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

**FORM 8-K
CURRENT REPORT**

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

Date of Report (Date of earliest event reported): July 3, 2007

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))
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Item 1.01. Entry into a Material Definitive Agreement.

Acquisition of Danone biscuit business

On July 3, 2007, Kraft Foods Inc. (“Kraft” or the “Company”), announced that it had delivered a binding offer to acquire the global biscuit business of Groupe Danone (the “Transaction”) and that it is working with Danone to finalize an agreement for the sale and purchase of those assets (“Purchase Agreement”), a draft of which was attached to the offer.

Kraft will pay €5.3 billion (\$7.2 billion), subject to certain adjustments, to acquire the business. Under the Purchase Agreement, the parties have agreed to work together in consultation with Works Council and to secure anti-trust and other regulatory approvals. The parties also agreed to work collaboratively to obtain transfer of certain joint venture rights. The Purchase Agreement contains customary representations and warranties. The Board of Directors received a fairness opinion which stated that the consideration to be paid in the aggregate by Kraft is fair from a financial point of view to the Company. The closing, which is expected to occur by the end of this year, is subject to customary closing conditions and approvals, including certain regulatory approvals.

The foregoing description of the Purchase Agreement is qualified in its entirety by reference to the complete terms and conditions of the Purchase Agreement, which will be filed with Kraft’s first periodic report due after the Purchase Agreement is signed by the parties.

On July 3, 2007, Kraft issued a press release announcing the Transaction, a copy of which is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Financing of Danone biscuit business acquisition

On July 2, 2007, Kraft entered into a commitment letter (the “Commitment Letter”) with Goldman Sachs Credit Partners L.P. (“GSCP”) under which GSCP has agreed to provide the full amount of the Bridge Facility subject to customary terms and conditions set forth in the Commitment Letter. GSCP was also exclusively authorized to act initially as the sole lead arranger, sole bookrunner, sole syndication agent and sole administrative agent in connection with a proposed senior unsecured 364-day bridge facility in an amount up to €5.3 billion (the “Bridge Facility”). Under the Bridge Facility, it is Kraft’s intention to enter into a credit agreement with certain banks on customary terms and conditions as agreed by the parties (the “Credit Agreement”). Kraft intends to repay borrowings under the Bridge Facility from proceeds of the issuance of investment grade bonds or other securities, as determined by Kraft.

The foregoing description of the Credit Agreement is qualified in its entirety by reference to the complete terms and conditions of the Credit Agreement, which will be filed with Kraft’s first periodic report which is due after the Credit Agreement is fully-executed.

This filing includes forward-looking statements within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as “anticipate,” “believe,” “expect,” “estimate,” “plan,” “outlook,” and “project” and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Investors are cautioned that the forward-looking statements regarding collaboration of the parties on consultation with Works Council, receipt of anti-trust approvals, securing joint venture rights and completion of the acquisition of certain stock and assets of Danone and the statements regarding plans to enter into a Credit Agreement and repayment of that agreement are based on

current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, the risks and uncertainties identified in Kraft's Form 10-Q and Form 10-K filings with the Securities and Exchange Commission ("SEC"), the failure or delay in obtaining the requisite regulatory and other approvals of the transaction, adverse conditions contained in any required regulatory approvals, failure to consummate or a delay in consummating the transaction for other reasons, failure to repay the loan, changes in laws or regulations and other similar factors. Please review Kraft's most recent Annual Report on Form 10-K and subsequent reports on Form 10-Q and 8-K filed with the SEC. Any forward-looking statements in this filing are made as of the date hereof. Kraft undertakes no obligation to (and expressly disclaims any such obligation to) update or alter our forward-looking statements whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibits are being filed with this Current Report on Form 8-K.

Exhibit Number	Description
99.1	Kraft Foods Inc. Press Release, dated July 3, 2007

SIGNATURE

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

KRAFT FOODS INC.

Date: July 6, 2007

/s/ James P. Dollive

Name: James P. Dollive

Title: Executive Vice President & Chief Financial Officer



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**Kraft Foods Announces Plans To Acquire Groupe Danone's
Global Biscuit Business**

NORTHFIELD, IL — July 3, 2007 — Kraft Foods Inc. (NYSE: KFT) today announced that it has made a binding offer to acquire the global biscuit business of Groupe Danone (NYSE: DA) for €5.3 billion [\$7.2 billion] in cash. As required by French law, Danone must consult with its Works Council prior to entering into a definitive agreement. Both companies anticipate that the transaction will close by the end of the year.

“This proposed acquisition makes great sense for Kraft,” said Irene Rosenfeld, Kraft Chairman and CEO. “It will increase our presence in snacks — our fastest growing global segment — and transform our international business. This growing, high-margin business will give Kraft another core growth category in Europe, a cornerstone for faster growth in emerging markets, and the best portfolio of iconic biscuit brands in the world.”

The planned acquisition encompasses Danone's market-leading biscuit brands — among them, *LU*, *Tuc* and *Prince* — and operations and assets in 20 countries, including 36 manufacturing facilities. The transaction does not include Danone's joint ventures in Latin America and India.

During 2006, the biscuit businesses to be acquired generated revenues of €2.0 billion [\$2.7 billion] and EBITDA of €390 million [\$525 million].

This acquisition will be subject to customary closing conditions, including regulatory clearances.

Employing approximately 15,000 people around the world, Danone's biscuit business has a successful business model, a talented management team and a strong innovation pipeline.

The European headquarters of the biscuit business will remain in the greater Paris metropolitan area for the foreseeable future. Kraft does not intend to close any of the Danone biscuit manufacturing facilities in France for at least three years after the agreement is signed.

Once the transaction closes, Georges Casala, who currently runs Danone's biscuit business, will join Kraft, as will key members of his team. Casala will report to Sanjay Khosla, President of Kraft International, and will manage the company's entire EU biscuit business, including Kraft's recently acquired Iberian biscuit brands and operations.

With the acquisition, Kraft will gain broader operating scale and additional reach across the globe. This includes critical emerging markets — such as China, Russia, Poland, Indonesia and Malaysia — that account for over 25% of the business. For example, Kraft will double the size of its business in China and gain entry into the biscuit category in Eastern Europe, notably in Russia, where Danone is the share leader. The company also will establish footholds in Malaysia and Indonesia.

“This transaction will create long-term value for our shareholders, and we expect it to be accretive to earnings per share in the first year,” Rosenfeld said. “Our strong balance sheet enables us to finance this acquisition with debt, while preserving our ability to execute our long-term growth plan, including our previously announced share repurchase program.”

For many years, Kraft has been bringing consumers around the world well-loved brands, including: *Carte Noire*, *Grand' Mère* and *Jacobs* coffees; *Côte d'Or*, *Milka* and *Toblerone* chocolates; *Philadelphia* cream cheese; and *Oreo* cookies.

"We look forward to welcoming the Danone biscuit team to the Kraft family and to working together to build on the growth of their wonderful biscuit brands around the world," Rosenfeld said.

NOTE: Journalists and analysts are invited to attend a joint Kraft/Danone press conference at 11:00 a.m. CET (4 a.m. CDT, 5 a.m. EDT) at the InterContinental Paris Le Grand Hôtel: 2 Rue Scribe 75009 Paris, France. For access to the press conference via live audio webcast, please visit www.kraft.com.

In addition, Kraft will host a call with analysts at 2 p.m. CET (7 a.m. CDT, 8 a.m. EDT). In the U.S., dial 888-802-8571; outside the U.S., dial 973-582-2794. The access code is 8987385. For access to the press conference via live audio webcast, please visit www.kraft.com.

Both events will be archived at www.kraft.com.

Kraft Foods (NYSE: KFT) is one of the world's largest food and beverage companies, with annual revenues of more than \$34 billion. For over 100 years, Kraft has offered consumers delicious and wholesome foods that fit the way they live. Kraft markets a broad portfolio of iconic brands in 155 countries, including seven brands with revenue of more than \$1 billion, such as *Kraft* cheeses, dinners and dressings; *Oscar Mayer* meats; *Philadelphia* cream cheese; *Post* cereals; *Nabisco* cookies and crackers; *Jacobs* coffees and *Milka* chocolates. Kraft became a fully independent company on March 30, 2007, and is listed in the Standard & Poor's 100 and 500 indexes. The company is a member of the Dow Jones Sustainability Index and the Ethibel Sustainability Index. For more information, visit the company's website at <http://www.kraft.com>.

This press release contains projections of future results and other forward-looking statements. One can identify these forward-looking statements by use of words such as "strategy," "expects," "plans," "anticipates," "believes," "will," "continues," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are based on the Company's current assumptions and estimates and are subject to risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement made by or on behalf of the Company. These factors include: (a) the effect on the Company of competition in its markets, changes in consumer preferences and demand for its products, including diet trends, changing prices for its raw materials and local economic and market conditions; (b) the Company's continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios, to compete effectively with lower priced products in a consolidating environment at the retail and manufacturing levels and to improve productivity; (c) the Company's ability to consummate and successfully integrate acquisitions and to realize the cost savings and improved asset utilization contemplated by its restructuring program; (d) the impact of gains or losses, or lost operating income, from the sales of businesses that are less of a strategic fit within the Company's portfolio; (e) the effects of foreign economies, changes in tax requirements and currency movements; (f) fluctuations in levels of customer inventories and credit and other business risks related to the operations of the Company's customers; (g) the Company's access to credit markets, borrowing costs and credit ratings; (h) the Company's benefit expense, which is subject to the investment performance of pension plan assets, interest rates and cost increases for medical benefits offered to employees and retirees; (i) the impact of recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and

labeling laws and regulations, potential claims relating to false or deceptive advertising under consumer protection or other laws and the possibility that consumers could lose confidence in the safety and quality of certain food products; and (j) consumer concerns regarding genetically modified organisms and the health implications of obesity and trans fatty acids. Developments in any of these areas could cause the Company's results to differ materially from results that have been or may be projected by or on behalf of the Company. The Company cautions that the foregoing list of important factors is not exclusive. For additional information on these and other factors that could affect the Company's forward-looking statements, see the Company's filings with the Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Form 10-Q and 8-K. Any forward-looking statements in this press release are made as of the date hereof. The Company does not undertake to update any forward-looking statement.

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