

---

---

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

---

**FORM 8-K**

---

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): August 4, 2009**

---

**KRAFT FOODS INC.**

(Exact name of registrant as specified in its charter)

---

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

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

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

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

**60093-2753**  
(Zip Code)

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

**Not Applicable**  
(Former name or former address, if changed since last report.)

---

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

**Item 2.02. Results of Operations and Financial Condition.**

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

On August 4, 2009, Kraft Foods Inc., a Virginia corporation, issued a press release announcing earnings for the second quarter ended June 30, 2009. A copy of the earnings press release is furnished as Exhibit 99.1 to this report.

We report our financial results in accordance with accounting principles generally accepted in the United States (“GAAP”).

Our top-line guidance measure is organic net revenues, which excludes the impact of acquisitions, divestitures and currency. We use organic net revenues and corresponding growth ratios as non-GAAP financial measures. Management believes this measure better reflects revenues on a going-forward basis and provides improved comparability of results.

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 marketing, administration and research costs), general corporate expenses (which are a component of marketing, administration and research costs) and amortization of intangibles for all periods presented. In 2009, we began excluding certain components of our U.S. pension plan cost from segment operating income because we centrally manage pension plan funding decisions, and determine 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. We exclude the unrealized gains and losses on hedging activities from segment operating income to provide better transparency of our segment operating results. Once realized, the gains and losses on hedging activities are recorded within segment operating results. Accordingly, we do not present these items by segment because they are excluded from the segment profitability measure that management reviews. Additionally, “certain commodity hedging activities” include the timing impacts of realized gains and losses on commodity hedges that were intended to cover transactions outside of the current quarter.

Our five-year Restructuring Program, which ended in 2008, included asset impairment, exit and implementation costs. Implementation costs are directly attributable to exit costs; however, they do not qualify for exit cost treatment under U.S. GAAP. Management believes this disclosure provides better transparency into the total costs of our Restructuring Program.

We use discretionary cash flow as our primary cash flow metric as it represents the controllable cash flows from operations. For the six months ended June 30, 2009, discretionary cash flow was \$1,446 million, and is defined as cash flow from operations (\$1,720 million) less capital expenditures (\$474 million) plus voluntary pension contributions (\$200 million). Management believes it shows the financial health of and how efficiently we are running the company.

See the schedules attached to our earnings press release for supplemental financial data and corresponding reconciliations to certain GAAP financial measures for the quarters ended June 30, 2009 and 2008. Because GAAP financial measures on a forward-looking basis are neither accessible nor deemed to be significantly different, and reconciling information is not available without unreasonable effort, with regard to the non-GAAP financial measures in our 2009 Outlook, we have not provided that information. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our results prepared in accordance with GAAP. In addition, the non-GAAP measures we use may differ from non-GAAP measures used by other companies.

**Item 9.01. Financial Statements and Exhibits.**

(d) The following exhibit is being furnished with this Current Report on Form 8-K.

| <u>Exhibit<br/>Number</u> | <u>Description</u>                                    |
|---------------------------|---|
| 99.1                      | Kraft Foods Inc. Press Release, dated August 4, 2009. |

**SIGNATURE**

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

Date: August 3, 2009

KRAFT FOODS INC.

/s/ Timothy R. McLevish

Name: Timothy R. McLevish

Title: Executive Vice President and Chief Financial Officer



**Contacts:** Michael Mitchell (Media)  
 +1-847-646-4538  
[news@kraft.com](mailto:news@kraft.com)

Christopher M. Jakubik (Investors)  
 +1-847-646-5494  
[ir@kraft.com](mailto:ir@kraft.com)

**KRAFT FOODS REPORTS Q2 EPS FROM CONTINUING OPERATIONS UP 27% TO \$0.56,  
 FUELED BY BROAD-BASED OPERATING GAINS**

- *Net revenues declined 5.9% due to currency; organic net revenues<sup>1</sup> up 2.9%*
- *Operating income increased 7.6%; margin expanded 190 basis points*
- *Outlook for 2009 diluted EPS raised to at least \$1.93 from \$1.88*

NORTHFIELD, Ill. – Aug. 4, 2009 – Kraft Foods Inc. (NYSE: KFT) today reported strong second quarter 2009 results fueled by solid performance across all geographies. Organic net revenue growth reflected the impact of cost-driven pricing actions taken in 2008, positive volume/mix and the benefits of incremental investments in brand building. Income growth and margin expansion were driven by lower costs due to the completion of the 2004-2008 Restructuring Program, improved product mix and lower fixed manufacturing costs.

“The investments we’ve made over the past three years are driving solid business momentum in a challenging economic environment,” said Irene Rosenfeld, Chairman and CEO. “We’re on track to deliver strong top- and bottom-line results, restore our profit margins to industry averages and consistently deliver against our long-term earnings growth target of 7 to 9 percent.”

- **Net revenues** declined 5.9 percent to \$10.2 billion, including the unfavorable impact of 8.1 percentage points from currency and 0.7 percentage points from divestitures.

Organic net revenues grew 2.9 percent, driven by 2.7 percentage points from pricing and 0.2 percentage points from volume/mix. The favorable impact from the shift of Easter-related shipments into the second quarter this year was more than offset by the cumulative effect of the planned discontinuation of less-profitable product lines over the past year.

<sup>1</sup> Please see discussion of Non-GAAP Financial Measures.

- **Operating income** increased 7.6 percent from the prior year to \$1,531 million. Lower costs due to the completion of the Restructuring Program accounted for 10.0 percentage points of growth, partially offset by a negative 8.2 percentage point impact due to currency translation.

The company delivered this strong increase in operating income despite an unfavorable impact of about 9 percentage points from gains in second quarter 2008. Specifically, second quarter 2008 benefited from approximately \$90 million<sup>2</sup> more of gains due to certain commodity hedging activities and a \$40 million value added tax credit in Brazil.

Operating income margin increased 190 basis points year-over-year to 15.1 percent. Approximately 130 basis points of the improvement were attributable to lower costs due to the completion of the Restructuring Program, while approximately 50 basis points were attributable to favorable product mix.

- The **tax rate** of 32.0 percent was down from 37.9 percent in the prior year period due to the timing of discrete items in both years.
- **Earnings per share** were \$0.56, up from \$0.49 in second quarter 2008.

|   | <u>Diluted EPS</u> |
|---|--------------------|
| <b>Second Quarter 2008 Diluted EPS</b>                            | <b>\$ 0.49</b>     |
| Discontinued Operations   | (0.05)             |
| <b>Second Quarter 2008 Diluted EPS from Continuing Operations</b> | <b>\$ 0.44</b>     |
| Operating Gains   | 0.05               |
| Absence of Brazilian VAT Credit                                   | (0.02)             |
| Unfavorable Foreign Currency                                      | (0.06)             |
| Lower Unrealized Gains from Commodity Hedging Activities          | (0.02)             |
| Lower Restructuring Program Costs                                 | 0.07               |
| Net Change in Gains/Losses on Divestitures                        | 0.03               |
| Lower Interest Expense  | 0.01               |
| Changes in Taxes  | 0.04               |
| Fewer Shares Outstanding  | 0.02               |
| <b>Second Quarter 2009 Diluted EPS</b>                            | <b>\$ 0.56</b>     |

<sup>2</sup> This amount included approximately \$40 million of lower unrealized gains and approximately \$50 million of lower realized gains from certain commodity hedging activities.

Operating gains of \$0.05 versus the prior year overcame the unfavorable impact of about \$0.02 from incremental pension costs as well as approximately \$0.02 of benefits in the prior year from realized gains from certain commodity hedging activities.

- **Discretionary cash flow<sup>1</sup>** for the first six months of 2009 was approximately \$1.4 billion, nearly double that of the first six months of 2008. The increase primarily reflects improved working capital management and lower capital expenditures.

## SECOND QUARTER 2009 RESULTS, DISCUSSION BY SEGMENT<sup>3</sup>

|                                       | Q2 2009<br>(percent growth) |   |                         |
|---------------------------------------|-----------------------------|---|-------------------------|
|                                       | Net<br>Revenues             | Organic<br>Net<br>Revenues <sup>1</sup> | Operating<br>Income     |
| <b>Total Kraft Foods</b>              | <b>(5.9)%</b>               | <b>2.9%</b>                             | <b>7.6%<sup>4</sup></b> |
| <b>Kraft Foods North America</b>      | <b>0.0</b>                  | <b>1.8</b>                              | <b>10.0</b>             |
| U.S. Beverages                        | 6.0                         | 6.0                                     | 9.6                     |
| U.S. Cheese                           | (8.7)                       | (8.7)                                   | 16.1                    |
| U.S. Convenient Meals                 | 7.1                         | 7.1                                     | 36.9                    |
| U.S. Grocery                          | 6.7                         | 6.7                                     | 10.8                    |
| U.S. Snacks                           | 1.3                         | 1.3                                     | (7.7)                   |
| Canada & N.A. Foodservice             | (10.0)                      | (0.5)                                   | 10.7                    |
| <b>Kraft Foods Europe</b>             | <b>(17.4)</b>               | <b>0.4</b>                              | <b>90.8</b>             |
| <b>Kraft Foods Developing Markets</b> | <b>(9.8)</b>                | <b>9.3</b>                              | <b>2.8</b>              |

### U.S. Beverages

Organic net revenues increased 6.0 percent as volume/mix growth was partially offset by lower price levels. Ready-to-drink beverages grew at a double-digit rate behind successful quality and marketing investments in *Capri Sun*. Coffee grew primarily due to strong growth in *Maxwell House*, aided, in part, by the Easter shift.

<sup>1</sup> Please see discussion of Non-GAAP Financial Measures.

<sup>3</sup> Please refer to the company's Form 8-K filed March 26, 2009, for discussion of changes to reportable segments.

<sup>4</sup> Includes the year-over-year changes in unallocated corporate expenses, unrealized gains/losses related to the company's hedging activities, certain components of its U.S. pension plan costs and the amortization of intangibles.

Operating income increased 9.6 percent as improved volume/mix and lower costs due to the completion of the Restructuring Program were partially offset by incremental marketing investments.

#### **U.S. Cheese**

Organic net revenues declined 8.7 percent driven primarily by an 8.0 percentage point reduction from pricing in response to significantly lower dairy costs. Solid volume growth in *Kraft Singles* processed slices, *Velveeta* processed cheese and *Philadelphia* cream cheese was largely offset by declines in other cheese categories. The Easter shift favorably impacted growth by approximately two percentage points.

Operating income grew 16.1 percent as the benefits of improved alignment of prices with costs, reflecting the company's adaptive pricing model in natural cheese, more than offset higher marketing investments.

#### **U.S. Convenient Meals**

Organic net revenues increased 7.1 percent reflecting the impact of higher price levels and improved volume/mix. *DiGiorno* pizza and *Oscar Mayer Deli Fresh* meats each grew 20 percent or more. *Oscar Mayer Deli Creations* and new products, such as *DiGiorno Crispy Flatbread* pizzas and *DiGiorno* and *California Pizza Kitchen Flatbread Melts* sandwiches, also fueled the growth. The planned discontinuation of less-profitable product lines, partially offset by the impact of the Easter shift, slowed growth by approximately one percentage point.

Operating income increased 36.9 percent as improved alignment of prices with costs and favorable volume/mix more than offset higher marketing costs.

#### **U.S. Grocery**

Organic net revenues increased 6.7 percent from higher price levels and favorable volume/mix, primarily driven by double-digit volume growth in *Kraft* macaroni and cheese dinners.

Operating income increased 10.8 percent as the benefits of improved alignment of prices with costs more than offset higher marketing costs.

#### **U.S. Snacks**

Organic net revenues increased 1.3 percent driven by both higher price levels and improved volume/mix. Biscuits grew about five percent, driven by strong performance in the top five brands: *Oreo*, *Chips Ahoy!*, *Ritz*, *Wheat Thins* and *Triscuit*. Organic net revenue for both nuts and bars declined. The favorable impact of the Easter shift was offset



by the unfavorable carryover impact of recalling certain products containing pistachios during the first quarter.

Operating income decreased 7.7 percent due to approximately \$40 million in lower realized gains on certain commodity hedging activities. Excluding these prior year gains, operating income increased as lower overhead and marketing costs, favorable volume/mix and higher price levels more than offset higher input costs.

#### **Canada & North America Foodservice**

Organic net revenues declined 0.5 percent as growth in Canada was more than offset by lower revenues in North America Foodservice. Growth in Canada was driven by higher price levels and continued volume/mix improvements from marketing investments and more effective customer programs. North America Foodservice declined due to unfavorable volume/mix, reflecting an industrywide decrease in casual dining traffic and the planned discontinuation of a less-profitable product line.

Operating income increased 10.7 percent despite an unfavorable currency impact of approximately 13 percentage points. The increase was driven by lower costs due to the completion of the Restructuring Program, higher price levels, lower overhead and marketing costs and solid operating performance in Canada. These gains were partially offset by higher input costs as well as lower volumes in North America Foodservice.

#### **Kraft Foods Europe**

Organic net revenues increased 0.4 percent reflecting higher price levels, partially offset by lower volume/mix that was due, in part, to management's decision to forego unprofitable volume. Strong growth of *Milka* and *Freia Marabou* as well as higher price levels drove the increase in chocolate. Double-digit growth of *Kenco*, *Gevalia* and *Tassimo* drove growth in coffee. Biscuits declined as the impact of weakening economic conditions was partially offset by solid growth in regional priority brands and share gains in the United Kingdom and Belgium.

Operating income nearly doubled despite an approximately 28 percentage point unfavorable impact from currency. The increase was largely driven by higher price levels and lower input and manufacturing costs, lower costs due to the completion of the Restructuring Program and lower net losses on divestitures. These gains more than offset higher investments in cost-savings initiatives and marketing.

## **Kraft Foods Developing Markets**

Organic net revenues increased 9.3 percent driven by solid gains from priority brands in each region.

- In Latin America, the top five brands collectively grew more than 25 percent, including more than 30 percent growth in both *Tang* powdered beverages and *Lacta* chocolate.
- In Asia Pacific, growth was driven by higher price levels and strength in the priority brands, particularly *Oreo* cookies and *Tang*.
- In Central and Eastern Europe, Middle East & Africa, higher price levels and strength in the priority brands drove growth. Priority brands collectively grew at double-digit rates, with particularly strong performances from *Tang*, *Jacobs* coffee and *Milka* chocolate.

Operating income increased 2.8 percent despite an unfavorable currency impact of approximately 18 percentage points. Excluding currency, a combination of higher price levels, lower fixed manufacturing costs, lower costs due to the completion of the Restructuring Program and improved volume/mix more than offset higher input costs, investments in marketing and selling and the absence of a \$40 million benefit from a value added tax credit in Brazil in the prior year.

## **OUTLOOK**

Kraft Foods increased its guidance for 2009 diluted earnings per share to at least \$1.93 versus the prior expectation of \$1.88. This guidance reflects strong year-to-date performance as well as incremental investments in marketing and cost-savings initiatives to drive future growth.

The company's outlook for 2009 organic net revenue growth of approximately 3 percent and a 31.5 percent full-year effective tax rate remain unchanged.

## **CONFERENCE CALL**

Kraft Foods will host a conference call for investors with accompanying slides to review its results at 5 p.m. EDT today. Access to a live audio webcast with accompanying slides is available at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com), and a replay of the event will be available on the company's web site.

## ABOUT KRAFT FOODS INC.

Kraft Foods ([www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)) makes today delicious in 150 countries around the globe. Our 100,000 employees work tirelessly to make delicious foods consumers can feel good about. From American brand icons like *Kraft* cheeses, dinners and dressings, *Maxwell House* coffees and *Oscar Mayer* meats, to global powerhouse brands like *Oreo* and *LU* biscuits, *Philadelphia* cream cheeses, *Jacobs* and *Carte Noire* coffees, *Tang* powdered beverages and *Milka*, *Côte d'Or*, *Lacta* and *Toblerone* chocolates, our brands deliver millions of smiles every day. Kraft Foods (NYSE: KFT) is the world's second largest food company with annual revenues of \$42 billion. The company is a member of the Dow Jones Industrial Average, Standard & Poor's 500, the Dow Jones Sustainability Index and the Ethibel Sustainability Index.

## FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our outlook for 2009 diluted EPS; that the investments we've made over the last three years are driving solid business momentum; that we're on track to deliver strong top- and bottom-line results, to restore our profit margins to industry averages and consistently deliver against our long-term earnings growth target of 7 to 9 percent; that our increase in 2009 diluted EPS reflects strong year-to-date performance as well as incremental investments in marketing and cost-savings initiatives to drive future growth; our outlook for 2009 net revenue growth of approximately 3 percent; and our full-year effective tax rate. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statements. Such factors, include, but are not limited to, continued volatility in input costs, pricing actions, increased competition, increased costs of sales, a shift to private label products, risks from operating internationally, and tax law changes. For additional information on these and other factors that could affect our forward-looking statements, see 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 press release.

## NON-GAAP FINANCIAL MEASURES

The company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP").

The company's top-line guidance measure is organic net revenues, which excludes the impact of acquisitions, divestitures and currency. The company uses organic net revenues and corresponding growth ratios as non-GAAP financial measures. Management believes this

measure better reflects revenues on a going-forward basis and provides improved comparability of results.

Management uses segment operating income to evaluate segment performance and allocate resources. The company believes 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 its U.S. pension plan cost (which is a component of cost of sales and marketing, administration and research costs), general corporate expenses (which are a component of marketing, administration and research costs) and amortization of intangibles for all periods presented. In 2009, the company began excluding certain components of its U.S. pension plan cost from segment operating income because the company centrally manages pension plan funding decisions, and determines discount rate, expected rate of return on plan assets and other actuarial assumptions. Therefore, the company allocates only the service cost component of its U.S. pension plan expense to segment operating income. The company excludes the unrealized gains and losses on hedging activities from segment operating income to provide better transparency of its segment operating results. Once realized, the gains and losses on hedging activities are recorded within segment operating results. Accordingly, the company does not present these items by segment because they are excluded from the segment profitability measure that management reviews. Additionally, "certain commodity hedging activities" include the timing impacts of realized gains and losses on commodity hedges that were intended to cover transactions outside of the current quarter.

The company's five-year Restructuring Program, which ended in 2008, included asset impairment, exit and implementation costs. Implementation costs are directly attributable to exit costs; however, they do not qualify for exit cost treatment under U.S. GAAP. Management believes this disclosure provides better transparency into the total costs of our Restructuring Program.

The company uses discretionary cash flow as its primary cash flow metric as it represents the controllable cash flows from operations. For the six months ended June 30, 2009, discretionary cash flow was \$1,446 million, and is defined as cash flow from operations (\$1,720 million) less capital expenditures (\$474 million) plus voluntary pension contributions (\$200 million). Management believes it shows the financial health of and how efficiently we are running the company.

See the attached schedules for supplemental financial data and corresponding reconciliations to certain GAAP financial measures for the quarters ended June 30, 2009 and 2008. Because GAAP financial measures on a forward-looking basis are neither accessible nor deemed to be significantly different, and reconciling information is not

available without unreasonable effort, with regard to the non-GAAP financial measures in its 2009 Outlook, the company has not provided that information. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the company's results prepared in accordance with GAAP. In addition, the non-GAAP measures the company is using may differ from non-GAAP measures used by other companies.

###

Kraft Foods Inc. and Subsidiaries  
Condensed Statements of Earnings  
**For the Three Months Ended June 30,**  
(in millions, except per share data) (Unaudited)

|  | As Reported (GAAP) |                |          |
|--|--------------------|----------------|----------|
|  | 2009               | 2008           | % Change |
| Net revenues   | \$10,162           | \$10,804       | (5.9)%   |
| Cost of sales  | 6,497              | 6,936          | 6.3%     |
| Gross profit   | 3,665              | 3,868          | (5.2)%   |
| Gross profit margin  | 36.1%              | 35.8%          |          |
| Marketing, administration & research costs                 | 2,140              | 2,264          | 5.5%     |
| Asset impairment and exit costs                            | (26)               | 103            | 100.0+%  |
| (Gains) / losses on divestitures, net                      | 17                 | 74             | 77.0%    |
| Amortization of intangibles                                | 3                  | 4              | 25.0%    |
| Operating income   | 1,531              | 1,423          | 7.6%     |
| Operating income margin                                    | 15.1%              | 13.2%          |          |
| Interest & other expense, net                              | 312                | 331            | 5.7%     |
| Earnings from continuing operations before income taxes    | 1,219              | 1,092          | 11.6%    |
| Provision for income taxes                                 | 390                | 414            | 5.8%     |
| Effective tax rate   | 32.0%              | 37.9%          |          |
| Earnings from continuing operations                        | \$ 829             | 678            | 22.3%    |
| Earnings from discontinued operations, net of income taxes | —                  | 69             | (100.0)% |
| Net earnings   | \$ 829             | \$ 747         | 11.0%    |
| Noncontrolling interest                                    | 2                  | 2              | —        |
| Net earnings attributable to Kraft Foods                   | <u>\$ 827</u>      | <u>\$ 745</u>  | 11.0%    |
| Earnings per share attributable to Kraft Foods:            |                    |                |          |
| Basic  |                    |                |          |
| - Continuing operations                                    | \$ 0.56            | \$ 0.44        | 27.3%    |
| - Discontinued operations                                  | —                  | 0.05           | (100.0)% |
| - Net earnings attributable to Kraft Foods                 | <u>\$ 0.56</u>     | <u>\$ 0.49</u> | 14.3%    |
| Diluted  |                    |                |          |
| - Continuing operations                                    | \$ 0.56            | \$ 0.44        | 27.3%    |
| - Discontinued operations                                  | —                  | 0.05           | (100.0)% |
| - Net earnings attributable to Kraft Foods                 | <u>\$ 0.56</u>     | <u>\$ 0.49</u> | 14.3%    |
| Average shares outstanding:                                |                    |                |          |
| Basic  | 1,478              | 1,522          | 2.9%     |
| Diluted  | 1,484              | 1,532          | 3.1%     |

Kraft Foods Inc. and Subsidiaries  
Reconciliation of GAAP to Non-GAAP Information  
Net Revenues  
For the Three Months Ended June 30,  
(\$ in millions) (Unaudited)

|                           | As Reported<br>(GAAP) | Impact of<br>Divestitures | Impact of<br>Currency | Organic<br>(Non-GAAP) | % Change              |                       | Organic Growth Drivers |              |
|---------------------------|-----------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|--------------|
|                           |                       |                           |                       |                       | As Reported<br>(GAAP) | Organic<br>(Non-GAAP) | Vol / Mix              | Price        |
| <b>2009</b>               |                       |                           |                       |                       |                       |                       |                        |              |
| U.S. Beverages            | \$ 836                | \$ —                      | \$ —                  | \$ 836                | 6.0%                  | 6.0%                  | 6.5pp                  | (0.5)pp      |
| U.S. Cheese               | 887                   | —                         | —                     | 887                   | (8.7)%                | (8.7)%                | (0.7)                  | (8.0)        |
| U.S. Convenient Meals     | 1,166                 | —                         | —                     | 1,166                 | 7.1%                  | 7.1%                  | 2.3                    | 4.8          |
| U.S. Grocery              | 973                   | —                         | —                     | 973                   | 6.7%                  | 6.7%                  | 0.7                    | 6.0          |
| U.S. Snacks               | 1,288                 | —                         | —                     | 1,288                 | 1.3%                  | 1.3%                  | 0.6                    | 0.7          |
| Canada & N.A. Foodservice | 1,027                 | —                         | 108                   | 1,135                 | (10.0)%               | (0.5)%                | (2.1)                  | 1.6          |
| <b>North America</b>      | <b>\$ 6,177</b>       | <b>\$ —</b>               | <b>\$ 108</b>         | <b>\$ 6,285</b>       | <b>0.0%</b>           | <b>1.8%</b>           | <b>1.0</b>             | <b>0.8</b>   |
| <b>Europe</b>             | <b>2,083</b>          | <b>—</b>                  | <b>377</b>            | <b>2,460</b>          | <b>(17.4)%</b>        | <b>0.4%</b>           | <b>(1.6)</b>           | <b>2.0</b>   |
| <b>Developing Markets</b> | <b>1,902</b>          | <b>(5)</b>                | <b>391</b>            | <b>2,288</b>          | <b>(9.8)%</b>         | <b>9.3%</b>           | <b>0.4</b>             | <b>8.9</b>   |
| <b>Kraft Foods</b>        | <b>\$ 10,162</b>      | <b>\$ (5)</b>             | <b>\$ 876</b>         | <b>\$ 11,033</b>      | <b>(5.9)%</b>         | <b>2.9%</b>           | <b>0.2pp</b>           | <b>2.7pp</b> |
| <b>2008 (As Restated)</b> |                       |                           |                       |                       |                       |                       |                        |              |
| U.S. Beverages            | \$ 789                | \$ —                      | \$ —                  | \$ 789                |                       |                       |                        |              |
| U.S. Cheese               | 972                   | —                         | —                     | 972                   |                       |                       |                        |              |
| U.S. Convenient Meals     | 1,089                 | —                         | —                     | 1,089                 |                       |                       |                        |              |
| U.S. Grocery              | 912                   | —                         | —                     | 912                   |                       |                       |                        |              |
| U.S. Snacks               | 1,272                 | —                         | —                     | 1,272                 |                       |                       |                        |              |
| Canada & N.A. Foodservice | 1,141                 | —                         | —                     | 1,141                 |                       |                       |                        |              |
| <b>North America</b>      | <b>\$ 6,175</b>       | <b>\$ —</b>               | <b>\$ —</b>           | <b>\$ 6,175</b>       |                       |                       |                        |              |
| <b>Europe</b>             | <b>2,521</b>          | <b>(72)</b>               | <b>—</b>              | <b>2,449</b>          |                       |                       |                        |              |
| <b>Developing Markets</b> | <b>2,108</b>          | <b>(14)</b>               | <b>—</b>              | <b>2,094</b>          |                       |                       |                        |              |
| <b>Kraft Foods</b>        | <b>\$ 10,804</b>      | <b>\$ (86)</b>            | <b>\$ —</b>           | <b>\$ 10,718</b>      |                       |                       |                        |              |

Kraft Foods Inc. and Subsidiaries  
Operating Income by Reportable Segments  
**For the Three Months Ended June 30,**  
(\$ in millions) (Unaudited)

|  | 2008<br>Operating<br>Income -<br>As Restated<br>(GAAP) | 2008 Impacts                      |  | 2009 Impacts          |                                       |  |                           | 2009<br>Operating<br>Income -<br>As Reported<br>(GAAP) | % Change        |              |
|--|--|-----------------------------------|--|-----------------------|---------------------------------------|--|---------------------------|--|-----------------|--------------|
|  |  | Restructuring<br>Program<br>Costs | (Gains) /<br>Losses on<br>Divestitures,<br>Net | Impact of<br>Currency | Asset<br>Impairment &<br>Exit Costs * | Gains /<br>(Losses) on<br>Divestitures,<br>Net | Impact of<br>Divestitures |  |                 | Operations   |
| U.S. Beverages                               | \$ 135   | \$ 8                              | \$ —   | \$ —                  | \$ —                                  | \$ —   | \$ —                      | \$ 5   | \$ 148          | 9.6%         |
| U.S. Cheese                                  | 143  | 2                                 | —  | —                     | —                                     | —  | —                         | 21   | 166             | 16.1%        |
| U.S. Convenient<br>Meals                     | 103  | 1                                 | —  | —                     | —                                     | —  | —                         | 37   | 141             | 36.9%        |
| U.S. Grocery                                 | 306  | 4                                 | —  | —                     | —                                     | —  | —                         | 29   | 339             | 10.8%        |
| U.S. Snacks                                  | 222  | 3                                 | —  | —                     | —                                     | —  | —                         | (20)   | 205             | (7.7)%       |
| Canada & N.A.<br>Foodservice                 | 131  | 29                                | —  | (21)                  | —                                     | —  | —                         | 6  | 145             | 10.7%        |
| <b>North America</b>                         | <b>1,040</b>   | <b>47</b>                         | <b>—</b>                                       | <b>(21)</b>           | <b>—</b>                              | <b>—</b>                                       | <b>—</b>                  | <b>78</b>  | <b>1,144</b>    | <b>10.0%</b> |
| <b>Europe</b>                                | <b>109</b>   | <b>43</b>                         | <b>74</b>                                      | <b>(62)</b>           | <b>26</b>                             | <b>(17)</b>                                    | <b>(9)</b>                | <b>44</b>  | <b>208</b>      | <b>90.8%</b> |
| <b>Developing Markets</b>                    | <b>246</b>   | <b>31</b>                         | <b>—</b>                                       | <b>(50)</b>           | <b>—</b>                              | <b>—</b>                                       | <b>(2)</b>                | <b>28</b>  | <b>253</b>      | <b>2.8%</b>  |
| Unrealized G/(L) on<br>Hedging<br>Activities | 78   | —                                 | —  | —                     | —                                     | —  | —                         | (44)   | 34              |              |
| HQ Pension                                   | —  | —                                 | —  | —                     | —                                     | —  | —                         | (54)   | (54)            |              |
| General Corporate<br>Expenses                | (46)   | —                                 | —  | 1                     | —                                     | —  | —                         | (6)  | (51)            |              |
| Amortization of<br>Intangibles               | (4)  | —                                 | —  | —                     | —                                     | —  | —                         | 1  | (3)             |              |
| <b>Kraft Foods</b>                           | <b>\$ 1,423</b>  | <b>\$ 121</b>                     | <b>\$ 74</b>                                   | <b>\$ (132)</b>       | <b>\$ 26</b>                          | <b>\$ (17)</b>                                 | <b>\$ (11)</b>            | <b>\$ 47</b>   | <b>\$ 1,531</b> | <b>7.6%</b>  |

\* Includes \$35 million reversal of 2008 Restructuring Program costs.



Kraft Foods Inc. and Subsidiaries  
Condensed Statements of Earnings  
**For the Six Months Ended June 30,**  
(in millions, except per share data) (Unaudited)

|  | As Reported (GAAP) |                 |          |
|--|--------------------|-----------------|----------|
|  | 2009               | 2008            | % Change |
| Net revenues   | \$19,558           | \$20,850        | (6.2)%   |
| Cost of sales  | 12,628             | 13,681          | 7.7%     |
| Gross profit   | 6,930              | 7,169           | (3.3)%   |
| Gross profit margin  | 35.4%              | 34.4%           |          |
| Marketing, administration & research costs                 | 4,131              | 4,393           | 6.0%     |
| Asset impairment and exit costs                            | (26)               | 183             | 100.0+%  |
| (Gains) / losses on divestitures, net                      | 17                 | 92              | 81.5%    |
| Amortization of intangibles                                | 9                  | 11              | 18.2%    |
| Operating income   | 2,799              | 2,490           | 12.4%    |
| Operating income margin                                    | 14.3%              | 11.9%           |          |
| Interest & other expense, net                              | 592                | 636             | 6.9%     |
| Earnings from continuing operations before income taxes    | 2,207              | 1,854           | 19.0%    |
| Provision for income taxes                                 | 716                | 629             | (13.8)%  |
| Effective tax rate   | 32.4%              | 33.9%           |          |
| Earnings from continuing operations                        | \$ 1,491           | 1,225           | 21.7%    |
| Earnings from discontinued operations, net of income taxes | —                  | 123             | (100.0)% |
| Net earnings   | \$ 1,491           | \$ 1,348        | 10.6%    |
| Noncontrolling interest                                    | 4                  | 4               | —        |
| Net earnings attributable to Kraft Foods                   | <u>\$ 1,487</u>    | <u>\$ 1,344</u> | 10.6%    |
| Earnings per share attributable to Kraft Foods:            |                    |                 |          |
| Basic  |                    |                 |          |
| - Continuing operations                                    | \$ 1.01            | \$ 0.80         | 26.3%    |
| - Discontinued operations                                  | —                  | 0.08            | (100.0)% |
| - Net earnings attributable to Kraft Foods                 | <u>\$ 1.01</u>     | <u>\$ 0.88</u>  | 14.8%    |
| Diluted  |                    |                 |          |
| - Continuing operations                                    | \$ 1.00            | \$ 0.79         | 26.6%    |
| - Discontinued operations                                  | —                  | 0.08            | (100.0)% |
| - Net earnings attributable to Kraft Foods                 | <u>\$ 1.00</u>     | <u>\$ 0.87</u>  | 14.9%    |
| Average shares outstanding:                                |                    |                 |          |
| Basic  | 1,476              | 1,527           | 3.3%     |
| Diluted  | 1,484              | 1,538           | 3.5%     |

Kraft Foods Inc. and Subsidiaries  
Reconciliation of GAAP to Non-GAAP Information  
Net Revenues  
**For the Six Months Ended June 30,**  
(\$ in millions) (Unaudited)

|                           | As Reported<br>(GAAP) | Impact of<br>Divestitures | Impact of<br>Currency | Organic<br>(Non-GAAP) | % Change              |                       | Organic Growth<br>Drivers |              |
|---------------------------|-----------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------------|--------------|
|                           |                       |                           |                       |                       | As Reported<br>(GAAP) | Organic<br>(Non-GAAP) | Vol / Mix                 | Price        |
| <b>2009</b>               |                       |                           |                       |                       |                       |                       |                           |              |
| U.S. Beverages            | \$ 1,619              | \$ —                      | \$ —                  | \$ 1,619              | 3.7%                  | 3.7%                  | 4.3pp                     | (0.6)pp      |
| U.S. Cheese               | 1,781                 | —                         | —                     | 1,781                 | (7.7)%                | (7.7)%                | (5.2)                     | (2.5)        |
| U.S. Convenient Meals     | 2,283                 | —                         | —                     | 2,283                 | 7.6%                  | 7.6%                  | 2.3                       | 5.3          |
| U.S. Grocery              | 1,791                 | —                         | —                     | 1,791                 | 5.1%                  | 5.1%                  | (1.6)                     | 6.7          |
| U.S. Snacks               | 2,485                 | —                         | —                     | 2,485                 | 0.9%                  | 0.9%                  | (3.4)                     | 4.3          |
| Canada & N.A. Foodservice | 1,934                 | —                         | 238                   | 2,172                 | (10.9)%               | 0.1%                  | (1.8)                     | 1.9          |
| <b>North America</b>      | <b>\$ 11,893</b>      | <b>\$ —</b>               | <b>\$ 238</b>         | <b>\$ 12,131</b>      | <b>(0.5)%</b>         | <b>1.5%</b>           | <b>(1.1)</b>              | <b>2.6</b>   |
| <b>Europe</b>             | <b>4,011</b>          | <b>—</b>                  | <b>668</b>            | <b>4,679</b>          | <b>(18.2)%</b>        | <b>(1.4)%</b>         | <b>(4.4)</b>              | <b>3.0</b>   |
| <b>Developing Markets</b> | <b>3,654</b>          | <b>(14)</b>               | <b>753</b>            | <b>4,393</b>          | <b>(8.7)%</b>         | <b>10.5%</b>          | <b>0.3</b>                | <b>10.2</b>  |
| <b>Kraft Foods</b>        | <b>\$ 19,558</b>      | <b>\$ (14)</b>            | <b>\$ 1,659</b>       | <b>\$ 21,203</b>      | <b>(6.2)%</b>         | <b>2.6%</b>           | <b>(1.5)pp</b>            | <b>4.1pp</b> |
| <b>2008 (As Restated)</b> |                       |                           |                       |                       |                       |                       |                           |              |
| U.S. Beverages            | \$ 1,561              | \$ —                      | \$ —                  | \$ 1,561              |                       |                       |                           |              |
| U.S. Cheese               | 1,929                 | —                         | —                     | 1,929                 |                       |                       |                           |              |
| U.S. Convenient Meals     | 2,121                 | —                         | —                     | 2,121                 |                       |                       |                           |              |
| U.S. Grocery              | 1,704                 | —                         | —                     | 1,704                 |                       |                       |                           |              |
| U.S. Snacks               | 2,462                 | —                         | —                     | 2,462                 |                       |                       |                           |              |
| Canada & N.A. Foodservice | 2,170                 | —                         | —                     | 2,170                 |                       |                       |                           |              |
| <b>North America</b>      | <b>\$ 11,947</b>      | <b>\$ —</b>               | <b>\$ —</b>           | <b>\$ 11,947</b>      |                       |                       |                           |              |
| <b>Europe</b>             | <b>4,901</b>          | <b>(157)</b>              | <b>—</b>              | <b>4,744</b>          |                       |                       |                           |              |
| <b>Developing Markets</b> | <b>4,002</b>          | <b>(28)</b>               | <b>—</b>              | <b>3,974</b>          |                       |                       |                           |              |
| <b>Kraft Foods</b>        | <b>\$ 20,850</b>      | <b>\$ (185)</b>           | <b>\$ —</b>           | <b>\$ 20,665</b>      |                       |                       |                           |              |

Kraft Foods Inc. and Subsidiaries  
 Operating Income by Reportable Segments  
**For the Six Months Ended June 30,**  
 (\$ in millions) (Unaudited)

|  | 2008<br>Operating<br>Income -<br>As Restated<br>(GAAP) | 2008 Impacts                      |  |                       | 2009 Impacts                          |  |                           | 2009<br>Operating<br>Income -<br>As Reported<br>(GAAP) | % Change        |              |
|--|--|-----------------------------------|--|-----------------------|---------------------------------------|--|---------------------------|--|-----------------|--------------|
|  |  | Restructuring<br>Program<br>Costs | (Gains) /<br>Losses on<br>Divestitures,<br>Net | Impact of<br>Currency | Asset<br>Impairment &<br>Exit Costs * | Gains /<br>(Losses) on<br>Divestitures,<br>Net | Impact of<br>Divestitures |  |                 | Operations   |
| U.S. Beverages                               | \$ 280   | \$ 16                             | \$ —   | \$ —                  | \$ —                                  | \$ —   | \$ —                      | \$ 14  | \$ 310          | 10.7%        |
| U.S. Cheese                                  | 225  | 14                                | —  | —                     | —                                     | —  | —                         | 58   | 297             | 32.0%        |
| U.S. Convenient<br>Meals                     | 196  | 10                                | —  | —                     | —                                     | —  | —                         | 76   | 282             | 43.9%        |
| U.S. Grocery                                 | 545  | 9                                 | —  | —                     | —                                     | —  | —                         | 47   | 601             | 10.3%        |
| U.S. Snacks                                  | 342  | 9                                 | —  | —                     | —                                     | —  | —                         | (17)   | 334             | (2.3)%       |
| Canada & N.A.<br>Foodservice                 | 238  | 40                                | —  | (40)                  | —                                     | —  | —                         | (8)  | 230             | (3.4)%       |
| <b>North America</b>                         | <b>1,826</b>   | <b>98</b>                         | <b>—</b>                                       | <b>(40)</b>           | <b>—</b>                              | <b>—</b>                                       | <b>—</b>                  | <b>170</b>   | <b>2,054</b>    | <b>12.5%</b> |
| <b>Europe</b>                                | <b>233</b>   | <b>81</b>                         | <b>92</b>                                      | <b>(106)</b>          | <b>26</b>                             | <b>(17)</b>                                    | <b>(15)</b>               | <b>60</b>  | <b>354</b>      | <b>51.9%</b> |
| <b>Developing Markets</b>                    | <b>436</b>   | <b>40</b>                         | <b>—</b>                                       | <b>(110)</b>          | <b>—</b>                              | <b>—</b>                                       | <b>(3)</b>                | <b>97</b>  | <b>460</b>      | <b>5.5%</b>  |
| Unrealized G/(L) on<br>Hedging<br>Activities | 103  | —                                 | —  | —                     | —                                     | —  | —                         | 18   | 121             |              |
| HQ Pension                                   | —  | —                                 | —  | —                     | —                                     | —  | —                         | (94)   | (94)            |              |
| General Corporate<br>Expenses                | (97)   | —                                 | —  | 2                     | —                                     | —  | —                         | 8  | (87)            |              |
| Amortization of<br>Intangibles               | (11)   | —                                 | —  | —                     | —                                     | —  | —                         | 2  | (9)             |              |
| <b>Kraft Foods</b>                           | <b>\$ 2,490</b>  | <b>\$ 219</b>                     | <b>\$ 92</b>                                   | <b>\$ (254)</b>       | <b>\$ 26</b>                          | <b>\$ (17)</b>                                 | <b>\$ (18)</b>            | <b>\$ 261</b>  | <b>\$ 2,799</b> | <b>12.4%</b> |

\* Includes \$35 million reversal of 2008 Restructuring Program costs.

Kraft Foods Inc. and Subsidiaries  
Cash Flows  
**For the Six Months Ended June 30,**  
(\$ in millions) (Unaudited)

|   | <u>2009</u>           | <u>2008</u>          |
|---|-----------------------|----------------------|
| <b>Net Cash Provided by Operating Activities (GAAP)</b> | <b>\$1,720</b>        | <b>\$1,349</b>       |
| Capital Expenditures                                    | (474)                 | (590)                |
| Voluntary Pension Contribution                          | 200                   | —                    |
| <b>Discretionary Cash Flow (Non-GAAP)</b>               | <b><u>\$1,446</u></b> | <b><u>\$ 759</u></b> |

Kraft Foods Inc. and Subsidiaries  
Condensed Balance Sheets  
(\$ in millions) (Unaudited)

|  | June 30,<br>2009 | December 31,<br>2008 | June 30,<br>2008 |
|--|------------------|----------------------|------------------|
| <b>Assets</b>                            |                  |                      |                  |
| Cash and cash equivalents                | \$ 1,731         | \$ 1,244             | \$ 708           |
| Receivables, net                         | 4,646            | 4,704                | 5,223            |
| Inventories, net                         | 4,011            | 3,881                | 4,995            |
| Other current assets                     | 1,300            | 1,632                | 877              |
| Property, plant and equipment, net       | 10,224           | 9,917                | 11,464           |
| Goodwill                                 | 28,225           | 27,581               | 30,497           |
| Intangible assets, net                   | 13,257           | 12,926               | 13,840           |
| Other assets                             | 1,260            | 1,288                | 3,370            |
| <b>Total assets</b>                      | <b>\$64,654</b>  | <b>\$ 63,173</b>     | <b>\$70,974</b>  |
| <b>Liabilities and Equity</b>            |                  |                      |                  |
| Short-term borrowings                    | \$ 856           | \$ 897               | \$ 2,217         |
| Current portion of long-term debt        | 759              | 765                  | 725              |
| Accounts payable                         | 3,225            | 3,373                | 3,541            |
| Other current liabilities                | 5,463            | 6,009                | 5,360            |
| Long-term debt                           | 18,610           | 18,589               | 19,348           |
| Deferred income taxes                    | 4,266            | 4,064                | 5,675            |
| Accrued pension costs                    | 2,209            | 2,367                | 844              |
| Accrued postretirement health care costs | 2,682            | 2,678                | 2,896            |
| Other long-term liabilities              | 2,204            | 2,075                | 2,241            |
| <b>Total liabilities</b>                 | <b>40,274</b>    | <b>40,817</b>        | <b>42,847</b>    |
| <b>Total equity</b>                      | <b>24,380</b>    | <b>22,356</b>        | <b>28,127</b>    |
| <b>Total liabilities and equity</b>      | <b>\$64,654</b>  | <b>\$ 63,173</b>     | <b>\$70,974</b>  |