% Cap: 1.250%
A- by Standard & Poor’s A3 by Moody’s	Floor: 0.500% Cap: 1.375%
BBB+ by Standard & Poor’s Baa1 by Moody’s	Floor: 0.625% Cap: 1.500%
BBB by Standard & Poor’s Baa2 by Moody’s	Floor: 0.750% Cap: 1.625%
BBB- by Standard & Poor’s Baa3 by Moody’s	Floor: 1.000% Cap: 2.000%
Lower than BBB- by Standard & Poor’s Lower than Baa3 by Moody’s	Floor: 1.250% Cap: 2.250%

provided that if on any date of determination (x) a rating is available on such date from only one of Standard & Poor’s and Moody’s but not the other, the Credit Default Swap Spread Floor/Cap shall be determined by reference to the then available rating; and (y) no rating is available from any of Standard & Poor’s, Moody’s or any other nationally recognized statistical rating organization designated by Kraft Foods and approved in writing by the Required Lenders, the Credit Default Swap Spread Floor shall be 1.250% and the Credit Default Swap Spread Cap shall be 2.250%.

The Credit Default Swap Spread will be (a) obtained by the Administrative Agent from the Markit Group Limited website (or the website of any appropriate successor) and (b) determined (i) in the case of a Base Rate Borrowing, on the date of such Borrowing and thereafter, on the last Business Day of each March, June, September and December, and (ii) in the case of a LIBO Rate Borrowing, on the second Business Day prior to the date of such Borrowing and thereafter on the second Business Day prior to the first day of each Interest Period in respect of such LIBO Rate Borrowing.

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

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

“Defaulting Lender” means any Lender, as reasonably determined by the Administrative Agent, that has (a) failed to fund any portion of its Advances within three Business Days of the date required to be funded by it hereunder, (b) notified any Borrower, the Administrative Agent or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations generally under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three Business Days after written request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Advances, (d) otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, or (e) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment, in the case of clauses (a) through (d) unless the subject of a good faith dispute and such Lender has notified the Administrative Agent in writing of such; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any ownership interest in such Lender or a parent company thereof or the exercise of control over a Lender or parent company thereof by a Governmental Authority or instrumentality thereof.

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

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

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

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

“Effective Date” has the meaning specified in Section 3.01.

“Eligible Assignee” means (i) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (or any successor) (“OECD”), or a political subdivision of any such country, and having total assets in excess of \$5,000,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD or the Cayman Islands; (iii) the central bank of any country which is a member of the OECD; (iv) a commercial finance company or finance Subsidiary of a corporation organized under the laws of the United States, or any State thereof, and having total assets in excess of \$3,000,000,000; (v) an insurance company organized under the laws of the United States, or any State thereof, and having total assets in excess of \$5,000,000,000; (vi) any Lender; (vii) an affiliate of any Lender; and (viii) any other bank, commercial finance company, insurance company or other Person approved in writing by Kraft Foods (such approval not to be unreasonably withheld, delayed or conditioned), which approval shall be notified to the Administrative Agent; provided, that no Defaulting Lender shall be permitted to be an Eligible Assignee.

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

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

“ERISA Event” means (a) (i) the occurrence with respect to a Plan of a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the Pension Benefit Guaranty Corporation (or any successor) (“PBGC”), or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect

to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of any Borrower or Kraft Foods or any of their ERISA Affiliates in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by any Borrower or Kraft Foods or any of their ERISA Affiliates from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions set forth in Section 303(k)(1)(A) and (B) of ERISA to the creation of a lien upon property or rights to property of any Borrower or Kraft Foods or any of their ERISA Affiliates for failure to make a required payment to a Plan are satisfied; or (g) the termination of a Plan by the PBGC pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

“Eurocurrency Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” opposite its name on Schedule II hereto or in the Assignment and Acceptance pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Kraft Foods and the Administrative Agent.

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

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

“Event of Default” has the meaning specified in Section 6.01.

“Existing Revolving Credit Agreement” means Kraft Foods’ existing U.S.\$4,500,000,000 3-Year Revolving Credit Agreement dated as of November 30, 2009, as amended, restated, supplemented or otherwise modified in accordance with its terms.

“Extending Lender” has the meaning specified in Section 2.10(b).

“Extension Date” has the meaning specified in Section 2.10(b).

“FATCA” means Sections 1471 through 1474 of the Internal Revenue Code as enacted as of the date hereof (without regard to the delayed effective date) or any amended or

successor version that is substantively comparable and, in each case, regulations promulgated thereunder or official interpretations thereof.

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

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means the fee letter, dated as of the date hereof, among Kraft Foods and the Administrative Agent.

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

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

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

“GAAP” has the meaning specified in Section 1.03.

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

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

“Interest Period” means, for each LIBO Rate Advance comprising part of the same Pro Rata Borrowing and each Floating Rate Bid Advance comprising part of the same Competitive Bid Borrowing, the period commencing on the date of such LIBO Rate Advance or Floating Rate Bid Advance or the date of Conversion of any Base Rate Advance into such LIBO Rate Advance and ending on the last day of the period selected by the Borrower requesting such

Borrowing pursuant to the provisions below. The duration of each such Interest Period shall be one (or less than one month if available to all Lenders), two, three or six months, or, if available to all Lenders, nine or twelve months, as such Borrower may select upon notice received by the Administrative Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the first day of such Interest Period; provided, however, that:

(a) such Borrower may not select any Interest Period that ends after the Termination Date, subject to Section 2.10(b);

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

(c) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

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

“Joint Bookrunners” means JPMorgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc.

“Joint Lead Arrangers” means JPMorgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc.

“Lenders” means the Initial Lenders, any New Lender, any Augmenting Lender and their respective successors and permitted assignees.

“LIBO Rate” means, with respect to any LIBO Rate Advance or Floating Rate Bid Advance for any Interest Period, an interest rate per annum equal to either:

(a) the offered rate per annum at which deposits in Dollars appear on Reuters Screen LIBOR01 (or any successor page) as of 11:00 a.m. (London time) two Business Days before the first day of such Interest Period, or

(b) if the LIBO Rate does not appear on Reuters Screen LIBOR01 (or any successor page), then the LIBO Rate will be determined by taking the average (rounded upward to the nearest whole multiple of 1/16 of 1% per annum, if such average is not such a multiple) of the rates per annum at which deposits in Dollars are offered by the principal office of each of the Reference Banks in London, England to prime banks in the London interbank market at 11:00 a.m. (London time) two Business Days before the first

day of such Interest Period for an amount substantially equal to the amount that would be the Reference Banks' respective ratable shares of such Borrowing outstanding during such Interest Period and for a period equal to such Interest Period, as determined by the Administrative Agent, subject, however, to the provisions of Section 2.08.

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

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

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

“Margin Stock” means margin stock, as defined in Regulation U.

“Minimum Shareholders' Equity” means total shareholders' equity (excluding accumulated other comprehensive income or losses) of \$28,600,000,000.

“Moody's” means Moody's Investors Service, Inc.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Borrower or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective bargaining agreements.

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

“New Lender” has the meaning specified in Section 2.10(b).

“Non-Extending Lender” has the meaning specified in Section 2.10(b).

“Non-U.S. Lender” means, with respect to a Borrower that is a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code, any Lender that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code.

“Note” means a Pro Rata Note or a Competitive Bid Note.

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

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

“Obligations” has the meaning specified in Section 8.01.

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

“Participant Register” has the meaning specified in Section 9.07(e).

“Patriot Act” has the meaning specified in Section 9.14.

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

“Plan” means a Single Employer Plan or a Multiple Employer Plan.

“Process Agent” has the meaning specified in Section 9.11(a).

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

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

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

“Reference Banks” means the Joint Bookrunners.

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

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

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

“Required Lenders” means at any time Lenders having Pro Rata Advances representing more than 50% of the aggregate outstanding Pro Rata Advances at such time, or, if no Pro Rata Advances are then outstanding, Lenders having Commitments representing more than 50% of the aggregate Commitments at such time.

“Single Employer Plan” means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Borrower or any ERISA Affiliate and no Person other than such Borrower and the ERISA Affiliates or (b) was so maintained

and in respect of which such Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

“Standard & Poor’s” means Standard & Poor’s Ratings Services.

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

“Taxes” has the meaning specified in Section 2.15(a).

“Termination Date” means the earlier of April 1, 2015, subject to the extension thereof pursuant to Section 2.10(b), and the date of termination in whole of the Commitments pursuant to Section 2.10(a) or 6.02.

“Unused Line Fee” has the meaning specified in Section 2.09(a).

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

SECTION 1.03 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with accounting principles generally accepted in the United States of America (subject to the exceptions set forth in this Section 1.03, “GAAP”), except that if there has been a material change in an accounting principle affecting the definition of an accounting term as compared to that applied in the preparation of the financial statements of Kraft Foods as of and for the year ended December 31, 2010, then such new accounting principle shall not be used in the determination of the amount associated with that accounting term. A material change in an accounting principle is one that, in the year of its adoption, changes the amount associated with the relevant accounting term for any quarter in such year by more than 10%.

ARTICLE II

Amounts and Terms of the Advances

SECTION 2.01 The Pro Rata Advances.

(a) Obligation To Make Pro Rata Advances. Each Lender severally agrees, on the terms and conditions hereinafter set forth, to make Pro Rata Advances to any Borrower in Dollars from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed at any time outstanding such Lender’s Commitment; provided, however, that the aggregate amount of the Commitments of the Lenders shall be deemed used from time to time to the extent of the aggregate amount of the Competitive Bid Advances then outstanding and such deemed use of the aggregate amount of the

Commitments shall be allocated among the Lenders ratably according to their respective Commitments (such deemed use of the aggregate amount of the Commitments being a “Competitive Bid Reduction”).

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

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

SECTION 2.02 Making the Pro Rata Advances.

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

(i) date of such Pro Rata Borrowing,

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

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

(iv) in the case of a Pro Rata Borrowing consisting of LIBO Rate Advances, the initial Interest Period for each such Pro Rata Advance.

Notwithstanding anything herein to the contrary, no Borrower may select LIBO Rate Advances for any Pro Rata Borrowing if the obligation of the Lenders to make LIBO Rate Advances shall then be suspended pursuant to Section 2.06(b), 2.08(c) or 2.13.

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

(c) Irrevocable Notice. Each Notice of Pro Rata Borrowing of any Borrower shall be irrevocable and binding on such Borrower. In the case of any Pro Rata Borrowing that

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

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

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

(ii) in the case of such Lender, the Federal Funds Effective Rate.

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

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

SECTION 2.03 Repayment of Pro Rata Advances. Each Borrower shall repay to the Administrative Agent for the ratable account of each Lender on the Termination Date applicable to such Lender the unpaid principal amount of the Pro Rata Advances of such Lender then outstanding.

SECTION 2.04 Interest on Pro Rata Advances.

(a) Scheduled Interest. Each Borrower shall pay interest on the unpaid principal amount of each Pro Rata Advance owing by such Borrower to each Lender from the date of

such Pro Rata Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Pro Rata Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (1) the Base Rate in effect from time to time plus (2) the Applicable Interest Rate Margin in effect from time to time, payable in arrears quarterly on the last Business Day of each March, June, September and December, and on the date such Base Rate Advance shall be Converted or paid in full either prior to or on the Termination Date.

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

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

SECTION 2.05 Additional Interest on LIBO Rate Advances. Each Borrower shall pay to each Lender, so long as such Lender shall be required under regulations of the Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each LIBO Rate Advance of such Lender to such Borrower, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the LIBO Rate for the Interest Period for such Advance from (ii) the rate obtained by dividing such LIBO Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Lender and notified to Kraft Foods through the Administrative Agent.

SECTION 2.06 Conversion of Pro Rata Advances.

(a) Conversion upon Absence of Interest Period. If any Borrower (or Kraft Foods on behalf of any other Borrower) shall fail to select the duration of any Interest Period for any LIBO Rate Advances in accordance with the provisions contained in the definition of the term "Interest Period," the Administrative Agent will forthwith so notify such Borrower and the Lenders and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances.

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

(c) Voluntary Conversion. Subject to the provisions of Sections 2.06(b), 2.08(c) and 2.13, any Borrower may Convert all of such Borrower's Pro Rata Advances of one Type constituting the same Pro Rata Borrowing into Advances of the other Type on any Business Day, upon notice given to the Administrative Agent not later than 11:00 a.m. (New York City time) on the third Business Day prior to the date of the proposed Conversion; provided, however, that the Conversion of a LIBO Rate Advance into a Base Rate Advance may be made on, and only on, the last day of an Interest Period for such LIBO Rate Advance. Each such notice of a Conversion shall, within the restrictions specified above, specify

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

SECTION 2.07 The Competitive Bid Advances.

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

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

- (i) date of such proposed Competitive Bid Borrowing;
- (ii) aggregate amount of such proposed Competitive Bid Borrowing;
- (iii) interest rate basis and day count convention to be offered by the Lenders;

(iv) in the case of a Competitive Bid Borrowing consisting of Floating Rate Bid Advances, Interest Period, or in the case of a Competitive Bid Borrowing consisting of Fixed Rate Bid Advances, maturity date for repayment of each Fixed Rate Bid Advance to be made as part of such Competitive Bid Borrowing (which maturity date may not be earlier than the date occurring seven days after the date of such Competitive Bid Borrowing or later than the earlier of (A) 360 days after the date of such Competitive Bid Borrowing and (B) the Termination Date);

(v) interest payment date or dates relating thereto; location of such Borrower's account to which funds are to be advanced; and

(vi) other terms (if any) to be applicable to such Competitive Bid Borrowing.

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

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

(i) the minimum amount and maximum amount of each Competitive Bid Advance which such Lender would be willing to make as part of such proposed Competitive Bid Borrowing (which amounts may, subject to the proviso to the first sentence of Section 2.07(a), exceed such Lender's Commitment);

(ii) the rate or rates of interest therefor; and

(iii) such Lender's Applicable Lending Office with respect to such Competitive Bid Advance.

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

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

(i) cancel such Competitive Bid Borrowing by giving the Administrative Agent notice to that effect, or

(ii) accept, in its sole discretion, one or more of the offers made by any Lender or Lenders pursuant to Section 2.07(c), by giving notice to the Administrative Agent of the amount of each Competitive Bid Advance (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to such Borrower by the Administrative Agent on behalf of such Lender, for such Competitive Bid Advance pursuant to Section 2.07(c) to be made by each Lender as part of such Competitive Bid Borrowing) and reject any remaining offers made by Lenders pursuant to Section 2.07(c) by giving the Administrative Agent notice to that effect. Such Borrower shall accept the offers made by any Lender or Lenders to make Competitive Bid Advances in order of the lowest to the highest rates of interest offered by such Lenders. If two or more Lenders have offered the same interest rate, the amount to be borrowed at such interest rate will be allocated among such Lenders in proportion to the maximum amount that each such Lender offered at such interest rate.

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

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

(i) each Lender that has made an offer as described in Section 2.07(c), whether or not any offer or offers made by such Lender pursuant to Section 2.07(c) have been accepted by such Borrower;

(ii) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, of the date and amount of each Competitive Bid Advance to be made by such Lender as part of such Competitive Bid Borrowing; and

(iii) each Lender that is to make a Competitive Bid Advance as part of such Competitive Bid Borrowing, upon receipt, that the Administrative Agent has received forms of documents appearing to fulfill the applicable conditions set forth in Article III.

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

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

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

Competitive Bid Advance made to such Borrower as part of a Competitive Bid Borrowing shall be evidenced by a separate Competitive Bid Note of such Borrower payable to the order of the Lender making such Competitive Bid Advance.

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

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

SECTION 2.08 LIBO Rate Determination.

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

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

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

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

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

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

(c) Inadequate LIBO Rate. If, with respect to any LIBO Rate Advances, the Required Lenders notify the Administrative Agent that (i) they are unable to obtain matching deposits in the London interbank market at or about 11:00 a.m. (London time) on the second Business Day before the making of a Borrowing in sufficient amounts to fund their respective LIBO Rate Advances as a part of such Borrowing during the Interest Period therefor or (ii) the LIBO Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective LIBO Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify Kraft Foods and the Lenders, whereupon (A) the Borrower of such LIBO Rate Advances will, on the last day of the then existing Interest Period therefor, either (x) prepay such Advances or (y) Convert such Advances into Base Rate Advances and (B) the obligation of the Lenders to make, or to Convert Base Rate Advances into, LIBO Rate Advances shall be suspended until the Administrative Agent shall notify Kraft Foods and the Lenders that the circumstances causing such suspension no longer exist. In the case of clause (ii) above, each such Lender shall certify its cost of funds for each Interest Period to the Administrative Agent and Kraft Foods as soon as practicable but in any event not later than 10 Business Days after the last day of such Interest Period.

SECTION 2.09 Fees.

(a) Unused Line Fee. Kraft Foods agrees to pay to the Administrative Agent for the account of each Lender an unused line fee (the "Unused Line Fee") on the aggregate amount of such Lender's undrawn Commitment (without giving effect to any Competitive Bid Reduction) from the date hereof in the case of each Initial Lender and from the effective date specified in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date at the Applicable Unused Line Fee Rate, in each case payable on the last Business Day of each March, June, September and December until the Termination Date and on the Termination Date.

(b) Other Fees. Kraft Foods shall pay to the Administrative Agent for its own account or for the accounts of the Joint Lead Arrangers or Lenders, as applicable, such fees, and at such times, as shall have been separately agreed between Kraft Foods and the Administrative Agent or the Joint Lead Arrangers.

SECTION 2.10 Optional Termination or Reduction of the Commitments and Extension of Termination Date.

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

(b) Extension of Termination Date. (i) At least 30 days but not more than 60 days prior to each anniversary of the Effective Date (any such applicable anniversary of the Effective Date, the "Extension Date"), Kraft Foods, by written notice to the Administrative Agent, may request that each Lender extend the Termination Date for such Lender's Commitment for an additional one-year period.

(ii) The Administrative Agent shall promptly notify each Lender of such request and each Lender shall then, in its sole discretion, notify Kraft Foods and the Administrative Agent in writing no later than 20 days prior to the Extension Date whether such Lender will consent to the extension (each such Lender consenting to the extension, an "Extending Lender"). The failure of any Lender to notify the Administrative Agent of its intent to consent to any extension shall be deemed a rejection by such Lender.

(iii) Subject to satisfaction of the conditions in Section 3.03(a) and (b) as of the Extension Date, the Termination Date in effect at such time shall be extended for an additional one-year period; provided, however, that (A) no such extension shall be effective (1) unless the Required Lenders agree thereto and (2) as to any Lender that does not agree to such extension (any such Lender, a "Non-Extending Lender") and (B) Kraft Foods may only request an extension of the Termination Date on the first four anniversaries of the Effective Date.

(iv) To the extent that there are Non-Extending Lenders, the Administrative Agent shall promptly so notify the Extending Lenders, and each Extending Lender may, in its sole discretion, give written notice to Kraft Foods and the Administrative Agent no later than 15 days prior to the Extension Date of the amount of the Commitments of the Non-Extending Lenders that it is willing to assume.

(v) Kraft Foods shall be permitted to replace any Lender that is a Non-Extending Lender with a replacement financial institution or other entity (each, a "New Lender"); provided that (A) the New Lender shall purchase, at par, all Advances and other amounts owing to such replaced Lender on or prior to the date of replacement, (B) the Borrower shall be liable to such replaced Lender under Section 9.04(b) if any LIBO Rate Advance or Floating Rate Bid Advance owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (C) the replaced Lender shall be obligated to assign its Commitment and Advances to the applicable replacement Lender or Lenders in accordance with the provisions of Section 9.07 (provided)

that Kraft Foods shall be obligated to pay the processing and recordation fee referred to therein), (D) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.12 or 2.15(a), as the case may be and (E) any such replacement shall not be deemed to be a waiver of any rights that Kraft Foods, the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

(vi) If the Extending Lenders and the New Lenders are willing to commit amounts that, in an aggregate, exceed the amount of the Commitments of the Non-Extending Lenders, Kraft Foods and the Administrative Agent shall allocate the Commitments of the Non-Extending Lenders among them.

(vii) If any financial institution or other entity becomes a New Lender or any Extending Lender's Commitment is increased pursuant to this Section 2.10(b), Pro Rata Advances made on or after the applicable Extension Date shall be made in accordance with the pro rata provisions of Section 2.01 based on the respective Commitments in effect on and after the applicable Extension Date.

(viii) In connection herewith, the Administrative Agent shall enter in the Register (A) the names of any New Lenders, (B) the respective allocations of any Extending Lenders and New Lenders effective as of each Extension Date and (C) the Termination Date applicable to each Lender.

SECTION 2.11 Optional Prepayments of Pro Rata Advances.

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

SECTION 2.12 Increased Costs.

(a) Costs from Change in Law or Authorities. If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements to the extent such change is included in the Eurocurrency Rate Reserve Percentage) in or in the interpretation, application or administration of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining LIBO Rate Advances or Floating Rate Bid

Advances (excluding for purposes of this Section 2.12 any such increased costs resulting from (i) Taxes or Other Taxes (as to which Section 2.15 shall govern) and (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower of the affected Advances shall within twenty (20) Business Days after receipt by the Borrower of demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Lender be otherwise disadvantageous to such Lender. A certificate as to the amount of such increased cost, submitted to Kraft Foods, such Borrower and the Administrative Agent by such Lender shall be conclusive and binding upon all parties hereto for all purposes, absent manifest error.

(b) Reduction in Lender's Rate of Return. In the event that, after the date hereof, the implementation of or any change in any law or regulation, or any guideline or directive (whether or not having the force of law) or the interpretation, application or administration thereof by any central bank or other authority charged with the administration thereof, imposes, modifies or deems applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement which affects the manner in which any Lender or its parent company allocates capital resources to its Commitments, including its obligations hereunder) and as a result thereof, in the sole opinion of such Lender, the rate of return on such Lender's or its parent company's capital as a consequence of its obligations hereunder is reduced to a level below that which such Lender could have achieved but for such circumstances, but reduced to the extent that Borrowings are outstanding from time to time, then in each such case, upon demand from time to time Kraft Foods shall pay to such Lender such additional amount or amounts as shall compensate such Lender for such reduction in rate of return. A certificate of such Lender as to any such additional amount or amounts shall be conclusive and binding for all purposes, absent manifest error. Except as provided below, in determining any such amount or amounts each Lender may use any reasonable averaging and attribution methods. Notwithstanding the foregoing, each Lender shall take all reasonable actions to avoid the imposition of, or reduce the amounts of, such increased costs, provided that such actions, in the reasonable judgment of such Lender will not be otherwise disadvantageous to such Lender and, to the extent possible, each Lender will calculate such increased costs based upon the capital requirements for its Advances and unused Commitment hereunder and not upon the average or general capital requirements imposed upon such Lender.

(c) Dodd-Frank Wall Street Reform and Consumer Protection Act. Notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a change in law or regulation regardless of the date enacted, adopted or issued.

SECTION 2.13 Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in, or in the interpretation of, any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make LIBO Rate Advances or Floating Rate Bid Advances or to fund or maintain LIBO Rate Advances or Floating Rate Bid Advances, (a) each LIBO Rate Advance or Floating Rate Bid Advances, as the case may be, of such Lender will automatically, upon such demand, be Converted into a Base Rate Advance or an Advance that bears interest at the rate set forth in Section 2.04(a)(i), as the case may be, and (b) the obligation of the Lenders to make LIBO Rate Advances or Floating Rate Bid Advances or to Convert Base Rate Advances into LIBO Rate Advances shall be suspended, in each case, until the Administrative Agent shall notify Kraft Foods and the Lenders that the circumstances causing such suspension no longer exist, in each case, subject to Section 9.04(b) hereof; provided, however, that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurocurrency Lending Office if the making of such a designation would allow such Lender or its Eurocurrency Lending Office to continue to perform its obligations to make LIBO Rate Advances or Floating Rate Bid Advances or to continue to fund or maintain LIBO Rate Advances or Floating Rate Bid Advances, as the case may be, and would not, in the judgment of such Lender, be otherwise disadvantageous to such Lender.

SECTION 2.14 Payments and Computations.

(a) Time and Distribution of Payments. Kraft Foods and each Borrower shall make each payment hereunder, without set-off or counterclaim, not later than 11:00 a.m. (New York City time) on the day when due to the Administrative Agent at the Administrative Agent Account in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest or Unused Line Fees ratably (other than amounts payable pursuant to Section 2.07, 2.12, 2.15 or 9.04(b)) to the Lenders for the accounts of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. From and after the effective date of an Assignment and Acceptance pursuant to Section 9.07, the Administrative Agent shall make all payments hereunder in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) Computation of Interest and Fees. All computations of interest based on the Base Rate or the Administrative Agent's prime rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All computations of interest based on the LIBO Rate or the Federal Funds Effective Rate and of Unused Line Fees shall be made by the Administrative Agent and all computations of interest pursuant to Section 2.05 shall be made by a Lender, on the basis of a year of 360 days, and all computations of interest in respect of Competitive Bid Advances shall be made by the Administrative Agent as specified in the applicable Notice of Competitive Bid Notice, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or

Unused Line Fees are payable. Each determination by the Administrative Agent (or, in the case of Section 2.05 by a Lender), of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

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

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

SECTION 2.15 Taxes.

(a) Any and all payments by each Borrower and Kraft Foods hereunder or under any Note shall be made, in accordance with Section 2.14, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities (including penalties, interest, additions to taxes and expenses) with respect thereto, excluding, (i) in the case of each Lender and the Administrative Agent, taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or any political subdivision thereof, (ii) in the case of each Lender, taxes imposed on its net income, and franchise taxes imposed on it, by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof, (iii) in the case of each Lender and the Administrative Agent, taxes imposed on its net income, franchise taxes imposed on it, and any tax imposed by means of withholding to the extent such tax is imposed solely as a result of a present or former connection (other than a connection arising from such Lender or the Administrative Agent having executed, delivered, enforced, become a party to, performed its obligations, received payments, received or perfected a security interest under, and/or engaged in any other transaction pursuant to this Agreement or a Note) between the Lender or the Administrative Agent, as the case may be, and the taxing jurisdiction, (iv) in the case of each Lender and the Administrative Agent, any U.S. federal withholding taxes imposed pursuant to FATCA, and (v) in the case of each Lender and the Administrative Agent, any Home Jurisdiction U.S. Withholding Tax to the extent that such tax is imposed with respect to any payments pursuant to any law in effect at the time such Lender becomes a party hereto (or changes its Applicable Lending Office), except (A) to the extent of

the additional amounts in respect of such taxes under this Section 2.15 to which such Lender's assignor (if any) or such Lender's prior Applicable Lending Office (if any) was entitled, immediately prior to such assignment or change in its Applicable Lending Office or (B) if such Lender becomes a party hereto pursuant to an Assignment and Acceptance upon the demand of Kraft Foods (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments by each Borrower and Kraft Foods hereunder or under any Note, other than taxes referred to in this Section 2.15(a)(i), (ii), (iii), (iv) or (v), are referred to herein as "Taxes"). If any applicable withholding agent shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender or the Administrative Agent, (i) the sum payable by Kraft Foods or the applicable Borrower shall be increased as may be necessary so that after all required deductions (including deductions applicable to additional sums payable under this Section 2.15) have been made, such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the applicable withholding agent shall make such deductions and (iii) the applicable withholding agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, each Borrower or Kraft Foods shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, irrecoverable value-added tax or similar levies (other than Taxes, or taxes referred to in Section 2.15(a)(i) to (iv)) that arise from any payment made hereunder or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or a Note other than any such taxes imposed by reason of an Assignment and Acceptance (hereinafter referred to as "Other Taxes").

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

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

(e) Each Lender, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender in the case of each other Lender, shall provide each of the Administrative Agent, Kraft Foods and each applicable Borrower with any form or certificate that is required by any United States federal taxing authority to certify such Lender's entitlement

to any applicable exemption from or reduction in, Home Jurisdiction U.S. Withholding Tax in respect of any payments hereunder or under any Note (including, if applicable, two original Internal Revenue Service Forms W-9, W-8BEN or W-8ECI, as appropriate, or any successor or other form prescribed by the Internal Revenue Service or to the extent a Non-U.S. Lender is not the beneficial owner (for example, where the Non-U.S. Lender is a partnership or participating Lender granting a typical participation), two original Internal Revenue Service Form W-8IMY, accompanied by any applicable certification documents from each beneficial owner) and any other documentation reasonably requested by Kraft Foods, the applicable Borrower or the Administrative Agent. Thereafter, each such Lender shall provide additional forms or certificates (i) to the extent a form or certificate previously provided has become inaccurate or invalid or has otherwise ceased to be effective or (ii) as requested in writing by Kraft Foods, the Administrative Agent or such Borrower or, if such Lender no longer qualifies for the applicable exemption from or reduction in, Home Jurisdiction U.S. Withholding Tax, promptly notify the Administrative Agent and Kraft Foods or such Borrower of its inability to do so. Unless such Borrower, Kraft Foods and the Administrative Agent have received forms or other documents from each Lender satisfactory to them indicating that payments hereunder or under any Note are not subject to Home Jurisdiction U.S. Withholding Taxes or are subject to Home Jurisdiction U.S. Withholding Taxes at a rate reduced by an applicable tax treaty, such Borrower, Kraft Foods or the Administrative Agent shall withhold such taxes from such payments at the applicable statutory rate in the case of payments to or for such Lender and such Borrower or Kraft Foods shall pay additional amounts to the extent required by paragraph (a) of this Section 2.15 (subject to the exceptions contained in this Section 2.15).

(f) If a payment made to a Lender hereunder or under any Note would be subject to U.S. Federal withholding tax imposed pursuant to FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Sections 1471(b) or 1472(b) of the Internal Revenue Code, applicable), such Lender shall provide each of the Administrative Agent, Kraft Foods and each applicable Borrower, at the time or times prescribed by law and as reasonably requested by the Administrative Agent, Kraft Foods or the applicable Borrower, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Administrative Agent, Kraft Foods or the applicable Borrower as may be necessary for the Administrative Agent, Kraft Foods or the applicable Borrower to comply with their obligations under FATCA and to determine whether such Lender has complied with such Lender's obligations under FATCA and the amount, if any, to deduct and withhold from such payment. Thereafter, each such Lender shall provide additional documentation (i) to the extent documentation previously provided has become inaccurate or invalid or has otherwise ceased to be effective or (ii) as reasonably requested by the Administrative Agent, Kraft Foods or the applicable Borrower.

(g) In the event that a Designated Subsidiary is a Foreign Subsidiary of Kraft Foods, each Lender shall promptly complete and deliver to such Borrower and the Administrative Agent, or, at their request, to the applicable taxing authority, so long as such Lender is legally eligible to do so, any certificate or form reasonably requested in writing by such Borrower or the Agent and required by applicable law in order to secure any applicable exemption from, or reduction in the rate of, deduction or withholding of the applicable Home Jurisdiction Non-U.S.

Withholding Taxes for which such Borrower is required to pay additional amounts pursuant to this Section 2.15.

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

(i) No additional amounts will be payable pursuant to this Section 2.15 with respect to any Tax to the extent such Tax would not have been payable had the Lender fulfilled its obligations under paragraph (e), (f) or (g) of this Section 2.15 as applicable.

(j) If any Lender or the Administrative Agent, as the case may be, obtains a refund of any Tax for which payment has been made pursuant to this Section 2.15, or, in lieu of obtaining such refund, such Lender or the Administrative Agent applies the amount that would otherwise have been refunded as a credit against payment of a liability in respect of Taxes, which refund or credit in the good faith judgment of such Lender or the Administrative Agent, as the case may be, (and without any obligation to disclose its tax records) is allocable to such payment made under this Section 2.15, the amount of such refund or credit (together with any interest received thereon and reduced by reasonable out-of-pocket costs incurred in obtaining such refund or credit) promptly shall be paid to the applicable Borrower to the extent payment has been made in full by such Borrower pursuant to this Section 2.15.

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

SECTION 2.17 Evidence of Debt.

(a) Lender Records; Pro Rata Notes. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower

to such Lender resulting from each Pro Rata Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of Pro Rata Advances. Each Borrower shall, upon notice by any Lender to such Borrower (with a copy of such notice to the Administrative Agent) to the effect that a Pro Rata Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Pro Rata Advances owing to, or to be made by, such Lender, promptly execute and deliver to such Lender a Pro Rata Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender.

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

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

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

SECTION 2.18 Commitment Increases.

(a) Kraft Foods may from time to time (but not more than three times in any calendar year), by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), executed by Kraft Foods and one or more financial institutions (any such financial institution referred to in this Section 2.18 being called an "Augmenting Lender"), which may include any Lender, cause new Commitments to be extended by the Augmenting Lenders or cause the existing Commitments of the Augmenting Lenders to be increased, as the case may be (the aggregate amount of such increase for all Augmenting Lenders on any single occasion being referred to as a "Commitment Increase"), in an amount for each Augmenting

Lender set forth in such notice; provided that (i) the amount of each Commitment Increase shall be not less than \$25,000,000, except to the extent necessary to utilize the remaining unused amount of increase permitted under this Section 2.18(a), and (ii) the aggregate amount of the Commitment Increases shall not exceed \$500,000,000. Each Augmenting Lender (if not then a Lender) shall be subject to the approval of the Administrative Agent (which approval shall not be unreasonably withheld or delayed) and shall not be subject to the approval of any other Lenders, and Kraft Foods and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence the Commitment of such Augmenting Lender and/or its status as a Lender hereunder (such documentation in respect of any Commitment Increase together with the notice of such Commitment Increase being referred to collectively as the "Commitment Increase Amendment" in respect of such Commitment Increase). The Commitment Increase Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent, to effect the provisions of this Section 2.18.

(b) Upon each Commitment Increase pursuant to this Section 2.18, if, on the date of such Commitment Increase, there are any Pro Rata Advances outstanding, such Pro Rata Advances shall on or prior to the effectiveness of such Commitment Increase be prepaid from the proceeds of new Pro Rata Advances made hereunder (reflecting such Commitment Increase), which prepayment shall be accompanied by accrued interest on the Pro Rata Advances being prepaid and any costs incurred by any Lender in accordance with Section 9.04(b). The Administrative Agent and the Lenders hereby agree that the minimum borrowing, pro rata borrowing and pro rata payment requirements contained elsewhere in this Agreement shall not apply to the transactions effected pursuant to the immediately preceding sentence.

(c) Commitment Increases and new Commitments created pursuant to this Section 2.18 shall become effective on the date specified in the notice delivered by Kraft Foods pursuant to the first sentence of paragraph (a) above or on such other date as shall be agreed upon by Kraft Foods, the Administrative Agent and the applicable Augmenting Lenders.

(d) Notwithstanding the foregoing, no increase in the Commitments (or in any Commitment of any Lender) or addition of an Augmenting Lender shall become effective under this Section 2.18 unless on the date of such increase, the conditions set forth in Section 3.03 shall be satisfied as of such date (as though the effectiveness of such increase were a Borrowing) and the Administrative Agent shall have received a certificate of Kraft Foods to that effect dated such date.

SECTION 2.19 Use of Proceeds. The proceeds of the Advances shall be available (and each Borrower agrees that it shall use such proceeds) for general corporate purposes of Kraft Foods and its Subsidiaries, including to support Kraft Foods' commercial paper program.

SECTION 2.20 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply:

- (i) fees shall cease to accrue on the Commitment of such Defaulting Lender pursuant to Section 2.09(a); and

(ii) the Commitment and Advances of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or modification of this Agreement pursuant to Section 9.01); provided that any amendment, waiver or modification requiring the consent of all Lenders or each affected Lender shall require the consent of such Defaulting Lender.

In the event that each of the Administrative Agent and Kraft Foods agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then such Lender shall purchase at par such of the Pro Rata Advances of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Pro Rata Advances in accordance with its pro rata portion of the total Commitments and clauses (a) and (b) above shall cease to apply.

ARTICLE III

Conditions to Effectiveness and Lending

SECTION 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the following conditions precedent have been satisfied, or waived in accordance with Section 9.01:

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

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

(i) the representations and warranties contained in Section 4.01 are correct on and as of the Effective Date, and

(ii) no event has occurred and is continuing on and as of the Effective Date that constitutes a Default or Event of Default.

(c) The Administrative Agent shall have received on or before the Effective Date copies of the letter from Kraft Foods dated on or before such day, terminating in whole the commitments of the banks party to the Existing Revolving Credit Agreement.

(d) Prior to or simultaneously with the Effective Date, Kraft Foods shall have satisfied all of its obligations under the Existing Revolving Credit Agreement, including, without limitation, the payment of all loans, accrued interest and fees under the Existing Revolving Credit Agreement.

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

(i) Certified copies of the resolutions of the Board of Directors of Kraft Foods approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.

(ii) A certificate of the Secretary or an Assistant Secretary of Kraft Foods certifying the names and true signatures of the officers of Kraft Foods authorized to sign this Agreement and the other documents to be delivered hereunder.

(iii) Favorable opinions of (A) Cravath, Swaine & Moore LLP, special New York counsel to Kraft Foods, substantially in the form of Exhibit E-1 hereto, (B) Hunton & Williams LLP, special Virginia counsel to Kraft Foods, substantially in the form of Exhibit E-2 hereto and (C) internal counsel for Kraft Foods, substantially in the form of Exhibit E-3 hereto.

(iv) A certificate of the chief financial officer or treasurer of Kraft Foods certifying that as of December 31, 2010, (A) the aggregate amount of Debt, payment of which is secured by any Lien referred to in clause (iii) of Section 5.02(a), does not exceed \$400,000,000, and (B) the aggregate amount of Debt, payment of which is secured by any Lien referred to in clause (iv) of Section 5.02(a), does not exceed \$200,000,000.

(f) This Agreement shall have been executed by Kraft Foods, the Co-Administrative Agents, Paying Agent, Syndication Agent, Co-Documentation Agent and the Administrative Agent shall have been notified by each Initial Lender that such Initial Lender has executed this Agreement.

The Administrative Agent shall notify Kraft Foods and the Initial Lenders of the date which is the Effective Date upon satisfaction or waiver of all of the conditions precedent set forth in this Section 3.01. For purposes of determining compliance with the conditions specified in this Section 3.01, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Lender prior to the date that Kraft Foods, by notice to the Lenders, designates as the proposed Effective Date, specifying its objection thereto.

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

(a) Certified copies of the resolutions of the Board of Directors of such Designated Subsidiary (with a certified English translation if the original thereof is not in

English) approving this Agreement, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement.

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

(c) A certificate signed by a duly authorized officer of the Designated Subsidiary, dated as of the date of such initial Advance, certifying that such Designated Subsidiary shall have obtained all governmental and third party authorizations, consents, approvals (including exchange control approvals) and licenses required under applicable laws and regulations necessary for such Designated Subsidiary to execute and deliver this Agreement and to perform its obligations thereunder.

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

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

(f) All information relating to any such Designated Subsidiary reasonably requested by any Lender through the Administrative Agent not later than two Business Days after such Lender shall have been notified of the designation of such Designated Subsidiary under Section 9.08 in order to allow such Lender to comply with "know your customer" regulations or any similar rules or regulations under applicable foreign laws.

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

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

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

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

SECTION 3.04 Conditions Precedent to Each Competitive Bid Borrowing. The obligation of each Lender that is to make a Competitive Bid Advance on the occasion of a Competitive Bid Borrowing is subject to the conditions precedent that (i) the Administrative Agent shall have received the written confirmatory Notice of Competitive Bid Borrowing with respect thereto, (ii) on or before the date of such Competitive Bid Borrowing, but prior to such Competitive Bid Borrowing, the Administrative Agent shall have received a Competitive Bid Note payable to the order of such Lender for each of the one or more Competitive Bid Advances to be made by such Lender as part of such Competitive Bid Borrowing, in a principal amount equal to the principal amount of the Competitive Bid Advance to be evidenced thereby and otherwise on such terms as were agreed to for such Competitive Bid Advance in accordance with Section 2.07, and (iii) on the date of such Competitive Bid Borrowing the following statements shall be true, and the acceptance by the Borrower of the proceeds of such Competitive Bid Borrowing shall be a representation by such Borrower or Kraft Foods, as the case may be, that:

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

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

ARTICLE IV

Representations and Warranties

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

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

(b) The execution, delivery and performance of this Agreement and the Notes to be delivered by it are within the corporate powers of Kraft Foods, have been duly authorized by all necessary corporate action on the part of Kraft Foods and do not contravene

(i) the charter or by-laws of Kraft Foods 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 Foods.

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

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

(e) As reported in Kraft Foods' Annual Report on Form 10-K for the year ended December 31, 2010, the consolidated balance sheets of Kraft Foods and its Subsidiaries as of December 31, 2010 and the consolidated statements of earnings of Kraft Foods and its Subsidiaries for the year then ended fairly present, in all material respects, the consolidated financial position of Kraft Foods and its Subsidiaries as at such date and the consolidated results of the operations of Kraft Foods and its Subsidiaries for the year ended on such date, all in accordance with accounting principles generally accepted in the United States. Except as disclosed in Kraft Foods' Annual Report on Form 10-K for the year ended December 31, 2010, or in any Current Report on Form 8-K filed subsequent to December 31, 2010, but prior to April 1, 2011, since December 31, 2010, there has been no material adverse change in such position or operations.

(f) There is no pending or threatened action or proceeding affecting it or any of its Subsidiaries before any court, governmental agency or arbitrator (a "Proceeding") (i) that purports to affect the legality, validity or enforceability of this Agreement or (ii) except for Proceedings disclosed in Kraft Foods' Annual Report on Form 10-K for the year ended December 31, 2010, or in any Current Report on Form 8-K filed subsequent to December 31, 2010, but prior to April 1, 2011, and, with respect to Proceedings commenced after the date of the most recent such document but prior to April 1, 2011, a certificate delivered to the Lenders, that may materially adversely affect the financial position or results of operations of Kraft Foods and its Subsidiaries taken as a whole.

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

(h) None of the proceeds of any Advance will be used, directly or indirectly, for any purpose that would result in a violation of Regulation U.

ARTICLE V

Covenants of Kraft Foods

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

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

(b) Maintenance of Net Worth. Maintain total shareholders' equity on the consolidated balance sheet of Kraft Foods and its Subsidiaries (excluding accumulated other comprehensive income or losses) of not less than the Minimum Shareholders' Equity.

(c) Reporting Requirements. Furnish to the Lenders:

(i) as soon as available and in any event within 5 days after the due date for Kraft Foods to have filed its Quarterly Report on Form 10-Q with the Commission for the first three quarters of each fiscal year, an unaudited interim condensed consolidated balance sheet of Kraft Foods and its Subsidiaries as of the end of such quarter and unaudited interim condensed consolidated statements of earnings of Kraft Foods and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of Kraft Foods;

(ii) as soon as available and in any event within 15 days after the due date for Kraft Foods to have filed its Annual Report on Form 10-K with the Commission for each fiscal year, a copy of the consolidated financial statements for such year for Kraft Foods and its Subsidiaries, audited by PricewaterhouseCoopers LLP (or other independent auditors which, as of the date of this Agreement, are one of the "big four" accounting firms);

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

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

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

In lieu of furnishing the Lenders the items referred to in clauses (i), (ii) and (iii) above, Kraft Foods may make such items available on the Internet at www.kraftfoodscompany.com (which website includes an option to subscribe to a free service alerting subscribers by e-mail of new Commission filings) or any successor or replacement website thereof, or by similar electronic means.

(d) Ranking. Each Advance made to Kraft Foods and each Guaranty by Kraft Foods of an Advance made to another Borrower hereunder shall at all times constitute senior Debt of Kraft Foods ranking equally in right of payment with all existing and future senior Debt of Kraft Foods and senior in right of payment to all existing and future subordinated Debt of Kraft Foods.

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

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

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

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

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

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

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

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

(vii) Liens upon or with respect to Margin Stock;

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

(ix) precautionary Liens provided by Kraft Foods or any Major Subsidiary in connection with the sale, assignment, transfer or other disposition of assets by Kraft Foods or such Major Subsidiary which transaction is determined by the Board of Directors of Kraft Foods or such Major Subsidiary to constitute a "sale" under accounting principles generally accepted in the United States; and

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

(b) Mergers, Etc. Consolidate with or merge into, or convey or transfer, or permit one or more of its Subsidiaries to convey or transfer, the properties and assets of Kraft Foods and its Subsidiaries substantially as an entirety to, any Person unless, immediately before and after giving effect thereto, no Default or Event of Default would exist and, in the case of any merger or consolidation to which Kraft Foods is a party, the surviving corporation is organized and existing under the laws of the United States of America or any State thereof or the District of Columbia and assumes all of Kraft Foods' obligations under this Agreement (including without limitation the covenants set forth in Article V) by the execution and delivery of an instrument in form and substance satisfactory to the Required Lenders.

ARTICLE VI

Events of Default

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

(a) Any Borrower or Kraft Foods shall fail to pay any principal of any Advance when the same becomes due and payable; or any Borrower or Kraft Foods shall fail to pay interest on any Advance, or Kraft Foods shall fail to pay any fees payable under Section 2.09, within ten days after the same becomes due and payable (or after notice from the Administrative Agent in the case of fees referred to in Section 2.09(b)); or

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

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

for 30 days after written notice thereof shall have been given to Kraft Foods by the Administrative Agent or any Lender; or

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

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

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

(g) Any Borrower, Kraft Foods or any ERISA Affiliate shall incur, or shall be reasonably likely to incur, liability in excess of \$500,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of any Borrower, Kraft Foods or any ERISA Affiliate from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan; provided, however, that no Default or Event of Default under this Section 6.01(g) shall be deemed to have occurred if the Borrower, Kraft Foods or any ERISA Affiliate shall have made arrangements satisfactory to the PBGC or the Required Lenders to discharge or otherwise satisfy such liability (including the posting of a bond or other security); or

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

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

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

(b) declare all the Advances then outstanding, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances then outstanding, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to any Borrower or Kraft Foods under the Federal Bankruptcy Code or any equivalent bankruptcy or insolvency laws of any state or foreign jurisdiction, (i) the obligation of each Lender to make Advances shall automatically be terminated and (ii) the Advances then outstanding, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrowers.

ARTICLE VII

The Administrative Agent

SECTION 7.01 Authorization and Action. Each Lender hereby appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lenders and all holders of

Notes; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement or applicable law. The Administrative Agent agrees to give to each Lender prompt notice of each notice given to it by Kraft Foods or any Borrower as required by the terms of this Agreement or at the request of Kraft Foods or such Borrower, and any notice provided pursuant to Section 5.01(c)(iv).

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

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

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

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

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

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

(f) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, telex, registered mail or, for the purposes of Section 2.02(a) or 2.07(b), email) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03 The Administrative Agent and Affiliates. With respect to its Commitment and the Advances made by it, the Administrative Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures

of, accept investment banking engagements from and generally engage in any kind of business with, Kraft Foods, any Borrower, any of its Subsidiaries and any Person who may do business with or own securities of Kraft Foods, any Borrower or any such Subsidiary, all as if the Administrative Agent were not the Administrative Agent and without any duty to account therefor to the Lenders.

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

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

SECTION 7.06 Successor Administrative Agent. The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and Kraft Foods and may be removed at any time with or without cause by the Required Lenders. Upon the resignation or removal of the Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of

the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement; provided that should the Administrative Agent for any reason not appoint a successor Administrative Agent, which it is under no obligation to do, then the rights, powers, discretion, privileges and duties referred to in this Section 7.06 shall be vested in the Required Lenders until a successor Administrative Agent has been appointed. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

SECTION 7.07 Co-Administrative Agents, Syndication Agent, Co-Documentation Agents, Joint Bookrunners and Joint Lead Arrangers.

(i) JPMorgan Chase Bank, N.A. and Deutsche Bank AG New York Branch have been designated as Co-Administrative Agents, (ii) Citigroup Global Markets Inc. has been designated as Syndication Agent, (iii) Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc. have been designated as Co-Documentation Agents, (iv) JPMorgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC. and HSBC Securities (USA) Inc. have been designated as Joint Bookrunners under this Agreement and (v) JPMorgan Securities LLC, Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC and HSBC Securities (USA) Inc. have been designated as Joint Lead Arrangers under this Agreement, but the use of the aforementioned titles does not impose on any of them any duties or obligations greater than those of any other Lender.

SECTION 7.08 Withholding Tax. To the extent required by any applicable law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any applicable withholding tax. Without limiting or expanding the provisions of Section 2.15(a) or (c), each Lender shall, and does hereby, indemnify the Administrative Agent against, and shall make payable in respect thereof within 30 days after demand therefor, any and all Taxes and any and all related losses, claims, liabilities and expenses (including fees, charges and disbursements of any counsel for the Administrative Agent) incurred by or asserted against the Administrative Agent by the Internal Revenue Service or any other governmental authority as a result of the failure of the Administrative Agent to properly withhold tax from amounts paid to or for the account of such Lender for any reason (including, without limitation, because the appropriate form was not delivered or not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstance that rendered the exemption from, or reduction of withholding tax ineffective). A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under this Agreement or any Note against any amount due the Administrative Agent under this Section 7.08. The agreements in this Section 7.08 shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights

by, or the replacement of, a Lender, the termination of the Agreement and the repayment, satisfaction or discharge of all other Obligations.

ARTICLE VIII

Guaranty

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

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

- (a) any lack of validity, enforceability or genuineness of any provision of this Agreement or any other agreement or instrument relating thereto;
- (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from this Agreement;
- (c) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations; or
- (d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, a Borrower or Kraft Foods.

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

SECTION 8.03 Waivers.

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

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

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

ARTICLE IX

Miscellaneous

SECTION 9.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by any Borrower or Kraft Foods therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders (including Defaulting Lenders) affected thereby, do any of the following: (a) waive any of the conditions specified in Sections 3.01, 3.02 and 3.03 (it being understood and agreed that any waiver or amendment of a representation, warranty, covenant, Default or Event of Default shall not constitute a waiver of any condition specified in Section 3.01, 3.02 or 3.03 unless the amendment or waiver so provides), (b) increase the Commitments of the Lenders or subject the Lenders to any additional obligations, (c) reduce the principal of, or the amount or rate of interest on, the Pro Rata Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Pro Rata Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Pro Rata Advances,

or the number of Lenders, that shall be required for the Lenders or any of them to take any action hereunder, (f) release Kraft Foods from any of its obligations under Article VIII, (g) change Section 2.16 in a manner that would alter the pro rata sharing of payments required thereby (other than to extend the Termination Date applicable to the Advances and Commitments of consenting Lenders and to compensate such Lenders for consenting to such extension; provided that (i) no amendment permitted by this parenthetical shall reduce the amount of or defer any payment of principal, interest or fees to non-extending Lenders or otherwise adversely affect the rights of non-extending Lenders under this Agreement and (ii) the opportunity to agree to such extension and receive such compensation shall be offered on equal terms to all the Lenders) or (h) amend this Section 9.01; provided further that no waiver of the conditions specified in Section 3.04 in connection with any Competitive Bid Borrowing shall be effective unless consented to by all Lenders making Competitive Bid Advances as part of such Competitive Bid Borrowing; and provided further that (x) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement and (y) this Agreement may be amended with the written consent of the Administrative Agent, Kraft Foods and the Augmenting Lenders pursuant to Section 2.18.

SECTION 9.02 Notices, Etc.

(a) Addresses. All notices and other communications provided for hereunder shall be in writing (including telecopier communication) and mailed, telecopied, or delivered (or in the case of any Notice of Borrowing or Notice of Competitive Bid Borrowing, emailed), as follows:

if to any Borrower:

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

with a copy to:

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

and

c/o Kraft Foods Global, Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Senior Manager of Treasury and
Control, NF333

Fax number: (847) 646-3173;

if to Kraft Foods, as guarantor:

Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Vice President and Corporate Secretary, NF583
Fax number: (847) 646-2753;

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

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

if to the Administrative Agent:

c/o JPMorgan Chase Bank, N.A.
JPMorgan Loan Services
1111 Fannin Street
10th Floor
Houston, Texas 77002
Attention: Jocelyn T. Shields
Email: jocelyn.t.shields@jpmorgan.com
Fax Number: 212-270-6637
and
Lisa A. McCants
Email: lisa.a.mccants@jpmorgan.com
Fax Number: 713-750-2956

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

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

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

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

SECTION 9.04 Costs and Expenses.

(a) Administrative Agent; Enforcement. Kraft Foods agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution, delivery, administration (excluding any cost or expenses for administration related to the overhead of the Administrative Agent), modification and amendment of this Agreement and the documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent and the Joint Bookrunners with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under this Agreement (which, insofar as such costs and expenses relate to the preparation, execution and delivery of this Agreement and the closing hereunder, shall be limited to the reasonable fees and expenses of Cahill Gordon & Reindel LLP), and all costs and expenses of the Lenders and the Administrative Agent, if any (including, without limitation, reasonable counsel fees and expenses of the Lenders and the Administrative Agent), in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other documents to be delivered hereunder.

(b) Prepayment of LIBO Rate Advances or Floating Rate Bid Advances. If any payment of principal of LIBO Rate Advance or Floating Rate Bid Advance is made other than on the last day of the Interest Period for such Advance or at its maturity, as a result of a payment pursuant to Section 2.11, acceleration of the maturity of the Advances pursuant to Section 6.02, an assignment made as a result of a demand by Kraft Foods pursuant to Section 9.07(a) or for any other reason, Kraft Foods shall, upon demand by any Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender to fund or maintain such Advance. Without prejudice to the survival of any other agreement of any Borrower or Kraft Foods hereunder, the agreements and obligations of each Borrower and Kraft Foods contained in Section 2.02(c), 2.05, 2.12, 2.15, this Section 9.04(b) and Section 9.04(c) shall survive the payment in full of principal and interest hereunder.

(c) Indemnification. Each Borrower and Kraft Foods jointly and severally agrees to indemnify and hold harmless the Administrative Agent, each Joint Lead Arranger and each Lender and each of their respective affiliates, control persons, directors, officers, employees, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and disbursements of counsel) which may be incurred by or asserted against any Indemnified Party, in each case in connection with or arising out of, or in connection with the preparation for or defense of, any investigation, litigation, or proceeding (i) related to this Agreement or any of the other documents delivered hereunder, the Advances or any transaction or proposed transaction (whether or not consummated) in which any proceeds of any Borrowing are applied or proposed to be applied, directly or indirectly, by any Borrower, whether or not such Indemnified Party is a

party to such transaction, or (ii) related to any Borrower's or Kraft Foods' consummation of any transaction or proposed transaction contemplated hereby (whether or not consummated) or entering into this Agreement, or to any actions or omissions of any Borrower or Kraft Foods, any of their respective Subsidiaries or affiliates or any of its or their respective officers, directors, employees or agents in connection therewith, in each case whether or not an Indemnified Party is a party thereto and whether or not such investigation, litigation or proceeding is brought by Kraft Foods or any Borrower or any other Person; provided, however, that neither any Borrower nor Kraft Foods shall be required to indemnify an Indemnified Party from or against any portion of such claims, damages, losses, liabilities or expenses that is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

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

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

SECTION 9.07 Assignments and Participations.

(a) Assignment of Lender Obligations. Each Lender may assign to one or more Persons all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and the Pro Rata Advances owing to it), subject to the following:

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

(ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event, other than with respect to assignments to other Lenders, or affiliates of Lenders, be less than \$10,000,000, subject in each case to reduction at the sole discretion of Kraft Foods, and shall be an integral multiple of \$1,000,000;

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

(iv) each such assignment shall require the prior written consent of (x) the Administrative Agent, and (y) unless an Event of Default under Sections 6.01(a) or (e) has occurred and is continuing, Kraft Foods (such consents not to be unreasonably withheld or delayed and such consents by Kraft Foods shall be deemed given if no objection is received by the assigning Lender and the Administrative Agent from Kraft Foods within ten (10) Business Days after notice of such proposed assignment has been delivered to Kraft Foods); provided, that no consent of the Administrative Agent or Kraft Foods shall be required for an assignment to another Lender or an affiliate of a Lender; and

(v) the parties to each such assignment shall execute and deliver to the Administrative Agent for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500 (unless such assignment is made to an affiliate of the transferring Lender) provided, that, if such assignment is made pursuant to Section 9.07(h), Kraft Foods shall pay or cause to be paid such \$3,500 fee.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender hereunder and (y) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than those provided under Section 9.04 and, with respect to the period during which it is a Lender, Sections 2.12 and 2.15) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto), other than Section 9.12.

(b) Assignment and Acceptance. By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Borrower or Kraft Foods or the performance or observance by any Borrower or Kraft Foods of any of its obligations under this

Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee represents that (A) the source of any funds it is using to acquire the assigning Lender's interest or to make any Advance is not and will not be plan assets as defined under the regulations of the Department of Labor of any Plan subject to Title I of ERISA or Section 4975 of the Internal Revenue Code or (B) the assignment or Advance is not and will not be a non-exempt prohibited transaction as defined in Section 406 of ERISA; (vii) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender.

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

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

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

(i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to Kraft Foods hereunder) shall remain unchanged,

(ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,

(iii) Kraft Foods, the other Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement,

(iv) each participant shall be entitled to the benefits of Sections 2.12 and 2.15 (subject to the limitations and requirements of those Sections, including the requirements to provide forms and/or certificates pursuant to Section 2.15(e), (f) or (g)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (e) of this Section,

(v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of this Agreement, or any consent to any departure by any Borrower or Kraft Foods therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, and

(vi) a participant shall not be entitled to receive any greater payment under Sections 2.12 and 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such participant, unless the sale of the participation to such participant is made with Kraft Foods or the relevant Borrower's prior written consent (not to be unreasonably withheld or delayed).

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the relevant Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Advances or other obligations under this Agreement (the "Participant Register"). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

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

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

(h) Replacement of Lenders. In the event that (i) any Lender shall have delivered a notice pursuant to Section 2.13, (ii) any Borrower shall be required to make additional payments to or for the account of any Lender under Section 2.12 or 2.15, (iii) any Lender (a “Non-Consenting Lender”) shall withhold its consent to any amendment that requires the consent of all the Lenders and that has been consented to by the Required Lenders or (iv) any Lender shall become a Defaulting Lender, Kraft Foods shall have the right, at its own expense, upon notice to such Lender and the Administrative Agent, (A) to terminate the Commitment of such Lender or (B) to require such Lender to transfer and assign at par and without recourse (in accordance with and subject to the restrictions contained in Section 9.07) all its interests, rights and obligations under this Agreement to one or more other financial institutions acceptable to Kraft Foods and approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed), which shall assume such obligations; provided, that (x) in the case of any replacement of a Non-Consenting Lender, each assignee shall have consented to the relevant amendment, (y) no such termination or assignment shall conflict with any law or any rule, regulation or order of any governmental authority and (z) the Borrowers or the assignee (or assignees), as the case may be, shall pay to each affected Lender in immediately available funds on the date of such termination or assignment the principal of and interest accrued to the date of payment on the Advances made by it hereunder and all other amounts accrued for its account or owed to it hereunder. Kraft Foods will not have the right to terminate the commitment of any Lender, or to require any Lender to assign its rights and interests hereunder, if, prior to such termination or assignment, as a result of a waiver by such Lender or otherwise, the circumstances entitling Kraft Foods to require such termination or assignment cease to apply. Each Lender agrees that, if Kraft Foods elects to replace such Lender in accordance with this Section 9.07, it shall promptly execute and deliver to the Administrative Agent an Assignment and Acceptance to evidence the assignment and shall deliver to the Administrative Agent any Note (if Notes have been issued in respect of such Lender’s Advances) subject to such Assignment and Acceptance; provided that the failure of any such Lender to execute an Assignment and Acceptance shall not render such assignment invalid and such assignment shall be recorded in the Register.

SECTION 9.08 Designated Subsidiaries.

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

Notwithstanding the foregoing, no Lender shall be required to make Advances to a Designated Subsidiary in the event that the making of such Advances would or could reasonably be expected to breach, violate or otherwise be inconsistent with any internal policy (other than with respect to Designated Subsidiaries formed under the laws of any nation that is a member of the Organization for Economic Cooperation and Development as of the date hereof), law or regulation to which such Lender is, or would be upon the making of such Advance, subject.

(b) Termination. Upon the payment and performance in full of all of the indebtedness, liabilities and obligations under this Agreement of any Designated Subsidiary then, so long as at the time no Notice of Pro Rata Borrowing or Notice of Competitive Bid Borrowing in respect of such Designated Subsidiary is outstanding, such Subsidiary's status as a "Designated Subsidiary" shall terminate upon notice to such effect from the Administrative Agent to the Lenders (which notice the Administrative Agent shall give promptly, upon and only upon its receipt of a request therefor from Kraft Foods). Thereafter, the Lenders shall be under no further obligation to make any Advance hereunder to such former Designated Subsidiary until such time as it has been redesignated a Designated Subsidiary by Kraft Foods pursuant to Section 9.08(a).

SECTION 9.09 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the substantive laws of the State of New York without regard to choice of law doctrines.

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

SECTION 9.11 Jurisdiction, Etc.

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

(b) Appointment of Process Agent. Kraft Foods agrees to appoint a Process Agent from the Effective Date through the repayment in full of all Obligations hereunder (i) to

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

(c) Waivers.

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

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

(iii) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN TRANSACTION OR THE LENDER/BORROWER RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY

HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 9.11(C) AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO OR ANY OF THE OTHER CREDIT DOCUMENTS OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE ADVANCES MADE HEREUNDER. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

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

SECTION 9.13 Integration. This Agreement and the Notes represent the agreement of Kraft Foods, the other Borrowers, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, Kraft Foods, the other Borrowers or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the Notes other than the matters referred to in Sections 2.09(b) and 9.04(a), the Fee Letter and any other fee letters entered into among Kraft Foods and the Joint Bookrunners, if any, and except for any confidentiality agreements entered into by Lenders in connection with this Agreement or the transactions contemplated hereby.

SECTION 9.14 USA Patriot Act Notice. The Administrative Agent and each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of each Borrower and other information that will allow such Lender to identify such Borrower in accordance with the Patriot Act.

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

KRAFT FOODS INC.

By: /s/ Mark Magnesen

Name: Mark Magnesen

Title: Senior Vice President and Treasurer

JPMORGAN CHASE BANK, N.A., as Co-
Administrative Agent, Paying Agent and Lender

By /s/ Tony Yung

Name: Tony Yung

Title: Executive Director

J.P. MORGAN SECURITIES LLC, as Joint Book-
runner and Joint Lead Arranger

By /s/ Thomas D. Cassin

Name: Thomas D. Cassin

Title: Managing Director

DEUTSCHE BANK SECURITIES INC., as Joint
Bookrunner and Joint Lead Arranger

By /s/ Heidi Sandquist

Name: Heidi Sandquist

Title: Director

By /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

DEUTSCHE BANK AG NEW YORK BRANCH,
as Co-Administrative Agent and Lender

By /s/ Heidi Sandquist

Name: Heidi Sandquist

Title: Director

By /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

CITIGROUP GLOBAL MARKETS INC., as Syndication
Agent, Joint Bookrunner and Joint Lead Arranger

By /s/ Shannon A. Sweeney
Name: Shannon A. Sweeney
Title: Authorized Signatory

CITIBANK, N.A., as Lender

By /s/ Carolyn A. Sheridan
Name: Carolyn A. Sheridan
Title: Managing Director

CREDIT SUISSE SECURITIES (USA) LLC, as
Co-Documentation Agent, Joint Bookrunner and
Joint Lead Arranger

By /s/ Joseph Kieffer

Name: Joseph Kieffer

Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as Lender

By /s/ Karl Studer

Name: Karl Studer

Title: Director

By /s/ Claudia Siffert

Name: Claudia Siffert

Title: Assistant Vice President

HSBC SECURITIES (USA) INC., as Co-
Documentation Agent, Joint Bookrunner and
Joint Lead Arranger

By /s/ Jay Schwartz
Name: Jay Schwartz
Title: Managing Director

HSBC BANK USA, N.A., as Lender

By /s/ Robert J Devir
Name: Robert J Devir
Title: Managing Director

By /s/ David Catherall

Name: David Catherall

Title: Director

BANCO BILBAO VIZCAYA ARGENTINA, S.A.
NEW YORK BRANCH, as Lender

By /s/ Gerald Lee

Name: Gerald Lee

Title: Director

By /s/ Matias Cruces

Name: Matias Cruces

Title: Senior Banker

By /s/ Nicole Conjares

Name: Nicole Conjares

Title: AVP

BNP PARIBAS, as Lender

By /s/ Curt Price

Name: Curt Price

Title: Managing Director

By /s/ Andrea Sanger

Name: Andrea Sanger

Title: Vice President

THE ROYAL BANK OF SCOTLAND PLC, as
Lender

By /s/ Michaela V. Galluzzo
Name: Michaela V. Galluzzo
Title: Director

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By /s/ Ambrish Thanawala

Name: Ambrish Thanawala

Title: Managing Director

By /s/ Irja R.Otsa

Name: Irja R.Otsa

Title: Associate Director

By /s/ Omar Musule

Name: Omar Musule

Title: Assistant Director

By /s/ Mark Walton

Name: Mark Walton

Title: Authorized Signatory

BANCO SANTANDER, S.A., NEW YORK
BRANCH, as Lender

By /s/ Jorge Saaveira

Name: Jorge Saaveira

Title: Executive Director

By /s/ Jesus Lopez

Name: Jesus Lopez

Title: Senior Vice President

By /s/ Robert Wurster

Name: Robert Wurster

Title: Senior Vice President

By /s/ Luca Sacchi

Name: Luca Sacchi

Title: Vice President

By /s/ Robert Gallagher

Name: Robert Gallagher

Title: Authorized Signatory

By /s/ Daniel R. Van Aken

Name: Daniel R. Van Aken

Title: Director

By /s/ Michelle C. Phillips

Name: Michelle C. Phillips

Title: Director

By /s/ Victor Pierchalski

Name: Victor Pierchalski

Title: Authorized Signatory

CoBANK, ACB, as Lender

By /s/ Rick J Metzger

Name: Rick J Metzger

Title: Vice President

CREDIT AGRICOLE CORPORATE AND INVESTMENT
BANK, as Lender

By /s/ David Cagle

Name: David Cagle

Title: Managing Director

By /s/ Brian Myers

Name: Brian Myers

Title: Managing Director

By /s/ Phil Kurpiewski

Name: Phil Kurpiewski

Title: Senior Vice President

By /s/ Kristin Riise

Name: Kristin Riise

Title: First Vice President

By /s/ Courtney A. Cloe

Name: Courtney A. Cloe

Title: Director

By /s/ Aidan Neill

Name: Aidan Neill

Title: Director

By /s/ Pádraig Matthews

Name: Pádraig Matthews

Title: Vice President

By /s/ Michael J. Kingsley

Name: Michael J. Kingsley

Title: Senior Vice President

By /s/ John A. Valiska

Name: John A. Valiska
Title: First Vice President

By /s/ Christoph Hoedl

Name: Christoph Hoedl
Title: First Vice President

THE STANDARD BANK OF SOUTH AFRICA LIMITED, as
Lender

By /s/ Helmut Engelbrecht

Name: Helmut Engelbrecht

Title: Head Investment Banking Africa

By /s/ Karen Bershtein

Name: Karen Bershtein

Title: Director

By /s/ Robert K. Reddington

Name: Robert K. Reddington

Title: Credit Documentation Manager

By /s/ Juan G. Sierra

Name: Juan G. Sierra

Title: Vice President

By /s/ Richard Johnson

Name: Richard Johnson
Title: Senior Vice President

By /s/ Mark Emmett

Name: Mark Emmett
Title: Vice President

By /s/ Navneet Khanna

Name: Navneet Khanna

Title: Vice President

SEPARATION AGREEMENT AND GENERAL RELEASE

Timothy R. McLevish ("McLevish") has served as Kraft Foods Inc.'s ("Kraft") Executive Vice President and Chief Financial Officer in Northfield, Illinois since October 2007. McLevish and Kraft have mutually agreed on the timing of McLevish's leaving Kraft's employ. In consideration for McLevish's agreement to continue employment with Kraft and assist in the transition of his duties to his successor, Kraft has offered McLevish benefits as set forth in this Agreement, including certain enhanced benefits to be received after separation, and McLevish has decided to accept Kraft's offer. Therefore, McLevish and Kraft both agree and promise as follows:

1. McLevish will continue to perform his regular job duties through the first quarter 2011 close process and filing of Kraft's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 with the Securities and Exchange Commission. Thereafter McLevish will assist in the transition of his duties to his successor. McLevish's last work day will be June 30, 2011 and his employment will terminate on that date. The date of McLevish's "separation from service" for purposes of Internal Revenue Code Section 409A, will be determined pursuant to the regulations issued under Section 409A, and, accordingly, he will receive a distribution of his Supplemental Thrift Plan benefit six (6) months following his separation from service, pursuant to Section 409A and the terms of the Supplemental Thrift Plan.

2. McLevish will receive the following Kraft Management Incentive Plan ("MIP") payment: a pro-rated 2011 MIP payment based on the period from January 1 through June 30, 2011 and paid on the basis of McLevish's individual target percentage and the actual business unit rating for Kraft for full fiscal 2011, as determined by the Human Resources and Compensation Committee of Kraft's Board of Directors (the "Committee") and consistent with the actual business unit rating applied to other Kraft executive officers tied solely to the Kraft rating at the time of payment. This MIP payment, less required deductions, will be made between January 1, 2012 and March 15, 2012. In addition, McLevish will receive the following Kraft Long-Term Incentive Plan ("LTIP") payments:

(a) Pro-rated 2009-2011 LTIP performance shares based on twenty-four (24) months and awarded on the basis of McLevish's individual target percentage and the actual Kraft LTIP rating, as determined by the Committee, and consistent with the actual business unit rating applied to other Kraft executive officers tied solely to the Kraft rating at the time of payment, at the end of the three-year performance period. The performance shares under this performance cycle will vest and be delivered to McLevish at the same time as the performance shares under this performance cycle for other direct reports to the Chief Executive Officer (the "CEO") vest and are delivered; but no earlier than January 1, 2012 and no later than March 15, 2012, and

(b) Pro-rated 2010-2012 LTIP performance shares based on twelve (12) months and awarded on the basis of McLevish's individual target percentage and the actual Kraft LTIP rating, as determined by the Committee, and consistent with the actual business unit

rating applied to other Kraft executive officers tied solely to the Kraft rating at the time of payment, at the end of the three-year performance period. These performance shares will vest and be delivered to McLevish at the same time as the performance shares under this performance cycle for other direct reports to the CEO vest and are delivered but no earlier than January 1, 2013 and no later than March 15, 2013.

3. McLevish will be entitled to exercise any vested outstanding stock options that he holds in Kraft Foods Inc. stock for a period of twelve (12) months following June 30, 2011. All stock options that are not vested as of June 30, 2011 will be forfeited. In addition, 66% of McLevish's 2009 Kraft restricted stock award will vest on February 17, 2012 and 33% of his 2010 Kraft restricted stock award will vest on February 22, 2013. All other outstanding unvested restricted shares will be forfeited.

4. If McLevish were to die prior to his receipt of the payments or stock due him pursuant to paragraphs 2 and 3 above, Kraft agrees to pay McLevish's surviving spouse (or estate if no surviving spouse) the payments and shares provided for in paragraph 2 above, provided that if the amount of the payments or shares described in paragraph 2 have not yet been determined at the time of McLevish's death, such payments will be made at such time as their amount has been determined in accordance with paragraph 2. In addition, McLevish's 2009 and 2010 restricted stock awards described in paragraph 3 above will immediately vest upon the date of death.

5. McLevish agrees to return all company property in his possession, including documents, manuals, handbooks, notes, keys and any other articles that are Kraft property that he has used in the course of his employment. Such property shall be returned no later than June 30, 2011 provided, that, if McLevish is not aware at such time that he has Kraft property, he shall return such property promptly upon discovery. McLevish may retain his rolodex and similar address books containing contact information (whether electronic or hard copy).

6. McLevish acknowledges that during the course of his employment with Kraft, he was entrusted with strategic, marketing, financial, product, manufacturing, technical and other proprietary information and material which are the property of Kraft. McLevish agrees that, from the date of this Agreement and following his separation from employment, he will not communicate or disclose to any third party, or use for his own account or for the account of any third party, without the prior written consent of Kraft, any of the aforementioned information or material, except as required by legal process or unless and until such information or material becomes generally available to the public through no fault of McLevish. Nothing herein shall preclude McLevish from using his general knowledge and expertise to fulfill job responsibilities with a new employer.

7. McLevish represents, warrants and agrees that for 24 months following his separation from employment, he will not: (a) directly or indirectly (whether as an employee, consultant, officer, director, partner, joint venturer, manager, member, principal, agent, independent contractor, individually, in concert with others, or in any other manner) provide services to any other company or entity whose businesses compete with any of the current Kraft businesses ("Competitive Business") without the prior

written consent of Kraft, provided, however, that it shall not be a violation of this paragraph for McLevish to provide services to a business unit of a Competitive Business as long as that business unit is not a Competitive Business. or (b) provide advice to any entity that is involved in, or seeking to be involved in, a transaction regarding Kraft. In addition, McLevish represents, warrants and agrees that for 24 months following the execution of this Agreement, he will not directly or indirectly solicit or engage any employee of Kraft to leave Kraft to accept work (whether as an employee, independent contractor or in any other status) for any other entity without obtaining the prior written consent of Kraft, nor will he provide a reference for any Kraft employee. Any consent by Kraft required under this paragraph will not be unreasonably withheld.

McLevish acknowledges and agrees that Kraft's business is global and that the covenants, duties and obligations set forth in this Agreement are reasonable and necessary to protect Kraft's legitimate business interests, are reasonable in duration and scope, have been agreed upon through arms-length negotiations, and further, the consideration given for McLevish's agreement to the covenants set forth above is considerable and McLevish will not suffer a financial hardship if he is not permitted to perform the activities set forth above.

If any restriction contained in this paragraph shall be deemed to be invalid or unenforceable by reason of extent, duration, geographic scope thereof, then the extent, duration and geographic scope of such restriction shall be deemed to be reduced to the fullest extent, duration and geographic scope permitted by law.

8. McLevish agrees that, in discussing his relationship with Kraft and its affiliated and parent companies and their business and affairs, he will not disparage, discredit or otherwise treat in a detrimental manner Kraft, its affiliated companies or their officers, directors and employees, which includes casting in a negative light Kraft's officers and directors or Kraft's business, organization, strategies, plans, and future business outlook. Kraft agrees that, in discussing its relationship with McLevish, Kraft's officers and directors will not disparage or discredit him or otherwise treat him in a detrimental way. The foregoing shall not be violated by truthful legal testimony, normal competitive type statements, statements made without intent to damage the other party or statements made to rebut statements made by the other party.

9. Should McLevish violate any of his obligations set forth in this Agreement from the effective date of this Agreement until the expiration of his non-compete period as set forth in paragraph 7 above, he will be obligated to pay back to Kraft, on an after tax basis, all cash payments and the value of shares of Kraft stock received pursuant to paragraph 3 of this Agreement and, in addition, Kraft will have no obligation to pay McLevish any payments or vest any stock that may be remaining due under this Agreement. This will be in addition to any other remedy that Kraft may have with respect to McLevish's breach.

10. McLevish agrees to keep the terms and substance of this Agreement confidential, and, notwithstanding any filing of this Agreement with the SEC, that he will not disclose the terms of this Agreement or matters out of which it arises to anyone,

except his immediate family, his financial advisors, his attorneys, or as may be required by law.

11. McLevish agrees to reasonably cooperate with Kraft and its affiliated companies in the defense of any matter in which he was involved (other than with regard to a claim brought by him against Kraft or Kraft against him) during his employment and to make himself reasonably available as required by Kraft or its affiliated companies or their counsel, subject to McLevish's other commitments. In the event such a matter arises, Kraft or its affiliated companies will be solely responsible for all costs and fees which may be incurred and will continue to indemnify McLevish to the fullest extent permitted by law for all actions taken by him as an employee and/or officer of Kraft. If time incurred by McLevish on Kraft's behalf becomes substantial, Kraft shall pay McLevish a fee for his time and effort, such fee to be mutually determined by Kraft and McLevish.

Kraft agrees to take all reasonable steps to facilitate McLevish's a) resignation or removal from all officerships and directorships of Kraft and its affiliated companies that he holds by virtue of his employment by Kraft, b) resignation or removal from all fiduciary positions or roles that he holds by virtue of his employment by Kraft, c) removal as an authorized signer on Kraft or its affiliated companies' bank accounts, and d) resignation or removal from all positions or roles he holds in connection with any Kraft employee benefit plans.

12. In the event either McLevish or Kraft contests the interpretation or application of any of the terms of this Agreement, the complaining party shall notify the other in writing of the provision that is being contested. If the parties cannot satisfactorily resolve the dispute within thirty (30) days, the matter will be submitted to arbitration. An arbitrator will be chosen pursuant to the American Arbitration Association's ("AAA") Employment Arbitration Rules and Mediation Procedures from a panel submitted by the AAA Chicago, IL office and the hearing shall be held at a mutually agreeable location in the Chicago metropolitan area. The arbitrator's fees and expenses and filing fees shall be borne equally by McLevish and Kraft. The arbitrator shall issue a written award which shall be final and binding upon the parties.

13. McLevish is aware of his legal rights concerning his employment with Kraft. In consideration for the benefits being provided to McLevish hereunder, McLevish (for himself, his heirs, legal representatives and assigns) hereby waives, and generally releases Kraft, its affiliated companies and their officers, directors, agents, and employees from, and agrees not to sue them for any claims or causes of action arising out of his employment relationship with Kraft or the separation from that employment that exists to date. This includes, but is not limited to, all claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act, or any other federal, state or local law dealing with employment discrimination, and claims for breach of contract and wrongful discharge; provided, however, that this release shall not waive any rights that McLevish may have to enforce the terms of this Agreement, any rights that McLevish may have to benefits under any Kraft employee benefit plan, or any rights



June 28, 2011

To: Timothy McLevish

From: Karen May

Re: Amendment to Separation Agreement and General Release

Tim, pursuant to the Separation Agreement and General Release you signed on April 6, 2011, it was agreed that your last work day at Kraft would be June 30, 2011 and that your employment would terminate on that date. Kraft has requested, and you have agreed, to extend this date until September 30, 2011. All references to June 30, 2011 in the agreement will now reflect September 30, 2011. Please sign a copy of this letter and return it to me to acknowledge your agreement with this extension.

Agreed to this 28th day of June, 2011.

/s/ Timothy R. McLevish

Timothy R. McLevish

Kraft Foods Inc. and Subsidiaries
Computation of Ratios of Earnings to Fixed Charges
(in millions of dollars)

	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2011
Earnings from continuing operations before income taxes	\$ 1,365	\$ 2,565
Add / (Deduct):		
Equity in net earnings of less than 50% owned affiliates	(20)	(42)
Dividends from less than 50% owned affiliates	2	51
Fixed charges	505	1,006
Interest capitalized, net of amortization	—	—
Earnings available for fixed charges	<u>\$ 1,852</u>	<u>\$ 3,580</u>
Fixed charges:		
Interest incurred:		
Interest expense	\$ 465	\$ 927
Capitalized interest	<u>1</u>	<u>1</u>
	466	928
Portion of rent expense deemed to represent interest factor	<u>39</u>	<u>78</u>
Fixed charges	<u>\$ 505</u>	<u>\$ 1,006</u>
Ratio of earnings to fixed charges	<u>3.7</u>	<u>3.6</u>

August 5, 2011

Board of Directors
Kraft Foods Inc.
Three Lakes Drive
Northfield, IL 60093

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to your Form 10-Q filing pursuant to Item 601 of Regulation S-K.

We have been provided a copy of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2011. Note 1 therein describes a change in accounting principle related to the removal of the two-week reporting lag for certain of the Company's locations outside of the United States. It should be understood that the preferability of one acceptable method of accounting over another for consolidating foreign operations has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, the adoption of a preferable accounting principle in conformity with Accounting Standards Codification 250, *Accounting Changes and Error Corrections*.

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2010. Accordingly, our comments are subject to change upon completion of an audit of the financial statements covering the period of the accounting change.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Certification

I, Irene B. Rosenfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2011

/s/ IRENE B. ROSENFELD
Irene B. Rosenfeld
Chairman and Chief Executive Officer

Certification

I, David A. Brearton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2011

/s/ DAVID A. BREARTON
David A. Brearton
Executive Vice President and
Chief Financial Officer

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Irene B. Rosenfeld, Chairman and Chief Executive Officer of Kraft Foods Inc. ("Kraft Foods"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft Foods' Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft Foods' Quarterly Report on Form 10-Q fairly presents in all material respects Kraft Foods' financial condition and results of operations.

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer
August 5, 2011

I, David A. Brearton, Executive Vice President and Chief Financial Officer of Kraft Foods Inc. ("Kraft Foods"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft Foods' Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft Foods' Quarterly Report on Form 10-Q fairly presents in all material respects Kraft Foods' financial condition and results of operations.

/s/ DAVID A. BREARTON

David A. Brearton
Executive Vice President and
Chief Financial Officer
August 5, 2011

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.