

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): September 7, 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 7.01. Regulation FD Disclosure.**

On September 7, 2009, Kraft Foods issued an announcement (the "Announcement") pursuant to Rule 2.4 of the U.K. City Code on Takeovers and Mergers disclosing that it approached the Board of Cadbury plc with a proposal to combine the two companies. A copy of the Announcement is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 7.01.

On September 7, 2009 and following the Announcement, Kraft Foods posted the following items regarding the proposed combination on its website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com) and/or on the website that is being maintained at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods) in connection with Kraft Foods' proposal to combine with Cadbury:

- a message to stakeholders, a copy of which is attached hereto as Exhibit 99.2 and is incorporated by reference into this Item 7.01;
- a video interview with Ms. Irene Rosenfeld, Chairman and CEO of Kraft Foods, a transcript of which is attached hereto as Exhibit 99.3 and is incorporated by reference into this Item 7.01; and
- a combined company fact sheet, a copy of which is attached hereto as Exhibit 99.4 and is incorporated by reference into this Item 7.01.

In addition, on September 7, 2009 and following the Announcement, Kraft Foods made the following items regarding the proposed combination available to its employees:

- a message to Kraft Foods employees, a copy of which is attached hereto as Exhibit 99.5 and is incorporated by reference into this Item 7.01;
- a video interview with Ms. Irene Rosenfeld, Chairman and CEO of Kraft Foods, a transcript of which is attached hereto as Exhibit 99.6 and is incorporated by reference into this Item 7.01; and
- Frequently Asked Questions for Kraft Foods employees, a copy of which is attached hereto as Exhibit 99.7 and is incorporated by reference into this Item 7.01.

On September 7, 2009, Kraft Foods issued a press release announcing an analyst and investor conference call and webcast at 8 a.m. BST on September 7, 2009 for European investors and at 8 a.m. ET on September 8, 2009 for U.S. investors, each discussing the Announcement and the proposed combination with Cadbury. A copy of this press release is attached hereto as Exhibit 99.8 and is incorporated by reference into this Item 7.01.

On September 7, 2009, Kraft Foods made available to its investors a slide presentation relating to the analyst and investor conference calls and webcasts to be held on September 7, 2009 and September 8, 2009, discussing the Announcement and the proposed combination with Cadbury. A copy of this slide presentation is attached hereto as Exhibit 99.9 and is incorporated by reference into this Item 7.01.

On September 7, a U.K.-specific fact sheet in relation to the proposed combination with Cadbury was made available to certain members of the media. A copy of this fact sheet is attached hereto as Exhibit 99.10 and is incorporated by reference into this Item 7.01.

Pursuant to General Instruction B.2. to Form 8-K, the information set forth in this Item 7.01 (except insofar as such information is also set forth under Item 8.01 below) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

**Item 8.01. Other Information.**

As described in Item 7.01 above, on September 7, 2009, Kraft Foods issued the Announcement disclosing that it approached the Board of Cadbury with a proposal to combine the two companies. A copy of the Announcement is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 8.01.

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

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

<u>Exhibit Number</u>	<u>Description</u>
99.1	Rule 2.4 Announcement.
99.2	Message to Stakeholders.
99.3	Transcript of the video interview with Ms. Irene Rosenfeld, Chairman and CEO of Kraft Foods, made available on September 7, 2009.
99.4	Combined company fact sheet.
99.5	Message to Kraft Foods employees.
99.6	Transcript of the video interview with Ms. Irene Rosenfeld, Chairman and CEO of Kraft Foods, made available to Kraft Foods' employees on September 7, 2009.
99.7	Frequently Asked Questions for Kraft Foods employees, available on the Kraft Foods intranet.
99.8	Press release announcing the investor conference calls and webcasts to be held on September 7, 2009 and September 8, 2009.
99.9	Slide presentation relating to the analyst and investor conference calls and webcasts to be held on September 7, 2009 and September 8, 2009.
99.10	U.K.-specific fact sheet.

**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: September 8, 2009

By: /s/ Carol J. Ward

Carol J. Ward

Vice President and Corporate Secretary

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

**This announcement does not constitute an announcement of a firm intention to make an offer under Rule 2.5 of the Takeover Code**

7 September 2009

**KRAFT FOODS INC. PROPOSES COMBINATION WITH CADBURY PLC, BUILDING  
ON A GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK  
MEALS**

Kraft Foods Inc. (“Kraft Foods”) today announces that it has made a proposal to the Board of Cadbury plc (“Cadbury”) to combine the two companies. The Board of Cadbury has rejected this proposal. Kraft Foods is committed to working toward a recommended transaction and to maintaining a constructive dialogue and is announcing this proposal as a means to encourage and further that process. Included in Appendix I are two letters to the Chairman of Cadbury which set out the strong strategic rationale for the proposed combination and the attractive premium and compelling value proposition for Cadbury’s shareholders.

Kraft Foods is proposing an offer for Cadbury (the “Possible Offer”) of 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury share. This values each Cadbury share at 745 pence (based on the closing price of \$28.10 for a Kraft Foods share on 4 September 2009 and an exchange rate of 1.6346 \$/£) and values the entire issued share capital of Cadbury at £10.2 billion. The combination would build on Kraft Foods’ position as a global powerhouse in snacks, confectionery and quick meals with a rich portfolio of iconic brands.

The Possible Offer represents a premium of:

- 42% over Cadbury’s share price of 524 pence on 3 July 2009, prior to recent analyst suggestions regarding potential sector consolidation;
- 34% over Cadbury’s 90-day average share price of 555 pence in the period up to 4 September 2009, the last business day preceding this announcement; and
- 31% over Cadbury’s closing share price of 568 pence on 4 September 2009, the last business day preceding this announcement.

Kraft Foods would also offer a mix and match facility under which Cadbury shareholders could elect, subject to availability, to vary the proportions in which they would receive cash and new Kraft Foods shares. Kraft Foods reserves the right to change the terms of the Possible Offer and the consideration mix in the future as explained in the Important Notice below. Financing would be on the basis that Kraft Foods would maintain an investment-grade credit rating.

Kraft Foods believes that the strategic and financial rationale for the transaction is compelling. The transaction would create:

- a company with approximately \$50 billion in revenues;
- a global powerhouse in snacks, confectionery and quick meals, with an exceptional portfolio of leading brands around the world;
- a geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China and Russia;
- a strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business;\* and
- the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development. In addition, there is a significant opportunity to realise pre-tax cost savings of at least \$625 million annually. This is expected to be achieved through increased operational efficiencies over and above the current performance improvement programmes at Kraft Foods and Cadbury (including Cadbury's Vision Into Action ("VIA") programme). Kraft Foods expects that it will achieve the run-rate on these cost savings by the end of the third year following completion. Total one-off implementation cash costs of approximately \$1.2 billion would be incurred in the first three years following completion.\*\*

Kraft Foods has a proven track record of successfully completing and integrating strategic combinations to build iconic brands and multi-national businesses, including the acquisitions of LU in 2007 and Nabisco in 2000.

In addition, Kraft Foods expects that the combination would enhance its growth and margin profile, and be accretive to earnings in the second year following completion on a cash basis

(which excludes the one-time expenses related to the transaction and the impact of non-cash items such as the amortisation of intangibles after acquisition).\* Should the combination with Cadbury be completed, Kraft Foods would expect to revise its long-term growth targets to 5+% for revenue and 9-11% for earnings per share, from its previously announced 4+% and 7-9% respectively.\*

Commenting on the proposed transaction, Irene B. Rosenfeld, Chairman and CEO of Kraft Foods, said:

“This proposed combination is about growth. We are eager to build upon Cadbury’s iconic brands and strong British heritage through increased investment and innovation. We have great respect and admiration for Cadbury, its employees, its leadership and its proud heritage. As we have done, Cadbury has built wonderful brands by focusing on quality, innovation and marketing, but we believe the next stage in Cadbury’s development will be challenging, given the increased importance of scale in the industry. Cadbury’s brands, which are highly complementary to our portfolio, would benefit from Kraft Foods’ global scope and scale and array of proprietary technologies and processes.

“Our extensive combined global business network would create opportunities for talented Cadbury employees and managers across all areas of the combined enterprise. We would augment Kraft Foods’ and Cadbury’s world-class capabilities by employing a ‘best of both’ focus, from sales and marketing to distribution and manufacturing.

“Our current plans contemplate that the UK would be a net beneficiary in terms of jobs. For example, we believe we would be in a position to continue to operate the Somerdale facility, which is currently planned to be closed, and to invest in Bournville, thereby preserving UK manufacturing jobs.

“We have taken note of Cadbury’s recent performance and the ongoing implementation of its VIA programme. We believe that Cadbury’s share price already reflects its prospects as a standalone entity and the benefits of VIA. Our proposal therefore not only takes into account these factors, but also provides a compelling premium and, we believe, significantly more value for Cadbury shareholders than Cadbury could create independently.

“We hope to engage with the Board of Cadbury on a constructive basis with the goal of consummating a recommended transaction.”

**Further information on Kraft Foods**

Kraft Foods (NYSE: KFT, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)) is the world’s second largest food company with annual revenues of \$42 billion. For many years, Kraft Foods has been growing and developing well-loved brands, including: Terry’s, Milka, Côte d’Or and Toblerone chocolates; Oreo, Ritz and LU biscuits; Kenco, Maxwell House, Carte Noire and Jacobs coffees; and DairyLea and Philadelphia cheeses. Headquartered in Northfield, Illinois, USA, Kraft Foods employs approximately 100,000 people worldwide.

For further information on Kraft Foods, please go to [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods)

**Important notice**

The Possible Offer is subject to the following pre-conditions:

- (i) Kraft Foods being granted access to conduct and complete satisfactory, limited, confirmatory due diligence;
- (ii) Kraft Foods obtaining satisfactory financing; and
- (iii) the unanimous recommendation of the Board of Cadbury.

Kraft Foods reserves the right to:

- (i) make an offer at any time at a value below the equivalent of 300 pence in cash and 0.2589 of new Kraft Foods shares per Cadbury share (taking the value of a Kraft Foods share and the exchange rate at the date of announcement of a firm intention to make an offer) with the agreement and recommendation of the Board of Cadbury or in the event that any Cadbury dividend is declared, made or paid (other than the announced interim dividend of 5.7 pence due to be paid by Cadbury on 16 October 2009);
- (ii) vary the form and/or mix of consideration of the Possible Offer as set out above; and/or
- (iii) waive any or all of the pre-conditions to the making of an offer referred to above.



Lazard is acting as lead financial adviser to Kraft Foods. Centerview Partners, Citigroup and Deutsche Bank are also acting as financial advisers. Citigroup and Deutsche Bank are acting as corporate brokers to Kraft Foods.

**This announcement does not constitute an announcement of a firm intention to make an offer under Rule 2.5 of the Takeover Code and, accordingly, shareholders are advised that there can be no certainty that any offer to acquire Cadbury shares will be made even if the pre-conditions are satisfied.**

\* Nothing in this announcement is intended to be a profit forecast and the statements in this announcement should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

\*\* There are several material assumptions underlying the cost savings estimate which might therefore be materially greater or less than that estimated. This estimate of cost savings has been reported on under the Takeover Code by Ernst & Young LLP and by Lazard & Co., Limited. Copies of their letters are included in parts (a) and (b) respectively of Appendix III. The estimate of cost savings should be read in conjunction with Appendix II, which contains, among other information, certain key assumptions underlying the estimate.

**Enquiries:**

**Kraft Foods**

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**Financial Advisers:****Centerview Partners**

Robert Pruzan

**Citigroup**

Leon Kalvaria

**Deutsche Bank**

Nigel Meek

**Conference call information**

Kraft Foods will be conducting conference calls / webcasts for investors and analysts to discuss its proposed combination with Cadbury.

There will be a conference call / webcast today at 8 a.m. BST for European investors and analysts and a conference call at 8 a.m. EDT / 7 a.m. CDT on 8 September 2009 for U.S. investors and analysts. Chairman and Chief Executive Officer Irene B. Rosenfeld will be presenting on both calls.

Both conference calls and the accompanying slides will be available to all interested parties via webcast. To access the webcasts, please visit Kraft Foods' website, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). A replay of each conference call will also be available approximately two hours following the conclusion of the call.

**Details for conference call at 8 a.m. BST on 7 September 2009**

Dial-in number UK:	0845 401 9097
Dial-in number international:	+44 203 003 2666
Replay dial-in number:	+44 208 196 1998 followed by code #7318330

**Details for conference call at 8 a.m. EDT/ 7 a.m. CDT on 8 September 2009**

Dial-in number U.S.:	+1 888 874 9470
Dial-in number international:	+1 973 935 8772
Replay dial-in number U.S.:	+1 800 642 1687
Replay dial-in number international:	+1 706 645 9291
Conference code for all calls:	#29108340

**Rule 2.10 disclosure**

Kraft Foods announces, in accordance with Rule 2.10 of the UK City Code on Takeovers and Mergers (the "Takeover Code"), that at the close of business on 4 September 2009, Kraft Foods had the following relevant securities (within the meaning of the Takeover Code) in issue:

1,475,768,518 shares (excluding shares held in Treasury). The ISIN reference number for these securities is US50075N1046.

**Further information**

This announcement will be available on Kraft Foods' website ([www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)) by no later than 12 noon (London time) on 8 September 2009.

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

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

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

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

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to this announcement or otherwise. Any offer will be made solely by certain offer documentation which will contain the full terms and conditions of any offer, including details of how it may be accepted.

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

The distribution of this announcement in jurisdictions other than the United Kingdom and the availability of the Possible Offer to shareholders of Cadbury who are not resident in the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom or shareholders of Cadbury who are not resident in the United Kingdom will need to inform themselves about, and observe, any applicable requirements.

It is Kraft Foods' preference to implement any offer by means of a scheme of arrangement but Kraft Foods reserves the right to change this to a general offer.

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

This announcement contains forward-looking statements regarding Kraft Foods' Possible Offer to combine with Cadbury, expected future earnings, revenues, cost savings, operations, business trends and other such items, based on Kraft Foods' plans, estimates and projections. 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, the possibility that the Possible Offer will not be pursued, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the combination, adverse effects on the market price of Kraft Foods' common stock and on Kraft Foods' operating results because of a failure to complete the combination, failure to realise the expected benefits of the combination, negative effects of announcement or consummation of the combination on the market price of Kraft Foods' common stock, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the combined companies following the combination. For additional information on these and other factors that could affect Kraft Foods' forward-looking statements, see Kraft Foods' filings with the U.S. Securities and Exchange Commission (the "SEC"), including Kraft Foods' most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this announcement except as required by applicable law or regulation.

#### **Additional U.S.-related information**

This announcement is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury or Kraft Foods. Subject to future developments, Kraft Foods may file a

registration statement and/or tender offer documents with the SEC in connection with the proposed combination. **Cadbury shareholders should read those filings, and any other filings made by Kraft Foods with the SEC in connection with the combination, as they will contain important information.** Those documents, if and when filed, as well as Kraft Foods' other public filings with the SEC may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods' website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).

#### **Dealing disclosure requirements**

Under the provisions of Rule 8.3 of the Takeover Code, if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of Kraft Foods or of Cadbury, all "dealings" in any "relevant securities" of that company (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 pm (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Kraft Foods or of Cadbury, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the Takeover Code, all "dealings" in "relevant securities" of Kraft Foods or of Cadbury by Kraft Foods or Cadbury, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

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

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

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





**Irene B. Rosenfeld**  
Chairman & Chief Executive Officer

28 August 2009

Mr. R. Carr  
Cadbury plc  
Cadbury House  
Sanderson Road  
Uxbridge  
UB8 1DH

Dear Roger,

I very much enjoyed meeting you this morning. As I explained, we believe that the combination of our companies would provide a compelling value proposition for both our shareholders. As analysts and industry observers have long speculated, our two great companies are highly complementary and a combination makes a great deal of strategic and financial sense. We believe that now is the time to pursue a transaction as a result of the significant opportunities available to both of us. We look forward to engaging in constructive, friendly discussions and working toward a positive outcome on a recommended basis.

We have great respect and admiration for Cadbury plc ("Cadbury"), its employees, its leadership and its proud heritage. We have also taken note of your recent performance and the successful ongoing implementation of your Vision Into Action programme. However, we believe that Cadbury's prospects, ability to fully realise operational efficiencies and capacity to invest are necessarily constrained given its limited scale and scope relative to larger global competitors. We see few catalysts for sustained future value creation for Cadbury as a standalone entity. In contrast, we have concluded that we can strengthen both our companies by bringing them together, enhancing our worldwide scale and scope, and capitalising on significant opportunities to build a global leader in the food and snacking industry for the benefit of all of our respective stakeholders. In so doing, we are eager to build upon the success of your iconic brands and strong British heritage through increased investment and innovation.

Accordingly, I am writing to set out the details of a possible offer to combine Cadbury and Kraft Foods Inc. ("Kraft Foods") (a "Possible Offer"), as approved by the Board of Directors of Kraft Foods. Subject to the pre-conditions set out below, Kraft Foods is prepared to offer 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury share, which values each Cadbury share at 755 pence (based on yesterday's closing price of \$28.42 for a Kraft Foods share and an exchange rate of 1.617 \$/£). This price represents an attractive premium to any measure of the standalone value of Cadbury and fully reflects your recent performance and prospects. Specifically, this price represents a premium of:

- 44% over Cadbury's share price of 524 pence on 3 July 2009, prior to recent analyst suggestions regarding potential sector consolidation;

- 37% over Cadbury's 90-day average share price of 553 pence in the period up to 27 August 2009, the last business day preceding this letter; and
- 31% over Cadbury's share price of 578 pence at close yesterday.

We would also point out that this price is beyond any price at which Cadbury's shares have traded since the demerger.

The Possible Offer would provide your shareholders with both value certainty and the opportunity to enjoy the significant value upside in the combined entity's attractive growth prospects and considerable synergies. Kraft Foods would also offer a mix and match facility under which Cadbury shareholders could elect, subject to availability, to vary the proportions in which they would receive cash and new Kraft Foods shares.

I believe that the strategic and financial rationale for this transaction is compelling. The transaction would create:

- a company with approximately \$50 billion in revenues, with leading shares in snacking and an exceptional portfolio of confectionery and biscuit brands around the world;
- a geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China and Russia;
- a strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business; and
- the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development, as well as a significant opportunity to realise pre-tax cost savings of at least \$625 million annually through increased operational efficiencies<sup>1</sup>.

Kraft Foods has a proven track record of successfully completing and integrating strategic combinations to build iconic brands and multi-national businesses, including the acquisitions of LU in 2007 and Nabisco in 2000.

A combination with Cadbury is consistent with Kraft Foods' stated strategic objective to build a high-performing global company by reframing our categories, capitalising on our established sales capabilities and driving down costs without compromising our commitment to high quality. Over the past three years, we have successfully positioned Kraft Foods for sustainable, profitable growth. A combination with Cadbury would mark a logical next step in our transformation as we shape the company into a more global, higher-growth and higher-margin entity.

Together, we would draw on the collective strengths of our two organisations and create a stronger, more competitive global company for the benefit of all stakeholders. We believe that the growth prospects and global scope of the enlarged entity should lead to increased

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<sup>1</sup> The following statement has been included for clarification purposes but was not included in the original letter to Cadbury dated 28 August 2009: "There are several material assumptions underlying the cost savings estimate which might therefore be materially greater or less than that estimated. For further details see Appendix II and the letters from Ernst and Young LLP and Lazard & Co., Limited in Appendix III."



opportunities for talented employees and managers of both companies. In addition, we confirm that the existing contractual employment rights, including pension rights, of all employees of Cadbury would be fully safeguarded.

The consideration required for the Possible Offer would be provided from a combination of Kraft Foods' existing funds, new debt and the issuance of equity. Financing would be on the basis that Kraft Foods would maintain an investment-grade credit rating. The significant cash flow of the enlarged entity following a combination would allow for rapid debt paydown and the continued funding of growth initiatives.

We, together with our legal advisers, have undertaken an analysis in relation to anti-trust matters. The complementary nature of our two businesses means that any antitrust concerns will be few, and limited in scope: we are confident that any issues can be appropriately addressed within the envisaged implementation timeframe. In this regard, we would suggest that our respective legal advisers meet at your earliest convenience, in order for our advisers to explain their analysis, and for next steps to be identified.

We believe it is in all parties' interests to progress this transaction as swiftly as possible. Our senior management and advisers have already completed extensive analysis and due diligence based on publicly available information. Accordingly, our due diligence requirements are limited, confirmatory in nature and capable of being addressed within a compressed timeframe. Lazard is acting as our lead financial adviser. We have also retained Centerview Partners, Citigroup and Deutsche Bank as financial advisers. Our legal advisers are Clifford Chance; Cravath, Swaine & Moore; Gibson, Dunn & Crutcher; and Arnold & Porter.

It is Kraft Foods' preference to implement any offer by means of a scheme of arrangement but we reserve the right to change this to a general offer. Any offer, if made, would be subject to the terms and conditions usually attaching to a scheme of arrangement, or offer, involving a UK public company.

The making of any offer would be subject to the following pre-conditions:

- satisfactory completion of a limited due diligence review by Kraft Foods, including access to Cadbury's internal plan and projections;
- Kraft Foods obtaining satisfactory financing; and
- a unanimous recommendation by the directors of Cadbury to vote in favour of the scheme, or if relevant, to accept the offer.

For the avoidance of doubt, this letter should not be construed in any regard as constituting an offer or evincing an intention to make an offer or inviting an offer or imposing an obligation to make an offer for Cadbury and any of its securities or otherwise giving rise to legal relations (save for the obligation to keep its terms confidential) and, in particular, does not constitute a firm intention to make an offer for the purposes of Rule 2.5 of The City Code on Takeovers and Mergers. This proposal is made on a strictly private and confidential basis. This letter shall be governed by and construed in accordance with English law.

We trust that our proposal makes clear our level of seriousness and enthusiasm for pursuing this opportunity. We are willing to commit substantial time and financial resources to do so. This

matter has the highest priority for Kraft Foods and we are keen to have our advisers and executive team engage with yours so that we can progress this proposal in an expeditious manner.

Per our conversation, I look forward to hearing from you shortly.

Yours sincerely,

Irene B. Rosenfeld



**Irene B. Rosenfeld**  
Chairman & Chief Executive Officer

7 September 2009

Mr. R. Carr  
Cadbury plc  
Cadbury House  
Sanderson Road  
Uxbridge  
UB8 1DH

Dear Roger,

Thank you for your letter in response to our discussion on 28 August and the letter I sent to you as a follow-up outlining our possible offer (a "Possible Offer") for Cadbury plc ("Cadbury"). I have given careful consideration to your response.

Although I am disappointed that you rejected unequivocally our proposal, I remain committed to working toward a recommended offer and to maintaining a constructive dialogue. We are therefore disclosing publicly our Possible Offer as a means to encourage and further that process.

I continue to believe strongly in the strategic rationale for combining our two companies and that our Possible Offer represents an attractive premium and a compelling value proposition for your shareholders.

As I outlined during our meeting, I believe we can strengthen both of our companies by bringing them together, enhancing their worldwide scale and scope, and capitalising on significant opportunities, building on the position of Kraft Foods Inc. ("Kraft Foods") as a global powerhouse in snacks, confectionery and quick meals for the benefit of all of our respective stakeholders.

We understand the great sense of pride that you and your team have for Cadbury and its brands. We also have a long history of respecting and building iconic brands like Oreo, LU, Milka, Toblerone, Kenco, Philadelphia and DairyLea to name just a few. Kraft Foods is committed to building upon Cadbury's success and strong British heritage through increased investment and innovation.

Our extensive combined global business network would create opportunities for talented Cadbury employees and managers across all areas of the combined enterprise. We would augment Kraft Foods' and Cadbury's world-class capabilities by employing a "best of both" focus, from sales and marketing to distribution and manufacturing. For example, we believe we would be in a position to continue to operate the Somerdale facility, which is currently planned to be closed, and invest in Bournville, thereby preserving UK manufacturing jobs.

I also want to reiterate that our Possible Offer represents a compelling value proposition for your shareholders. Given the proposed consideration mix of cash and shares, they would enjoy both value certainty and significant potential upside in the combined entity's attractive growth prospects and meaningful synergies. As we discussed, and as I noted in my previous letter to you, we commend you on your successful ongoing implementation of Vision Into Action ("VIA"). I believe Cadbury's share price already reflects its prospects as a standalone entity and the benefits of VIA. Our Possible Offer therefore not only takes into account these factors, but also provides a significant premium and, I believe, significantly more value for your shareholders than Cadbury could create independently.

Together, we can draw on the collective strengths of our two organisations to create a stronger, more competitive global company for the benefit of all our stakeholders. I would ask you to reconsider your rejection of our Possible Offer and would welcome a constructive dialogue.

Yours sincerely,

Irene B. Rosenfeld

For the avoidance of doubt, this letter should not be construed in any regard as constituting an offer or evincing an intention to make an offer or inviting an offer or imposing an obligation to make an offer for Cadbury and any of its securities or otherwise giving rise to legal relations and, in particular, does not constitute a firm intention to make an offer for the purposes of Rule 2.5 of The City Code on Takeovers and Mergers. This letter shall be governed by and construed in accordance with English law.

## APPENDIX II: SOURCES AND BASES

- (a) Unless otherwise stated, financial and other information concerning Cadbury and Kraft Foods has been extracted from published sources or from Kraft Foods' management sources.
- (b) The Kraft Foods and Cadbury market position information contained in this announcement has been sourced from Euromonitor IMIS 2008 Value Shares and Euromonitor IMIS 2008 Value Share/Positions reports or has been extracted from Kraft Foods' internal analysis based on Reuters reports, peer company annual reports and other public filings.
- (c) The value attributed to Cadbury's issued share capital is based upon 1,366,571,088 Cadbury shares in issue as announced by Cadbury on 28 August 2009 pursuant to the FSA's Disclosure and Transparency Rules.
- (d) The stated share prices of Cadbury are based on the closing middle-market price provided by the London Stock Exchange.
- (e) Information in relation to the average price per Cadbury share over the 90-day period ended 4 September 2009 is for the period from 8 June 2009 up to and including 4 September 2009 (only trading days are included in the average).
- (f) The stated exchange rate of \$1.6346 : £1 is the closing US dollar / sterling rate quoted by WM / Reuters on 4 September 2009, the last business day preceding this announcement.
- (g) The share price of Kraft Foods is based on the closing price provided by the New York Stock Exchange on 4 September 2009, the last business day preceding this announcement.
- (h) The expected sources of the stated expected annual pre-tax cost savings of at least \$625 million are:
  - (i) potential operational cost savings of \$300 million per annum resulting from efficiencies and economies of scale in the areas of procurement, manufacturing, customer service, logistics and research and development;

- (ii) potential general and administrative cost savings of \$200 million resulting from efficiencies in the areas of central, regional and country level administrative expenses; and
  - (iii) potential marketing and selling cost savings of \$125 million resulting from efficiencies and economies of scale in the areas of marketing, media and selling expenses.
- (i) When evaluating the cost savings the Board of Kraft Foods has assumed the following:
- (i) that Kraft Foods will acquire 100% of the shares in Cadbury following completion, without undue delay;
  - (ii) that there will be no material unanticipated impact on the combined group arising from any decisions made by competition authorities;
  - (iii) that there will be no material change to the market dynamics affecting Kraft Foods and/or Cadbury following completion; and
  - (iv) that there will be no material change to exchange rates following completion.
- (j) In establishing the estimate of cost savings, the Board of Kraft Foods has assumed that Cadbury's operations, processes and procedures are comparable to those of Kraft Foods' own related operations, except where publicly available information clearly indicates otherwise. Kraft Foods' management, aided by its previous integration experience and through an understanding of Cadbury's cost structure based on their own market intelligence and experience, has determined the source and scale of realisable cost savings. The cost savings and the one-off implementation cash costs of achieving the cost savings are incremental to Kraft Foods' and, to the best of the Directors and Executive Officers of Kraft Foods' knowledge, Cadbury's existing plans. In addition to information from Kraft Foods' management, the sources of information that Kraft Foods has used to arrive at the estimate of cost savings include:
- (i) Cadbury's annual report and accounts;

- 
- (ii) Cadbury's presentations to analysts;
  - (iii) Cadbury's website;
  - (iv) analysts' research;
  - (v) other public information;
  - (vi) Kraft Foods' knowledge of the industry and of Cadbury; and
  - (vii) Kraft Foods' experience of cost savings from previous transactions, in particular, LU and Nabisco.
- (k) The Board of Kraft Foods has not had discussions with Cadbury's management to confirm the reasonableness of the Board of Kraft Foods' assumptions set out above supporting the estimate of cost savings. Therefore, there remains an inherent risk in this forward-looking estimate.

(a) From Ernst & Young LLP



7 September 2009

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

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

**KRAFT FOODS INC. (“KRAFT FOODS”)’S PROPOSAL TO CADBURY PLC (“CADBURY”)**

Dear Sirs

We refer to the statements (the “Statements”) Kraft Foods set out on page 2 and in Appendix II, clause (h) of the announcement dated 7 September 2009 (the “Announcement”), to the effect that:

“The transaction would create... a significant opportunity to realise pre-tax cost savings of at least \$625 million annually. This is expected to be achieved through increased operational efficiencies over and above the current performance improvement programmes at Kraft Foods and Cadbury (including Cadbury’s Vision Into Action (“VIA”) programme). Kraft Foods expects that it will achieve the run-rate on these cost savings by the end of the third year following completion. Total one-off implementation cash costs of approximately \$1.2 billion would be incurred in the first three years following completion”; and

“The expected sources of the stated expected annual pre-tax cost savings of at least \$625 million are:

- (i) potential operational cost savings of \$300 million per annum resulting from efficiencies and economies of scale in the areas of procurement, manufacturing, customer service, logistics and research and development;
- (ii) potential general and administrative cost savings of \$200 million resulting from efficiencies in the areas of central, regional and country level administrative expenses; and
- (iii) potential marketing and selling cost savings of \$125 million resulting from efficiencies and economies of scale in the areas of marketing, media and selling expenses.”

The Statements have been made in the context of disclosures in Appendix II of the Announcement setting out the basis of the belief of the Directors and Executive Officers of Kraft Foods (the “Directors”) supporting the Statements and their analysis and explanation of the underlying constituent elements.

This letter is required by Note 8(b) of Rule 19.1 of the City Code on Takeovers and Mergers (the “Takeover Code”) and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibility**

The Directors are responsible for making the Statements in accordance with Rule 19.1 of the Takeover Code. It is our responsibility and that of Lazard & Co., Limited (“Lazard”) to form our respective opinions, as required by Note 8(b) to Rule 19.1 of the Takeover Code, as to whether the Statements have been made by the Directors with due care and consideration.

Our work in connection with the Statements has been undertaken solely for the purposes of reporting under Note 8(b) to Rule 19.1 of the Takeover Code to the Directors and to Lazard. We accept no responsibility to any other parties other than to those persons to whom this report is expressly addressed in respect of, arising out of or in connection with that work.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standard 1000 (Investment Reporting Standards applicable to all engagements in connection with an investment circular) issued by the Auditing Practices Board in the United Kingdom. We have discussed the Statements together with the relevant bases of belief (including sources of information) with the Directors and with Lazard. Our work did not involve any independent examination of any of the financial or other information underlying the Statements.

We do not express any opinion as to the achievability of the cost savings and benefits identified in the Statements. The Statements are subject to uncertainty as described in Appendix II to the Announcement. Because of the significant changes in the enlarged group’s operations expected to flow from the proposed merger and because the Statements relate to the future, the actual benefits achieved are likely to be different from those anticipated in the Statements and the differences may be material.

#### **Opinion**

On the basis of the foregoing, we report that in our opinion the Directors have made the Statements, in the form and context in which they are made, with due care and consideration.

Yours faithfully

A handwritten signature in black ink that reads 'Ernst & Young LLP'. The signature is written in a cursive, slightly slanted style.

Ernst & Young LLP

LAZARD & CO., LIMITED  
50 Stratton Street, London W1J 8LL

Authorised and regulated by the Financial Services Authority  
Member of the London Stock Exchange  
Registered in England no. 162175

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

7 September 2009

Dear Sirs,

**POSSIBLE OFFER FOR CADBURY PLC (“CADBURY”)**

We refer to the statement of estimated cost savings, the bases of preparation thereof and the notes thereto (together the “Statements”) made by Kraft Foods Inc. (“Kraft Foods”) set out in this announcement, for which the Directors and Executive Officers of Kraft Foods (the “Directors”) are solely responsible.

We have discussed the Statements (including the assumptions and sources of information referred to therein) with the Directors and those officers and employees of Kraft Foods who developed the underlying plans. The Statements are subject to uncertainty as described in this announcement and our work did not involve an independent examination of any of the financial or other information underlying the Statements.

We have relied upon the accuracy and completeness of all the financial and other information reviewed by us and have assumed such accuracy and completeness for the purposes of rendering this letter. We have also reviewed the work carried out by Ernst & Young LLP and have discussed with them the conclusions stated in their letter of 7 September 2009 addressed to yourselves and ourselves on this matter.

We do not express any opinion as to the achievability of the cost savings identified by the Directors.

This letter is provided pursuant to our engagement letter with Kraft Foods solely to the Directors in connection with Note 8(b) of Rule 19.1 of the City Code on Takeovers and Mergers and for no other purpose. We accept no responsibility to Cadbury or its shareholders or any other person other than the Directors in respect of the contents of, or any matter arising out of or in connection with, this letter.

On the basis of the foregoing, we consider that the Statements by Kraft Foods, for which the Directors are solely responsible, have been made with due care and consideration in the context in which they were made.

Yours faithfully,

Peter Kiernan  
Managing Director



## A MESSAGE TO STAKEHOLDERS

As you know, on 7 September 2009, Kraft Foods announced that we sent a letter to the Board of Directors of Cadbury plc to discuss the possibility of combining our two companies. Although the Board of Cadbury plc has rejected this proposal, Kraft Foods is committed to working toward a recommended transaction and to maintaining a constructive dialogue. We believe that we can strengthen both our companies by bringing them together. We are eager to build upon Cadbury plc's iconic brands and strong British heritage through increased investment and innovation.

We have great respect for Cadbury plc. We strongly believe that combining our two well-respected companies is a great way for us both to continue to nurture and grow our collective brands.

This proposed combination would create:

- A company with approximately \$50 billion in revenues;
- A global powerhouse in snacks, confectionery and quick meals with an exceptional portfolio of leading brands;
- A geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China, and Russia; and
- A strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business.\*

We understand the great sense of pride that Cadbury plc has for its brands. Kraft Foods also has a long history of respecting and building iconic brands like Oreo, LU, Milka, Toblerone, Kenco, Philadelphia and DairyLea. Kraft Foods is eager to build upon Cadbury plc's success, iconic brands and strong British heritage through increased investment and innovation.

We believe the business reasons for combining the two companies are clear, compelling and significant. But we believe this proposed combination is about cultural "fit" as well. It's about value *and* values. We share many of the same priorities – from food safety to sustainable sourcing to community involvement. In short, we see a great fit.

At this point, we have only made a proposal to combine our two companies. We have made no formal offer yet and there is no guarantee that we will make one.

We have asked the Board of Cadbury plc to consider our proposal with the hope of reaching an agreement. The timing of any potential transaction will depend on a number of factors and we will make a further announcement when appropriate.

Meanwhile, we invite you to visit our corporate website, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com), to learn more about our company. We will also update this transaction website with all of our latest communications about this proposed combination.

\*Nothing in this document is intended to be a profit forecast and the statements in this document should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

#### **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements regarding our possible offer to combine with Cadbury plc. Such statements include statements about the benefits of the proposed combination, expected future earnings, revenues and cost savings and other such items, based on our plans, estimates and projections. 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, the possibility that the possible offer will not be pursued and the risk factors set forth in our filings with the US Securities and Exchange Commission ("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 document except as required by applicable law or regulation.

#### **ADDITIONAL US-RELATED INFORMATION**

This document is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury plc or Kraft Foods. Subject to future developments, Kraft Foods may file a registration statement and/or tender offer documents with the SEC in connection with the proposed combination. **Cadbury plc shareholders should read those filings, and any other filings made by Kraft Foods with the SEC in connection with the proposed combination, as they will contain important information.** Those documents, if and when filed, as well as Kraft Foods' other public filings with the SEC may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at Kraft Foods' website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).

#### **RESPONSIBILITY STATEMENT**

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Kraft Foods

Irene Rosenfeld, Chairman and CEO

External Interview

September 2009

**Q: Why is this proposed transaction right for Kraft Foods?**

A: I think it's a logical next step in our transformation toward a high-growth, higher-margin company. It's the opportunity to combine two companies to create a global powerhouse in snacks, confectionary and quick meals that I think has the potential to benefit our brands, our employees, our consumers and certainly our shareholders. It would become a \$50 billion company. One that would have the scale, the scope and the resources to grow faster today and well into the future.

**Q: Why does this proposed transaction make sense for Cadbury?**

A: We have great respect for Cadbury, for its brands, for its employees and for its proud heritage, but I believe that in the current global economy the growth prospects are constrained and so we believe by bringing together these two great companies the opportunity to create a global powerhouse will enable it to compete far more effectively in the future.

For Cadbury's shareholders we believe that the premium we have offered is a compelling one and we believe that the nature of our proposal provides both value certainty in the near term as well as the opportunity to benefit from the long-term upside in the synergies that come from combining these two great companies.

**Q: Why are you considering this proposal now?**

A: We've been following Cadbury for quite some time. Both companies are on solid footing. Kraft just reported very strong second quarter results, which suggests that we have made excellent progress in our turnaround. We continue to benefit from the integration of the LU Biscuit business that we bought back in 2007 and similarly, Cadbury has made excellent progress against the Vision Into Action program. So I think it's an opportune time for both companies to come together and move together to the next level.

**Q: What commitments are you making in regards to jobs or manufacturing facilities?**

A: As you might imagine, it's a little bit too early to make any specific commitments. But what I can say is that as we create this global powerhouse, there will be opportunities for talented employees from both companies to continue to have very attractive and successful careers.

In addition, we can confirm that the existing contractual employment rights, particularly pension rights, of all Cadbury employees will be totally safeguarded.

**Q: Where are the synergies you identified coming from?**

A: We see substantial synergies, pre-tax synergies, as a result of operational efficiencies in combining the two companies. But equally important, we see excellent revenue synergies that come from increased investment in distribution, in marketing and new product development and so although it's premature to talk about any of the specifics, we see tremendous benefits in combining the two companies.

**Q: Do you think this proposed transaction is feasible given the political considerations of acquiring a UK icon?**

A: Absolutely. We have tremendous respect for Cadbury, for its brands, for its proud heritage and just as we have done, they have made significant investments over the years in quality and innovation and marketing. Especially here in the UK it is an iconic business and it is one that has a very proud heritage and we have every intention of respecting that.

**Q: Are there differences in the cultures of the two companies that are going to raise the integration risk?**

A: As you read about the history of our two companies and you look at the history of our founders they're remarkably similar and I think some of the great values that have guided the history of Cadbury have also guided the history of Kraft. And even if you look at some of the programs that we have both chosen to pursue, our desire to make a difference in the communities in which we operate is similar. Kraft has pursued that avenue with our Kenco coffee - we've taken a very strong stance with respect to Rainforest Alliance coffee. Similarly, Cadbury has taken a very strong stance with respect to Fair Trade cocoa. In both cases our desire is to help improve the lives of those who raise the crops that we use as inputs to make our own products and so I think culturally the two businesses are quite similar and I'm quite optimistic about the possibility of combining these two very strong, very proud cultures.

**Q: Tell us about Kraft Foods given that not everyone knows you in the UK?**

A: Kraft is a powerhouse in snacks, confectionary and quick meals. We're headquartered in the US but we have operations around the world. In fact, half of our revenue comes from outside the US.

Globally we're known for a number of billion dollar brands. Brands like Kraft, LU, Jacobs, Nabisco, Oscar Mayer, for example. Here in the UK we're actually not necessarily associated with some of our most famous brands. Brands like Terry's, Milka, Toblerone, DairyLea, Kenco. But we're proud of all of our brands and we believe that the opportunity to bring this iconic portfolio of brands together with the proud heritage of the Cadbury portfolio is a wonderful opportunity.

**Q: Why have you decided to go public with your proposal today?**

A: While there is no guarantee that we will actually make an offer we believe that our proposal is one that would provide tremendous value to the shareholders of both companies. We have sent a letter to the Cadbury Board of Directors laying out our proposal and we believe that this is the best way for us to proceed.

**Q: It's been reported that you are a Mac and Cheese and Oreo fan, so what is your favorite Cadbury brand?**

A: There are so many to choose from it's a little hard to pick. I'd have to say on a year round basis I think Trident Gum. I'm a heavy, heavy user of that product. But I would say that on a seasonal basis I just love those Cadbury eggs. And I am so excited about the opportunity to bring our two great companies together and realize more opportunities to make products like those eggs available to more consumers around the world.

[End]

Nothing in this document is intended to be a profit forecast and the statements in this document should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

#### **FORWARD-LOOKING STATEMENTS**

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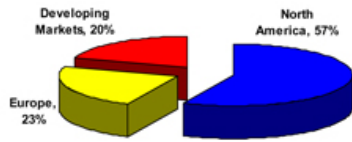
**KRAFT FOODS PROPOSES COMBINATION WITH CADBURY PLC; BUILDING ON A GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK MEALS**

Companies	Kraft Foods	Cadbury plc
Ticker	NYSE: KFT	LSE: CBRY
Description	<p>Kraft Foods is the world's second largest food company with annual revenues of \$42 billion. The company's portfolio of brands is available in 150 countries around the globe. Of its brands, more than 40 are at least 100 years old, nine brands have revenue exceeding \$1 billion and more than 50 additional brands have revenues greater than \$100 million. Headquartered near Chicago, Illinois, the company has approximately 100,000 employees, with products manufactured at 168 facilities worldwide.</p> <p><a href="http://www.kraftfoodscompany.com">http://www.kraftfoodscompany.com</a></p>	<p>With an almost 200 year history, Cadbury plc is one of the world's largest confectionery companies with No. 1 or No. 2 positions in more than 20 of the world's 50 biggest confectionery markets. It also has the largest and most broadly spread emerging markets business of any confectionery company. Cadbury plc employs approximately 45,000 people around the world with direct operations in more than 60 countries. The company's business is split into seven international units: Britain and Ireland, Europe, Middle East and Africa (MEA), North America, South America, Asia and Pacific.</p> <p><a href="http://www.cadbury.com">http://www.cadbury.com</a></p>
Key Brands		
Employees	Approximately 100,000	Approximately 45,000
2008 Revenues	\$42 Billion	\$9 Billion
Combined Company	Revenues: Approximately \$50 Billion	

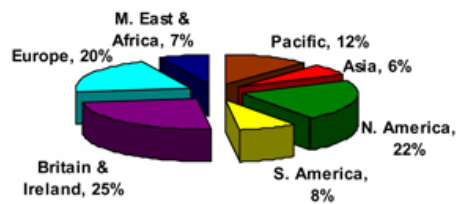
**KRAFT FOODS PROPOSES COMBINATION WITH CADBURY PLC; BUILDING ON A GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK MEALS**

**Companies**  
**Geographic Breakdown by 2008 Revenues**

**Kraft Foods**



**Cadbury plc**



**Strategic Rationale**

The transaction would create:

- a company with approximately \$50 billion in revenues;
- a global powerhouse in snacks, confectionery and quick meals;
- a geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China and Russia;
- a strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business\*; and
- the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development. In addition, there is a significant opportunity to realize pre-tax cost savings

**Proposal Terms**

- Proposal**
- 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury plc share\*\*
  - Values each Cadbury plc share at 745 pence and values the entire issued share capital of Cadbury plc at £10.2 billion (based on share prices and exchange rates on September 4, 2009)\*\*
  - Kraft Foods would also offer a mix and match facility under which Cadbury plc shareholders could elect, subject to availability, to vary the proportions in which they would receive cash and new Kraft Foods shares\*\*
- Premium**
- Premiums to Cadbury plc's share price:
    - 42% over Cadbury plc's share price of 524 pence on July 3, 2009, prior to recent analyst suggestions regarding potential sector consolidation
    - 34% over Cadbury plc's 90-day average share price of 555 pence in the period up to September 4, 2009, the last business day preceding the possible offer announcement
    - 31% over Cadbury plc's closing share price of 568 pence on September 4, 2009, the last business day preceding the possible offer announcement

**KRAFT FOODS PROPOSES COMBINATION WITH CADBURY PLC; BUILDING ON A  
GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK MEALS**

**WHERE TO FIND ADDITIONAL INFORMATION**

Information for Media, Investors and Communities is available at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

**FORWARD-LOOKING STATEMENTS**

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\* Nothing in this document is intended to be a profit forecast and the statements in this document should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

\*\* Kraft Foods reserves the right to:

(i) make an offer at any time at a value below the equivalent of 300 pence in cash and 0.2589 of new Kraft Foods shares per Cadbury plc share (taking the value of a Kraft Foods share and the exchange rate at the date of announcement of a firm intention to make an offer) with the agreement and recommendation of the Board of Cadbury plc or in the event that any Cadbury plc dividend is declared, made or paid (other than the announced interim dividend of 5.7 pence due to be paid by Cadbury plc on 16 October 2009); and/or

(ii) vary the form and/or mix of consideration of the possible offer.

**BUILDING ON A GLOBAL POWERHOUSE**

I'm pleased to share some exciting news. Today, we announced publicly that we sent a letter to the Board of Directors of Cadbury plc to discuss the possibility of acquiring the company. We believe this transaction would enhance our growth and improve our margins, continuing to build on a global powerhouse in snacks, confectionery and quick meals. You can read further details in this press release. ([link to press release](#)) Although we are only in the early stages of this process, having made our letter to Cadbury plc's Board public, I wanted to be sure you heard about this from me directly.

Our Board and I believe that this proposed acquisition is one of our best strategic moves at this time. Our businesses are highly complementary. As a combined entity, we would be a company with annual revenues of approximately \$50 billion.

Cadbury plc is strong in categories, markets and channels where we would benefit from additional presence. Specifically, this proposed deal would add to our scale in key developing markets including Brazil, China, Russia, and Mexico, while giving us a solid on-the-ground entry into India. Should the combination with Cadbury plc be completed, we would expect to revise our long-term growth targets to 5+% for revenue and 9-11% for earnings per share, from our previously announced 4+% and 7-9%, respectively. All this suggests that the potential acquisition of Cadbury plc would be a terrific next step in our journey to top-tier financial performance.

That's why we are excited about the potential opportunities this proposed combination would bring to both companies' employees, consumers, customers, business partners and, of course, shareholders.

I have great respect for Cadbury plc, its employees and its heritage. Like Kraft Foods, Cadbury plc has built iconic brands over many generations by focusing on quality, innovation and marketing. Our companies already employ many best practices and share common values – from the importance of food safety to sustainable sourcing.

Because Cadbury plc's Board rejected our proposal, we are making it public in order to encourage constructive dialogue and work toward a recommended offer.

As the situation develops, you'll no doubt read about it in the news and have questions about what it means for you. While there may be more questions than answers at this point, we've attached a brief Q&A that shares what we know today. ([link](#))

Of course, we've only just begun this process and the deal is subject to various conditions. It may be some time before it's done, and there is no guarantee that we will move from the proposal stage to making a formal offer, or that we will successfully reach completion if an offer is made. Throughout, however, I will keep you informed as best as possible.

We believe that this combination promises an even greater future for Kraft Foods and Cadbury plc. That said, it is important to remember that our current strategic plan would, if achieved, get us to our stated goal of 7-9% annual EPS growth without this proposed acquisition. So, while I hope that we can negotiate and close this transaction, what I need you to do is remain focused on delivering a strong Q3 and balance of the year. I know that I can count on you to deliver.

Irene

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#### **FORWARD-LOOKING STATEMENTS**

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#### **ADDITIONAL US-RELATED INFORMATION**

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Kraft Foods

Irene Rosenfeld, Chairman and CEO

Internal Interview

September 2009

**Q: What are you announcing today?**

A: We're announcing some very exciting news that Kraft is considering making an offer for Cadbury. It is the very logical next step in our transformation. It is a terrific opportunity to bring together two iconic companies with a fabulous heritage and a fabulous portfolio of iconic brands.

I'm not sure how familiar many of you are with Cadbury's products, but they're household names just like some of our Kraft products. Products like Trident, Dentine, Bubblicious. In the chocolate area; products like Dairy Milk, Flake, and Creme Eggs and even Halls cough drops are products made by Cadbury.

This is a fabulous opportunity to bring together two companies to create a global powerhouse in snacks, confectionary and quick meals. It will be a \$50 billion company with operations in significant markets around the world, particularly in developing markets, and so it's an exceptionally exciting opportunity. Obviously there is much work to do as we move forward, but I really wanted to have the opportunity to share it with you as it became public.

**Q: What will change for Kraft Foods' employees?**

A: At this point, nothing. I think the best thing we can all do is to just stay focused on delivering our commitments for the balance of the year. It's quite early in the process, but I assure you that as news becomes available, I will share it with you as I always do.

**Q: Will there be any job losses at Kraft Foods, or will there be any plant closings?**

A: Let me be as clear as I can be. This transaction is about growth. It's about creating a global powerhouse of snacks, confectionary and quick meals; one that has tremendous scale, scope and resources to grow today and well into the future. Of course there will be some cost synergies as we put these two companies together, but it is at an early stage in the process. It would be premature to talk about any of the specifics. Mostly I'd like to leave employees with the understanding that this is a terrific opportunity to take our company to the next level on our way to top-tier performance.

**Q: How will this impact Kraft Foods' financial performance and if it hurts it, what will the impact be on employee compensation and benefits?**

A: I don't expect that it will have any impact on employee compensation and benefits. I do believe that the opportunity of bringing these two companies together will enable us to become a higher-growth, higher-margin company, which has been our aspiration.

**Q: Can you describe Cadbury, what are they like?**

A: What I can tell you is that our companies have very, very similar cultures. In fact, I actually think that if John Cadbury had met JL Kraft they could well have been friends. I think they both shared a love of innovation, of focusing on product quality and of looking at exciting new marketing opportunities. Even though Kraft is a US company and Cadbury is a UK company, I think there are many, many common elements of our cultures and I believe that bringing the two organizations together can truly create a stronger company from both parts.

**Q: What should Kraft Foods' employees be telling their customers, suppliers and other third parties that they work with on a daily basis?**

A: It's business as usual. We remain focused on delivering our 2009 commitments and I think that's where we should put all of our efforts.

**Q: You've touched on culture a bit already, but what other things make you confident that this proposal will work?**

A: Well, in areas like social responsibility there are so many commonalities. I've talked a lot about the experience that we had with our Kenco coffee in the UK by becoming the largest purchase of Rainforest Alliance coffee and the tremendous impact that that has had on not only the sales of our products, but the feelings of consumers about our brand. Similarly, Cadbury is looking at a similar relationship with Fair Trade cocoa. Different organization, same objective – the desire to enhance the environment and the lives of the people who grow the crops that our products depend on. So I think there are great similarities in our two companies and it's what makes me so confident and optimistic that this partnership could be a fabulous one.

**Q: So is this a done deal?**

A: Not by any means. We have not made a formal offer. What we have done is made a proposal to the Board of Cadbury and our hope is that they will entertain that proposal and engage with us in a constructive dialogue to reach some sort of agreement. But it's way too early in the process and we just have to let things play out.

**Q: Is this deal essential for Kraft Foods to become top tier?**

A: No. We have a very robust strategic plan. In fact I shared it with our employees just a couple of weeks ago and I am quite confident that with that plan we can achieve the top tier goals that we've set for ourselves. This proposed transaction would simply be a means, I believe, to accelerate our growth and help us to get to that end state even faster. But it is absolutely not necessary to the accomplishment of the goals that we had set for ourselves.

**Q: And finally, can you share with us your favorite Cadbury product? What do you recommend that your employees try if they haven't tried it already?**

A: Well I think employees are quite familiar with what my favorite Kraft products are. Interestingly, there is a whole bunch of Cadbury products that are a fabulous complement to the products that we make today.

On a regular basis, Trident Gum would be way up there on my list of favorites. But from a seasonal perspective, those Cadbury eggs are a one-of-a-kind experience. In fact, if you actually watch people eat them, the ritual that one uses to eat a Cadbury egg is not unlike the ritual that we talk about to eat an Oreo. So it's one of the many reasons that I think these companies were made for one another.

[End]

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#### **FORWARD-LOOKING STATEMENTS**

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**BUILDING ON A GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK MEALS****Frequently Asked Questions:****Q1 What is being announced today?**

Today, we announced publicly that we sent a letter to the Board of Directors of Cadbury plc to discuss the possibility of acquiring the company. In terms of process, it's still very early days, but our goal is to be able to negotiate with Cadbury plc to reach a deal.

**Q2 Why are we interested in Cadbury plc?**

We've all been working hard over the last several years to build the new Kraft Foods. Thanks to you, we're now ready to take the next step. By adding Cadbury plc's fast-growing brands and broad geographic footprint to our portfolio, we can reach our goal of becoming a top-tier company even more quickly. It's not to say we can't get there on our own, but we expect that combining with Cadbury plc can get us there faster; enhancing our worldwide scale, scope, and resources to continue to build on our position as a global powerhouse in snacks, confectionery and quick meals for the benefit of all of our stakeholders.

We believe this proposed transaction would enable us to bring our brands to more consumers around the world. As we see it, it's a real win-win situation. Good for us. Good for them. Good for our consumers and good for our shareholders.

**Q3 What will change for Kraft Foods employees as a result?**

At this stage, absolutely nothing. We are in the very early stages. We all need to stay focused on our business and deliver on our current commitments. When there's news to share, we'll let you know as quickly as possible.

**Q4 Will there be any job losses here at Kraft Foods?**

This proposed transaction makes sense because the two companies fit together so well. The focus of this deal is growth – it's about growing brands on a global basis. That said, of course, we do expect some cost synergies from the deal. However, we believe this proposed deal, if completed, would lead to increased opportunities for talented employees and managers of both companies around the world.

**Q5 How will this impact our overall financial performance and what will be the impact on employee compensation and benefits?**

Long-term, we believe this proposed transaction is going to benefit our performance by helping us become a higher-growth, higher-margin company. Should the combination with Cadbury plc be completed, we would expect to revise our long-term growth targets to 5+% for revenue and 9-11% for earnings per

share, from our previously announced 4+% and 7-9% respectively. As for employee compensation and benefits, at this stage we don't expect any changes as a direct result of this proposed transaction.

**Q6 Can you describe Cadbury plc and their culture? Will it be challenging to bring our companies together?**

Cadbury plc is a company with a proud heritage and history, just like ours. Cadbury plc was founded back in the early 1800s in Birmingham, UK. Today, they have around \$9 billion in revenues and operate in over 60 countries. They're in three major categories: chocolate, gum and candy.

We may be a U.S. company and Cadbury plc may be a UK company, but we have many of the same roots. In learning more about the history of Cadbury plc's founder, John Cadbury, we realized that there are many similarities with our own founder, J. L. Kraft. Both were hard working family men who believed in quality, technical innovation, marketing savvy and building great brands.

Sustainable sourcing is another area we have in common. We are both committed to working with NGOs and business partners throughout our supply chains to improve the lives and environments of those who grow the crops we depend on. Like us, Cadbury plc operates with strong values and a commitment to social responsibility.

These similarities, along with our record of successfully integrating and growing multinational businesses involving iconic brands, such as our most recent acquisition of the French biscuit company LU in 2007, makes us optimistic that we'll be able to work well together given the chance.

**Q7 What should we tell our customers, suppliers, and other important people we work with on a daily basis?**

It is important to let our customers, suppliers and others know that we are as focused as ever on delivering our 2009 commitments and doing what we do best – making, marketing and selling delicious products that consumers love.

**Q8 What are the next steps? How long will this process take?**

Remember, at this point, we have made no formal offer yet and there is no guarantee that we will make one. Cadbury plc's Board rejected our proposal and we made our proposal public as a means to encourage constructive dialogue. We have asked the Board of Cadbury plc to reconsider our proposal with the hope of reaching an agreement. The timing will depend on a number of factors and we will make a further announcement when appropriate.

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#### **KRAFT FOODS TO HOST INVESTOR WEBCAST TO DISCUSS POSSIBLE OFFER FOR CADBURY PLC**

*Analyst and Investor Conference Call / Webcast Today at 8 a.m. BST for European investors and at 8 a.m. EDT / 7 a.m. CDT on Tuesday, Sept. 8, for U.S. investors*

Northfield, Illinois, Sept. 7 /PRNewswire/ — Kraft Foods (NYSE: KFT) will be conducting an analyst and investor conference call / webcast today to discuss its proposed combination with Cadbury plc (LSE: CBRY). The company will hold an investor conference call / webcast today at 8 a.m. BST and an additional call at 8 a.m. EDT / 7 a.m. CDT on Tuesday, Sept. 8, 2009. Chairman and Chief Executive Officer Irene B. Rosenfeld will be presenting on both calls.

Participants can access the Monday, Sept. 7, conference call by dialing 0845 401 9097 in the U.K. and +44 (0) 203 003 2666 outside the U.K. The conference call and accompanying slides will also be available to all interested parties via webcast. To access the webcast, please visit Kraft Foods' web site, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). A replay of the conference call will be available approximately two hours following the conclusion of the call. It can be accessed by dialing +44 (0) 208 196 1998, conference code #7318330.

Participants can access the Tuesday, Sept. 8, conference call by dialing (888) 874-9470 in the U.S. and (973) 935 8772 outside the U.S. All callers can use the conference code # 29108340. The conference call and accompanying slides will be available to all interested parties via webcast. To access, please visit Kraft Foods' web site, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). A replay of the conference call will be available approximately two hours following the conclusion of the call. It can be accessed in the U.S. by dialing (800) 642-1687. Callers in locations other than the U.S. can access the replay by dialing (706) 645-9291. All callers can use the conference code #29108340.

The webcasts will also be archived on the Kraft Foods web site, [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).

For information on the proposed combination, please go to [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

A video interview with Kraft Foods Chairman and Chief Executive Officer Irene B. Rosenfeld is available for viewing at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

Broadcast media will be able to download the interview at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

#### **FORWARD-LOOKING STATEMENTS**

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**Kraft Foods**

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# Kraft Foods

## Building on a Global Powerhouse

September 7, 2009



# Forward-looking statements

This slide presentation contains forward-looking statements about our proposed combination with Cadbury, including but not limited to statements regarding our beliefs that: the terms of our possible offer will deliver compelling value to Cadbury shareholders, represent an attractive premium and provide Cadbury shareholders with both value certainty and the opportunity to participate in future upside of combined company; the combination will drive significant benefits for our shareholders; the transaction will be accretive to cash EPS in the second year; the combined company will maintain an investment grade credit rating; the portfolio of the combined company will enhance our long-term growth rate and drive substantial shareholder value; we have significant global scale and a strong portfolio of iconic brands in five consumer sectors; we have executed our turnaround despite a difficult environment, including by strengthening our senior leadership team, creating accountable business units by decentralizing, revising incentive systems, enhancing the relevance of our core brands, strengthening our category mix, focusing investments on priority categories, core brands and key markets, leveraging our scale in the marketplace, expanding our reach in growing trade channels, improving coverage in traditional trade, improving our product quality from parity to vastly preferred and moving to a model of continuous improvement; our targets of restoring profit margins to industry benchmarks, achieving high end of 7%-9% EPS growth and growing cash flow in excess of EPS growth; the time is right to further our transformation by pursuing growth from a position of strength, preparing our organization to execute with excellence and leveraging strong financial momentum; our priorities of focusing on growth categories, expanding our footprint in developing markets, our presence in growing trade channels and our margins have shaped our long term strategy; Cadbury is a perfect strategic fit with a strong portfolio with leading market positions in the fast-growing confectionary category; confectionery is an attractive category; the combined company would be the global leader in confectionery with a diversified portfolio of leading confectionery brands; Cadbury's footprint is highly complementary to Kraft Foods', increasing scale in developing markets for both companies; Cadbury has strong infrastructure in instant consumption channels; both companies would benefit from complementary strengths in sales and distribution; we have unique capabilities to drive performance in traditional channels; the combined companies would have the opportunity to leverage expertise as large format retail grows globally; the combined companies would provide significantly expanded reach in instant consumption channels versus traditional channels; instant consumption channels present the opportunity for higher growth and margins; a combination with Cadbury promises meaningful revenue and cost synergies and a significant opportunity to realize cost savings; we have proven our ability to successfully integrate acquisitions; the strategic rationale for the combination is compelling; the combination would allow us to drive growth while retaining a diversified portfolio, create a leading platform in confectionery, give us an expanded global reach focused on high growth geographies, create exceptional go-to-market capabilities and provide the opportunity to realize meaningful synergies; our long-term organic revenue growth and EPS growth would improve following the proposed combination; we have strong standalone operating and financial momentum; Kraft Foods + Cadbury is a compelling strategic opportunity; Cadbury has few catalysts for sustained future value creation as a standalone entity; and we have a proposal that we believe delivers an attractive premium to Cadbury shareholders and substantial value to both Cadbury and Kraft Foods shareholders. 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 of input costs, pricing actions, increased competition, our ability to differentiate our products from private label products, unanticipated expenses such as litigation or legal settlement expenses, our indebtedness and ability to pay our indebtedness, the shift in our product mix to lower margin offerings, risks from operating internationally, tax law changes, the possibility that the proposed combination will not be pursued, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the combination, adverse effects on the market price of our common stock and on our operating results because of a failure to complete the combination, failure to realize the expected benefits of the combination, negative effects of announcement or consummation of the combination on the market price of our common stock, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the combined companies following the combination. For additional information on these and other factors that could affect our forward-looking statements, see our filings with the U.S. Securities and Exchange Commission (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 slide presentation, except as required by applicable law or regulation.

# Forward-looking statements

## Additional U.S.-related information

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Irene Rosenfeld

Chairman and  
Chief Executive Officer



# Agenda

- Possible Offer: Structure & Economics
- Kraft Foods: A Strong Base from Which to Build
- Kraft Foods + Cadbury: A Global Powerhouse
- Next Steps



# Key terms of possible offer deliver compelling value to Cadbury shareholders

- 300p in cash and 0.2589 Kraft Foods shares per Cadbury share
  - Values each Cadbury share at 745p based on Friday's closing stock prices and exchange rates <sup>(1)</sup>
- Represents an attractive premium
  - 42% over Cadbury share price prior to recent analyst suggestions regarding potential sector consolidation <sup>(2)</sup>
  - 34% over Cadbury 90-day average share price <sup>(3)</sup>
  - 31% over Friday's closing stock price <sup>(4)</sup>
- Provides Cadbury shareholders with both value certainty and the opportunity to participate in future upside of combined company

1) Based on Kraft Foods' stock price of \$28.10 as of September 4, 2009, and an exchange rate of 1.6346 \$/£. For Kraft Foods' reservation of rights, see Important Notice contained in Kraft Foods' announcement dated September 7, 2009, which can be found at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

2) 524p on July 3, 2009

3) 555p for the period ending September 4, 2009

4) 568p on September 4, 2009



# Combination drives significant benefits for Kraft Foods shareholders

- Transaction expected to be accretive to cash EPS in second year\*
- Combined company to maintain investment grade credit rating
- A transformed portfolio that would enhance Kraft Foods' long-term growth rate and drive substantial shareholder value

\* Nothing in this presentation is intended to be a profit forecast and the statements in this presentation should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.



# Agenda

- Possible Offer: Structure & Economics
- Kraft Foods: A Strong Base from Which to Build
- Kraft Foods + Cadbury: A Global Powerhouse
- Next Steps



## Kraft Foods has significant global scale

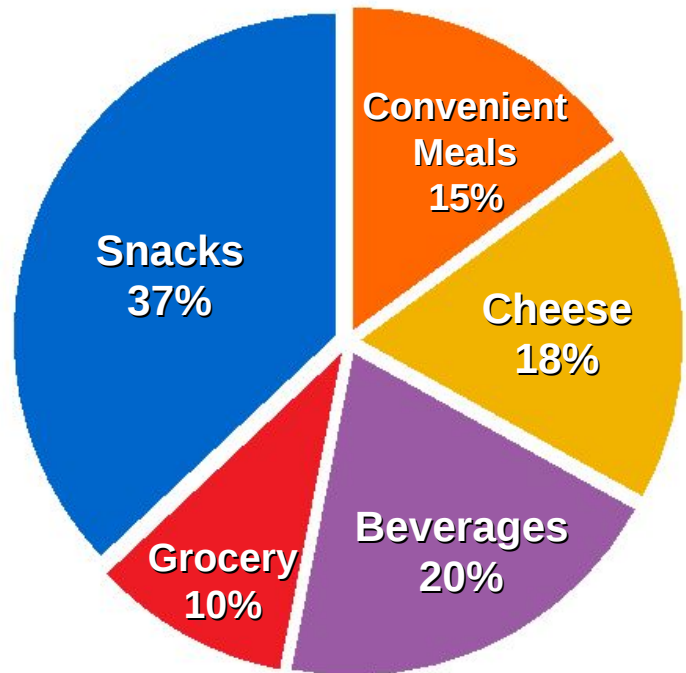


\$42 billion in revenue  
World's #2 food company  
#1 in North America  
Sales in 150 countries  
Operations in 70+ countries  
Approximately 100,000 employees



## We compete in five consumer sectors ...

- Snacks
- Convenient Meals
- Cheese
- Beverages
- Grocery



Source: Kraft Foods Inc. Form 10-K 2008.

# ... with a strong portfolio of iconic brands

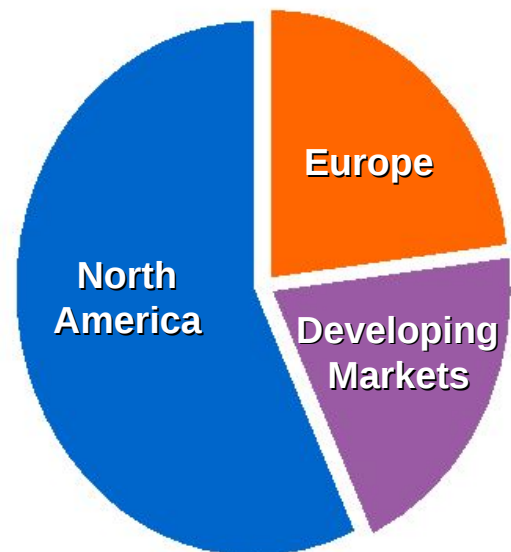
- 9 brands over \$1 billion
- 50+ brands over \$100 million
- 40+ brands over 100 years old





## Our portfolio today

- More than 40% of revenue outside North America
- More than 70% of revenue from snacks, confectionery and quick meals
- More than 80% of revenue from #1 share positions



# Three years ago, laid out four strategies to return Kraft Foods to sustainable growth

Rewire for Growth

Reframe Categories

Exploit Sales Capabilities

Balance Cost & Quality



# Successfully executed our turnaround despite a difficult environment

## Rewire for Growth

- Strengthened senior leadership team
- Decentralized to create accountable business units
- Revised incentive systems with right metrics

## Reframe Categories

- Enhanced relevance of core brands
  - Rebuilt our innovation pipeline
  - Increased value-oriented marketing
- Strengthened our category mix
- Focused investments on priority categories, core brands, key markets



# Successfully executed our turnaround in a difficult environment

Exploit  
Sales  
Capabilities

- Leveraging our scale in the marketplace
  - Established Wall-to-Wall in the U.S.
  - Taking Wall-to-Wall to next level with High Visibility Wall-to-Wall
- Expanded reach in growing trade channels
- Improved coverage in traditional trade

Balance  
Cost &  
Quality

- Improved product quality from parity to vastly preferred
- Leveraged tailwind of restructuring program to invest in growth
- Moved to a model of continuous improvement



# Targeting top-tier growth

- 2007: Rejuvenated top-line growth
- 2008: Grew both top and bottom lines
- 2009: Build profit margins and market share



## Targets

- Restoring profit margins to industry benchmarks
- Achieving high end of 7%-9% EPS growth target
- Growing cash flow in excess of EPS growth



# Time is right to further accelerate Kraft Foods' transformation

- Pursuing growth from a position of strength
  - Rejuvenated base business despite input cost escalation and global recession
- Prepared our organization to execute with excellence
  - Strengthened management team
  - Streamlined organizational structure
  - Global organization with skills and appetite to integrate a combination of this scale
- Leveraging strong financial momentum



# Agenda

- Possible Offer: Structure & Economics
- Kraft Foods: A Strong Base from Which to Build
- Kraft Foods + Cadbury: A Global Powerhouse
- Next Steps

# Four priorities have shaped Kraft Foods' long-term strategy

## Growth Categories

- Focus on growth categories
  - Transform into the leading snack, confectionery and quick meals company
  - Exit lower growth, lower margin businesses
  - Reinvigorate high cash flow businesses to fund growth

## Developing Markets

- Expand footprint in Developing Markets
  - Capitalize on population growth trends
  - Long-term opportunity as consumers “trade-up” to our products
  - Provides scale to invest in infrastructure in key geographies

## Growing Channels

- Expand presence in growing trade channels
  - Instant Consumption Channels (“ICC”) continue to gain share versus traditional channels in U.S. and EU
  - Increase access to significant parts of our portfolio

## Margin Expansion

- Target industry-leading margins
  - Improve portfolio mix
  - Drive down costs without compromising quality





# Cadbury is a perfect strategic fit

Growth  
Categories

- Cadbury has a strong portfolio with leading market positions in the fast-growing confectionery category
  - Well-positioned to drive chocolate growth and margins
  - Strong position in high growth gum segment
  - Strong niche Halls, sugar confectionery business

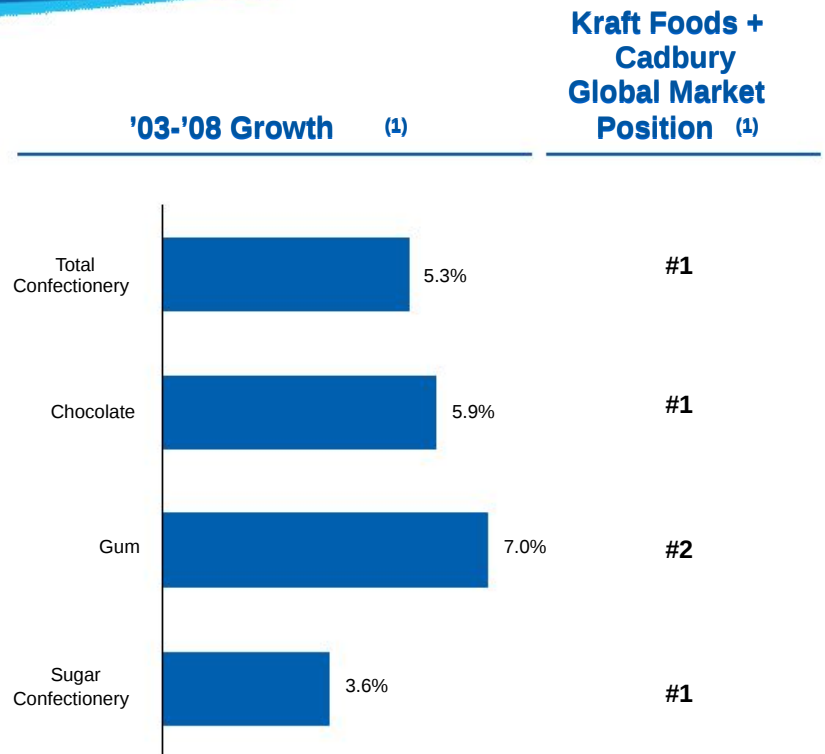
Developing  
Markets

Growing  
Channels

Margin  
Expansion

# Confectionery is an attractive category

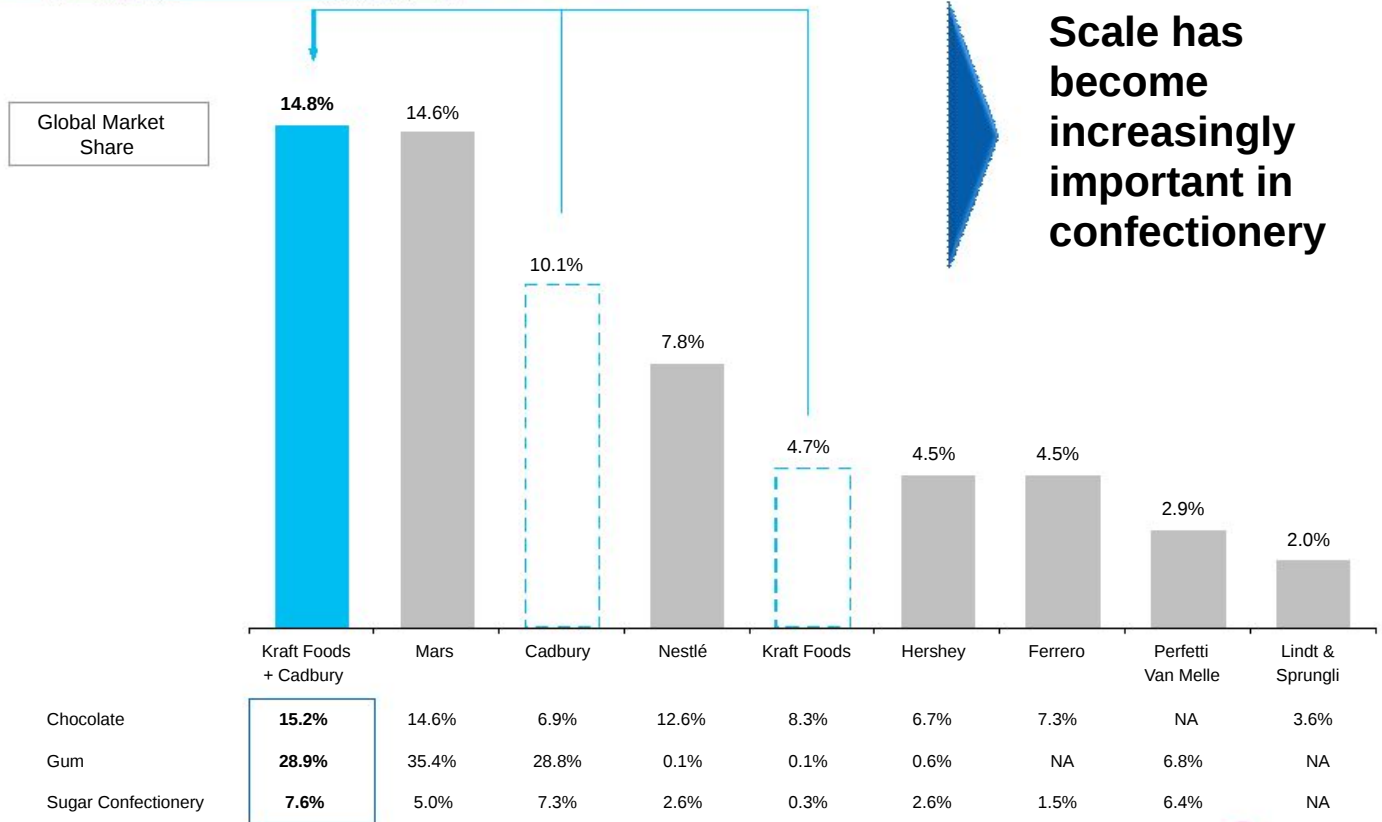
- Confectionery experiencing strong growth across segments
- Gum has experienced the most rapid growth as it has capitalized on the functional, health-oriented opportunity
- Combined revenues weighted towards high-growth chocolate and gum segments



(1) Source: Euromonitor Value, Euromonitor 2008.



# Combined, we would be the global leader in confectionery ...



Source: Euromonitor2008.



# ... with a diversified portfolio of leading confectionery brands

- Key global brands led by *Milka*, *Cadbury*, *Trident* and *Halls*
- 40+ confectionery brands over \$100 million with iconic status in respective markets



# Cadbury is a perfect strategic fit

Growth  
Categories

- Cadbury has a strong portfolio with leading market positions in the fast-growing confectionery category

Developing  
Markets

- Cadbury's footprint is highly complementary to Kraft Foods', increasing scale in developing markets for both companies
  - Meaningful entry for Kraft Foods into India and transforming in Mexico
  - Substantially strengthens Cadbury in Brazil, Russia, China

Growing  
Channels

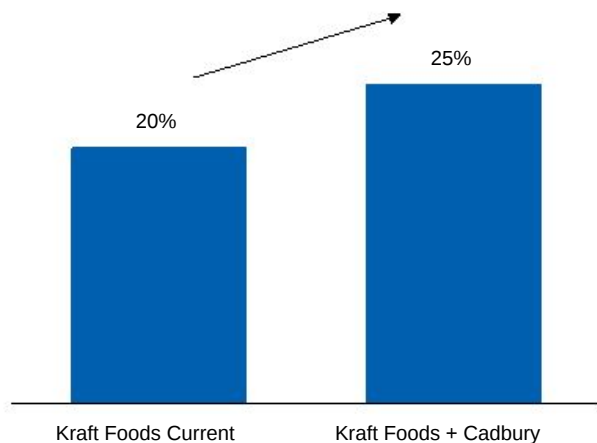
Margin  
Expansion



# Increased scale in developing markets for both companies

- Highly complementary to Kraft Foods' existing developing market footprint

**Percent of Net Revenues in Developing Markets**



**Combined Net Revenues in Key Geographies (1)**  
(millions)

	<u>Kraft Foods</u>	<u>Cadbury</u>	<u>Combined</u>
Brazil	\$1,200	\$400	\$1,600
Russia	\$800	\$200	\$1,000
India	NM	\$300	\$300
China	\$400	\$50	\$450
Mexico	\$350	\$500	\$850
Argentina	\$400	\$100	\$500
Turkey	\$200	\$300	\$500
South Africa	\$50	\$350	\$400

(1) Source: Estimates based upon Cadbury public disclosures and published reports, Euromonitor and Kraft Foods Inc.



# Cadbury is a perfect strategic fit

## Growth Categories

- Cadbury has a strong portfolio with leading market positions in the fast-growing confectionery category

## Developing Markets

- Cadbury's footprint is highly complementary to Kraft Foods', increasing scale in developing markets for both companies

## Growing Channels

- Cadbury has strong infrastructure in instant consumption channels
  - Provides enhanced scale and platform for Kraft Foods to distribute current products

## Margin Expansion



# Exceptional go-to-market capabilities

- Both companies would benefit from complementary strengths in sales and distribution

## Traditional Channels

- Kraft Foods strength
- Kraft Foods scale unmatched in North America
- As a result, Kraft Foods has unique capabilities to drive performance (e.g., Wall-to-Wall)
- Opportunity to leverage expertise as large-format retail grows globally

## Instant Consumption Channels

- Cadbury strength
- Important class of trade in both developed and developing markets
- Provides significantly expanded reach vs. traditional channels
- Opportunity for higher growth and margins





# Cadbury is a perfect strategic fit

## Growth Categories

- Cadbury has a strong portfolio with leading market positions in the fast-growing confectionery category

## Developing Markets

- Cadbury's footprint is highly complementary to Kraft Foods', increasing scale in developing markets for both companies

## Growing Channels

- Cadbury has strong infrastructure in instant consumption channels

## Margin Expansion

- A combination with Cadbury promises meaningful revenue synergies and a significant opportunity to realize cost savings



# Meaningful synergies and cost savings

- **Potential for meaningful revenue synergies**
  - A highly complementary geographic footprint
  - Enhanced distribution, marketing and product development
- **Annual cost savings of at least \$625 million\***
  - Over and above current performance improvement programs at Kraft Foods and Cadbury
    - Including Cadbury's Vision Into Action program
  - Potential annual pre-tax cost savings identified thus far:
    - \$300 million of operational synergies
    - \$200 million of general and administrative synergies
    - \$125 million of marketing and selling synergies
  - Expect to achieve run-rate savings by end of third year
  - Total one-off implementation cash costs of \$1.2 billion

\*There are several material assumptions underlying the synergies estimate which might therefore be materially greater or less than those estimated. This estimate of cost synergies has been reported on under the Takeover Code by Ernst & Young LLP and by Lazard & Co., Limited. Copies of their letters are included in parts (a) and (b) respectively of Appendix III of Kraft Foods Inc.'s Rule 2.4 announcement which can be found at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods). The estimate of cost synergies should be read in conjunction with Appendix II of the announcement, which contains, among other information, certain key assumptions underlying the estimate.



# We have proven our ability to successfully integrate acquisitions

## GROUP DANONE'S GLOBAL BISCUIT BUSINESS (2007)

- Expansion of global core category, providing strong third leg in Europe and increased Developing Markets presence
- Added \$2.6B in revenue and \$400MM in operating profit
- Synergies ahead of plan

## UNITED BISCUITS' IBERIAN OPERATIONS (2006)

- Acquisition of Spain and Portugal biscuit business, bringing European manufacturing base and return of Nabisco trademarks
- Added \$400MM in revenue and \$70MM in operating profit
- Integration proceeded on track

## NABISCO (2000)

- Entered rapidly growing snacks category
- Increased worldwide revenues by 30%
- Scale step up in Latin America and to lesser extent Asia Pacific
- Smooth integration, synergies exceeded original targets



## We believe the strategic rationale for the combination is compelling ...

- Builds on a global powerhouse in snacks, confectionery and quick meals
  - Would allow Kraft Foods to drive growth while retaining a diversified portfolio
- Leading platform in confectionery
  - Global leadership positions across segments
  - Highly complementary to Kraft Foods' global biscuit business
- Expanded global reach, focused on high growth geographies
  - Significantly increased footprint in key developing markets
- Creation of exceptional go-to-market capabilities
  - Addition of strong presence in instant consumption channels
- Opportunity to realize meaningful synergies



# ... and expect to raise our long-term growth rate to top tier of global food

<u>Long-Term Targets</u>	Kraft Foods	Kraft Foods + Cadbury
Organic Revenue Growth	4%+	5%+
Long-Term EPS Growth*	7% - 9%	9% - 11%

\* Nothing in this presentation is intended to be a profit forecast and the statements in this presentation should not be interpreted to mean that the earnings per Kraft Foods share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.



# Agenda

- Possible Offer: Structure & Economics
- Kraft Foods: A Strong Base from Which to Build
- Kraft Foods + Cadbury: A Global Powerhouse
- Next Steps

# Kraft Foods thinks the time is right for this combination to happen

- We have strong standalone operating and financial momentum
- Kraft Foods + Cadbury is a compelling strategic opportunity
- We believe Cadbury has few catalysts for sustained future value creation as a standalone entity
- We have a proposal that we believe delivers:
  - an attractive premium to Cadbury shareholders
  - substantial value to both Cadbury and Kraft Foods shareholders

## Next steps on transaction

- We have great respect for what Cadbury has achieved and would like to negotiate a combination on a friendly basis
- We will continue to assess the opportunity
- We will provide periodic updates on our progress







**We are the world's second largest food company with annual revenues of \$42 billion**

- Millions of times a day, in about 150 countries, consumers reach for their favorite Kraft Foods brands. And, in the U.S., our products are present in more than 99 percent of households.
- We proudly market nine brands with revenues exceeding \$1 billion, including *Kraft*, *Jacobs*, *LU*, *Maxwell House*, *Milka*, *Nabisco* and its *Oreo* brand, *Philadelphia*, and *Oscar Mayer*. More than 50 additional brands have revenues greater than \$100 million. More than 40 of our brands are at least 100 years old.
- More than 80 percent of our revenues come from products that hold the No. 1 share position in their respective categories.
- Our approximately 100,000 employees work tirelessly to make delicious foods consumers can feel great about. We make our products at 168 company-owned manufacturing and processing facilities worldwide and with selected co-manufacturers.
- Kraft Foods has had a presence in the UK for 85 years having opened its first European sales office in London in 1924. But in terms of brand history, it can trace its UK roots back to 1767, which is when *Terry's* began as a business (Kraft Foods acquired this brand nearly 20 years ago).
- Our key brands in the UK are *Kenco*, *Carte Noire*, *Dairylea*, *Philadelphia*, *Terry's*, *Toblerone*, *Oreo* and *Ritz*.
- For 25 years, Cheltenham has been the UK headquarters of Kraft Foods. The Banbury site boasts one of the world's largest soluble coffee facilities manufacturing *Kenco*, *Maxwell House* and *Mellow Bird's* soluble coffees, yielding some 11 billion cups of coffee a year. Kraft Foods employs around 1,500 people in the UK.
- Since 1997, we have provided more than 1 billion servings of food as part of our program to fight hunger and support healthy lifestyles worldwide.
- Our company is a member of the Dow Jones Industrial Average, Standard & Poor's 500, the Dow Jones Sustainability Index and Ethibel Sustainability Index.
- To learn more about the company's sustainability initiatives, visit <http://kraftfoodscompany.com/About/sustainability>.
- To learn more about Kraft Foods, please visit <http://www.kraftfoodscompany.com>.

**Top Institutional Holders\***

(Shares in Millions)

<u>Name</u>	<u>Shares</u>	<u>% of KFT</u>
Berkshire Hathaway, Inc.	138.3	9.4%
State Street Global Advisors	77.0	5.2%
Barclays Global Investors NA	56.8	3.9%
Vanguard Group, Inc.	47.1	3.2%
Capital World Investors	46.4	3.2%
Triam Fund Management L.P.	34.4	2.3%
Morgan Stanley & Co., Inc.	27.9	1.9%
Barrow, Hanley, Mewhinney & Strauss, Inc.	24.9	1.7%
Bank of New York Mellon	20.9	1.4%
Fidelity Management & Research	17.9	1.2%

\* As of December 31, 2008 per 13F filings

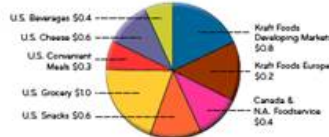


Financial Trends

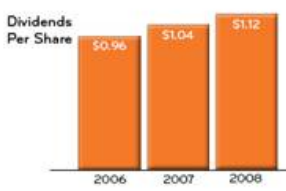
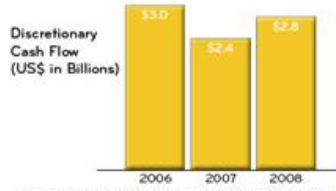
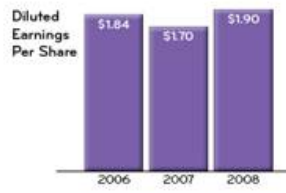
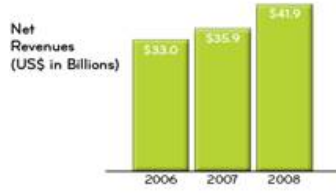
2008 Net Revenues \$42B\*  
(US\$ in Billions)



2008 Segment Operating Income \$4.4B\*  
(US\$ in Billions)



Segment Operating Income excludes unrealized gains and losses on hedging activities (losses of \$205 million, which are a component of cost of sales), general corporate expenses (\$304 million, which are a component of marketing, sales and promotion and research costs) and amortization of intangibles (\$23 million).



The Company defines Discretionary Cash Flow as Cash Flows from Operating Activities less Capital Expenditures and adding back Discretionary Pension Contributions. Cash Flows from Operating Activities were \$3.7, \$3.4 and \$4.1 billion for 2006 through 2008, respectively. Capital Expenditures were \$1.2, \$1.2 and \$1.4 billion for 2006 through 2008, respectively. Discretionary Pension Contributions were \$0.4, \$0.1 and \$0.9 billion for 2006 through 2008, respectively.

\*Notes may not sum due to rounding.

Kraft Foods at a Glance — 2008 Consumer Sector Data

	Net Revenues in Billions*	Percentage of 2008 Net Revenues*	Revenue Change Versus Prior Year
Snacks	\$15.9	 38%	 +40.0% <small>Reflects the acquisition of Group Calumet's global biscuit business</small>
Beverages	\$ 8.2	 20%	 + 5.5%
Cheese	\$ 7.5	 18%	 + 7.7%
Convenient Meals	\$ 6.2	 15%	 + 7.1%
Grocery	\$ 4.2	 10%	 +3.8%
<b>Total</b>	<b>\$41.9*</b>		 +16.9%

\*Does not add due to rounding

#### Our Strategies for Growth



We understand that actions speak louder than words, so at Kraft Foods:

- We inspire trust.
- We act like owners.
- We keep it simple.
- We are open and inclusive.
- We tell it like it is.
- We lead from the head and the heart.
- We discuss. We decide. We deliver.

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements regarding expected future earnings, revenues and cost savings and other such items, based on our plans, estimates and projections. 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 of input costs, pricing actions, increased competition, our ability to differentiate our products from private label products, unanticipated expenses such as litigation or legal settlement expenses, our indebtedness and ability to pay our indebtedness, the shift in our product mix to lower margin offerings, risks from operating internationally, tax law changes, the possibility that our proposed combination with Cadbury plc will not be pursued, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions to the combination, adverse effects on the market price of our common stock and on our operating results because of a failure to complete the combination, failure to realize the expected benefits of the combination, negative effects of announcement or consummation of the combination on the market price of our common stock, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the combined companies following the combination and the risk factors set forth in our filings with the US Securities and Exchange Commission ("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 document except as required by applicable law or regulation.

## ADDITIONAL U.S.-RELATED INFORMATION

This document is provided for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell shares of Cadbury plc or Kraft Foods. Subject to future developments, we may file a registration statement and/or tender offer documents with the SEC in connection with the proposed combination. **Cadbury plc shareholders should read those filings, and any other filings made by us with the SEC in connection with the proposed combination, as they will contain important information.** Those documents, if and when filed, as well as our other public filings with the SEC may be obtained without charge at the SEC's website at [www.sec.gov](http://www.sec.gov) and at our web site at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).