Kraft Foods

Q2 2011 Results

August 4, 2011

Forward-looking statements

This slide presentation contains a number of forward-looking statements. The words “believe,” “expect,” “anticipate,” “intend,” “plan,” “goals,” “may,” “aim,” “will” and similar expressions are intended to identify our forward-looking statements. Examples of forward-looking statements include, but are not limited to, H2 margin improvement; 2011 Guidance, in particular, Organic Net Revenue growth and Operating EPS; delivering top-tier growth; new approach, including growth and next level opportunities; expectations for Global Snacks and North America Grocery; benefits from two independent entities; and the virtuous cycle and the next step in Kraft Foods’ evolution. These forward-looking statements involve risks and uncertainties, many of which are beyond our control, and important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our failure to successfully separate the company, continued volatility and increase in commodities’ costs, increased competition, pricing actions, our failure to successfully execute in developing markets, and tax law changes. For additional information on these and other factors that could affect our forward-looking statements, see our risk factors, as they may be amended from time to time, set forth in our filings with the SEC, including our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this slide presentation, except as required by applicable law or regulation.

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Strong momentum through H1

- Executed necessary pricing
  - Quickly responded to higher-than-anticipated input costs
- Winning with consumers
  - Solid share performance while pricing earlier than competition
  - Focused brand investments, innovation and improved marketing
- Grew profit dollars versus difficult comparisons
  - Driving End-to-End Cost Management
  - Funding strong increase in A&C

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Global Snacks grew more than 6% year-to-date*

- Global Biscuits +7% year-to-date*
  - Developing Markets up strong double-digits
  - *Oreo* +22%, *Chips Ahoy!* +18%, *Club Social* +35%
- Global Chocolate +9% year-to-date*
  - Developing Markets up low-to-mid teens
  - *Cadbury Dairy Milk* +13%, *Lacta* +18%, *Cadbury Flake* +13%
- Global Gum & Candy +2% year-to-date*
  - Developing Markets up high single-digits
  - North America down double digits, Europe flat

* Reflects H1 2011 Organic Net Revenue Growth. Reported H1 2011 Net Revenue growth was 16.7% for Snacks, 10% for Biscuits and 22.5% for Confectionery, which is comprised of 26.2% for Chocolate, 24.3% for Gum & Candy and (37.1)% for Other Confectionery. See GAAP to Non-GAAP reconciliation at the end of this presentation.

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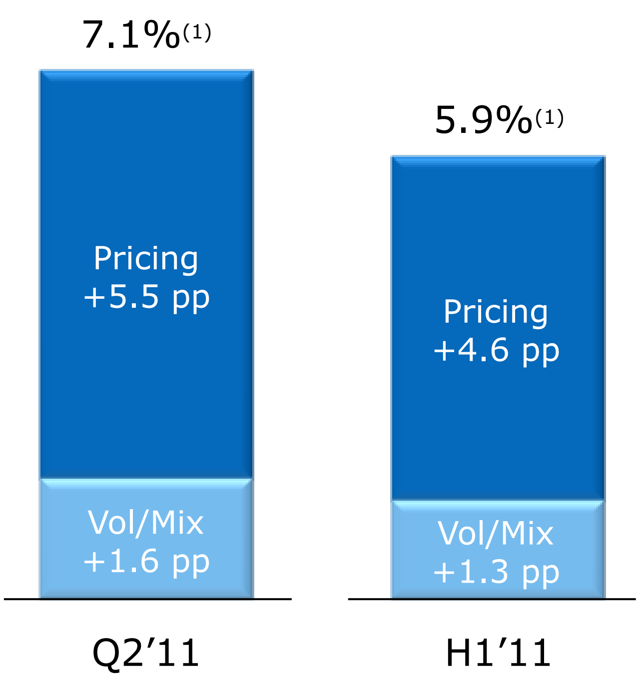
Kraft Foods: Q2 Organic Net Revenue Growth

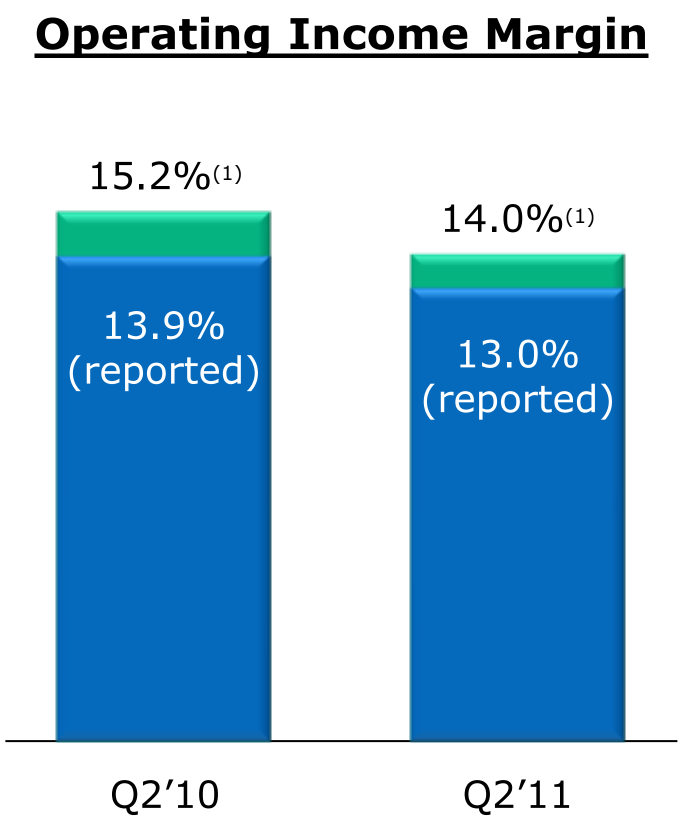
Organic Net Revenue Growth(1)



- Solid year-to-date vol/mix despite substantial pricing
  - Q2 Easter shift benefit to vol/mix of ~1.5pp
- Power Brands +9%, driving growth in each region
- Additional pricing to offset higher input costs

(1) Reported Net Revenues increased 13.3% in Q2 2011 and 12.2% in H1 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods: Q2 Operating Income Margin



- Underlying OI dollars up y-o-y despite:
  - U.S. premium coffee impact
  - Unrealized losses on hedging activities
- Continued to reduce overheads and increase A&C investments
- Lower y-o-y margin reflects denominator effect of pricing
  - Peak margins seen in Q2 2010

(1) Underlying Operating Income margin excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

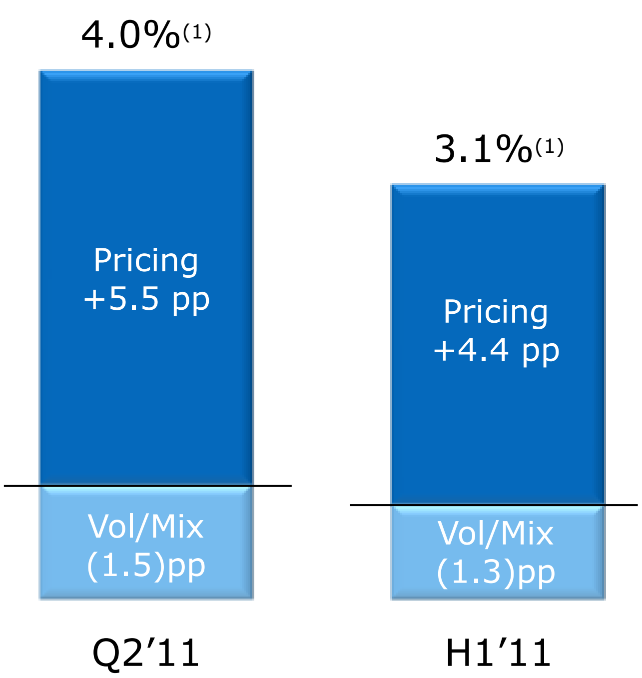
Operating gains drove Q2 EPS increase*

	Q2	June YTD
2010 Diluted EPS	**$0.53**	**$1.67**
Earnings from Discontinued Operations	--	(0.97)
Integration Program[1], Acquisition-Related Costs[2] and Financing Fees[3]	0.07	0.32
U.S. Healthcare Legislation Impact on Deferred Taxes[4]	--	0.08
2010 Operating EPS[5]	**$0.60**	**$1.10**
Operating Earnings	0.03	0.06
Operating Earnings from the Cadbury Acquisition[6]	--	0.04
Accounting Calendar Changes	0.01	0.01
Divestitures (Including the Starbucks CPG business)	(0.01)	(0.02)
Change in Unrealized Gains/Losses from Hedging Activities	(0.05)	(0.01)
Change in Foreign Currency	0.05	0.05
Higher Interest Expense[7]	--	(0.03)
Change in Shares Outstanding	--	(0.05)
Changes in Taxes[8]	(0.01)	(0.01)
2011 Operating EPS	**$0.62**	**$1.14**
Integration Program Costs[9]	(0.07)	(0.13)
2011 Diluted EPS	**$0.55**	**$1.01**

* Please see corresponding footnotes on page [17] of this presentation.

Kraft Foods North America: Q2 Organic Net Revenue Growth

Organic Net Revenue Growth[(1)]



- Vol/mix impacted by significant pricing to recover costs
  - Q2 Easter shift benefit ~1.5pp
- Power Brands up ~4% and strong contribution from new products
- Solid share performance in H1 despite pricing

(1) Reported Net Revenues increased 2.5% in Q2 2011 and 3.4% in H1 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

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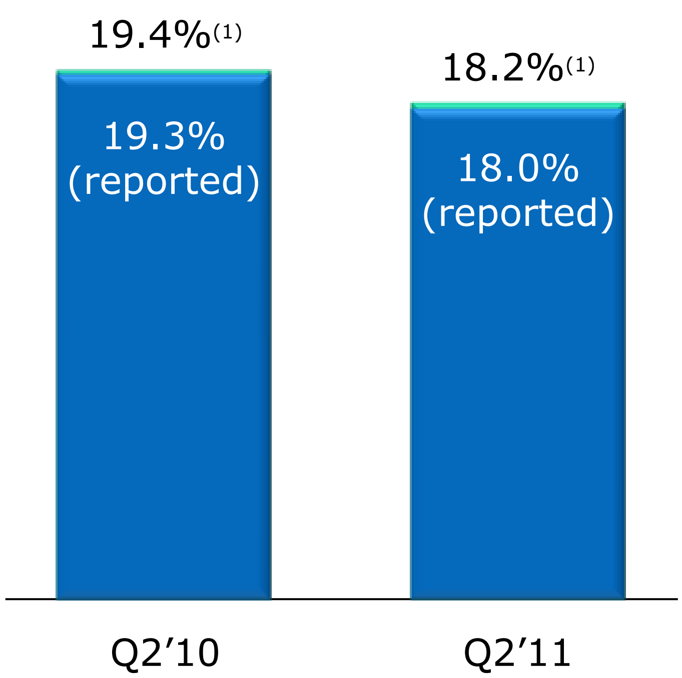
Kraft Foods North America:
Q1 Segment Operating Income Margin

Segment Operating Income Margin

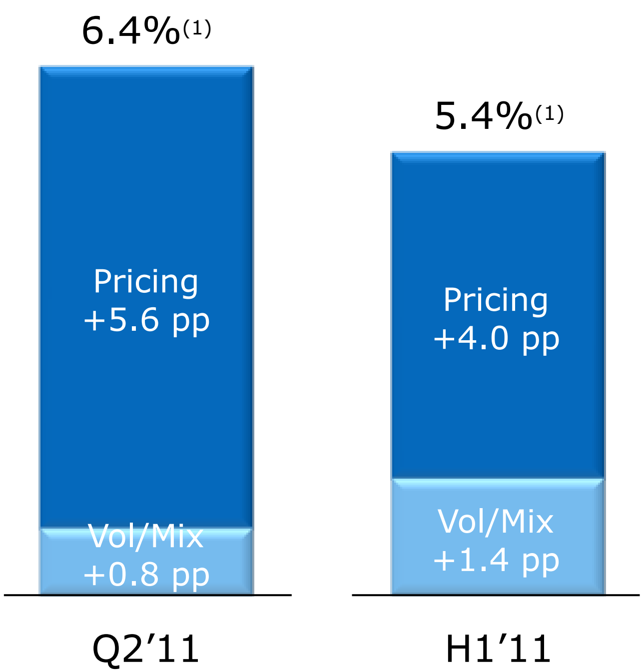


- Pricing offset higher raw material costs on a dollar basis
  - Margin pressure due to impact of U.S. premium coffee and denominator effect of pricing
- Continue to benefit from lower SG&A
- Margin performance y-o-y to improve in H2

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Europe:
Q2 Organic Net Revenue Growth

Organic Net Revenue Growth[1]

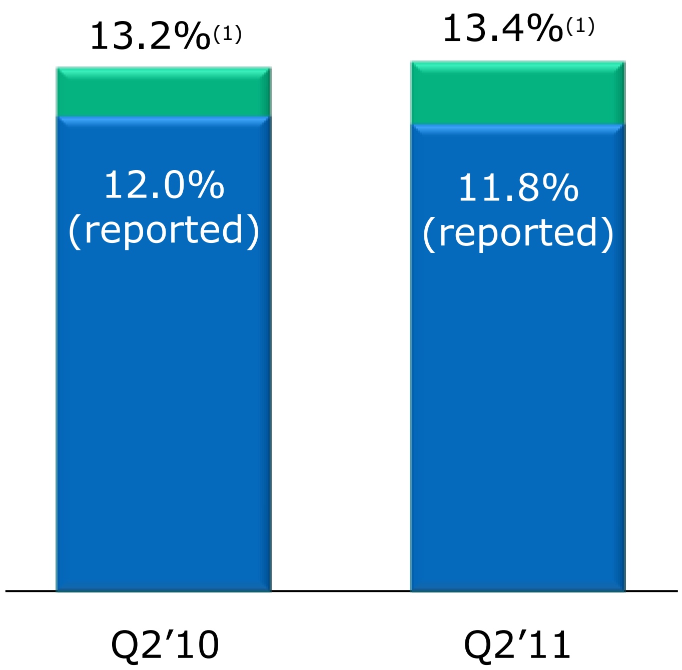


- Pricing aggressively in response to higher input costs
  - Easter shift impact of ~2.5pp
- Power Brands +8%
- Solid share performance in H1 despite pricing

(1) Reported Net Revenues increased 26.2% in Q2 2011 and 18.9% in H1 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Europe:
Q2 Segment Operating Income Margin

Segment Operating Income Margin

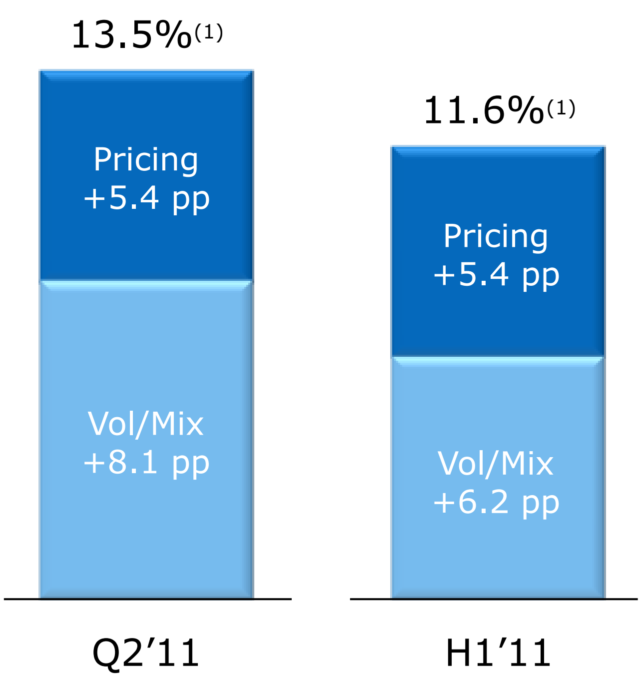


- Pricing and productivity offset higher input costs
- Lower SG&A enabled modest margin expansion

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Developing Markets: Q2 Organic Net Revenue Growth

Organic Net Revenue Growth(1)

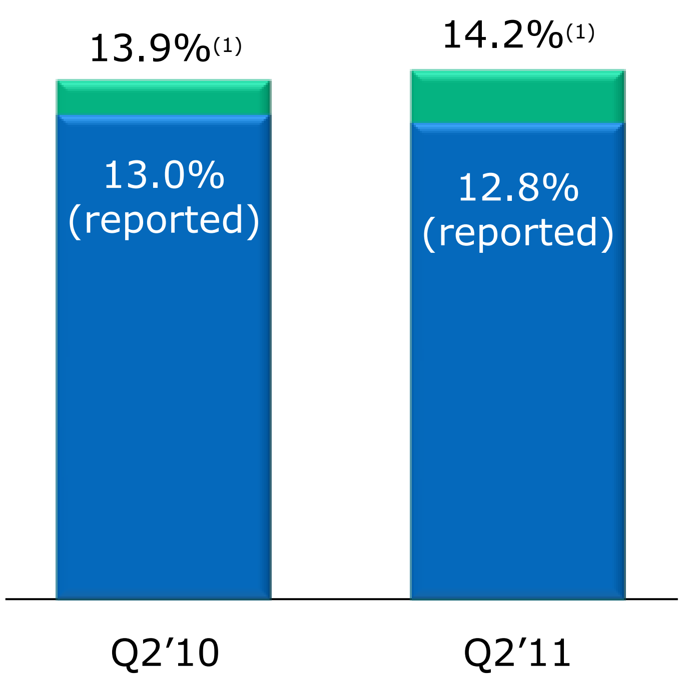


- Good balance between vol/mix and pricing
- Power Brands +20%
- Asia Pacific, Latin America up double digits
- CEEMA up nearly 10% as economic conditions improved

(1) Reported Net Revenues increased 22.3% in Q2 2011 and 23.1% in H1 2011. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Kraft Foods Developing Markets: Q2 Segment Operating Income Margin

Segment Operating Income Margin



- Margin expansion driven by overhead leverage, vol/mix gains
- Strong double-digit increase in A&C

(1) Excludes acquisition-related and Integration Program costs. See GAAP to Non-GAAP reconciliation at the end of this presentation.

Raising 2011 Guidance

- Organic Net Revenue growth of at least 5%
  - Taking additional pricing to address climbing input costs

- Operating EPS of at least $2.25
  - Delivering strong operating gains
  - Reflecting year-to-date currency benefit
  - Expecting full year effective tax rate of ~30%

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Well positioned to deliver top-tier growth

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Next level of performance requires a new approach

- Completed transformation of the business portfolio
  - Reinvigorated Power Brands around the world
  - Built a global snacks powerhouse
- Positioned to drive exceptional growth in Europe, DM
  - Global platforms, local scale advantages
  - Whitespace opportunities
- In North America, next level opportunities of Snacks and Grocery are distinct
  - Snacks: Invest in DSD, instant consumption channels
  - Grocery: Leverage center-of-store strength

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Global Snacks will deliver exceptional growth

$32 Billion in Revenues

- Industry-leading growth
  - Global product platforms
  - Developing Market presence
  - Instant Consumption Channels
  - Whitespace opportunities
- Leverage cost structure
  - Volume growth
  - Improved product mix
- Invest to build capabilities in sales, distribution & manufacturing to support growth

North America Grocery will deliver consistent growth, significant free cash flow

$16 Billion in Revenues

- Grow with categories
  - Marketing and innovation
  - Grocery channel scale
- Reduce costs, enhance margins
  - Trade spend optimization
  - Lean Six Sigma
  - Negative overhead growth
- Focus on capital efficiency, dividend payout

Several important benefits from creating two independent entities

- Enable focus on distinct strategic priorities
  - Industry-leading growth vs. category-leading growth

- Facilitate optimal resource allocation and capital deployment
  - Invest to support growth vs. return cash to shareholders

- Transparency for shareholders to value each business

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Summary

- Strong business momentum
- Virtuous cycle at work in every region
- Setting stage for next step in evolution of Kraft Foods
- More to come

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EPS Footnotes

(1) Integration Program costs to combine the Kraft Foods and Cadbury businesses.

(2) Includes transaction advisory fees, UK stamp taxes and the impact of the Cadbury inventory revaluation.

(3) Includes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.

(4) Reflects the impact of a deferred tax charge of approximately $0.08 per share resulting from U.S. health care legislation enacted in March 2010.

(5) See GAAP to Non-GAAP reconciliation at the end of this presentation.

(6) Reflects the incremental January 2011 operating results from the Cadbury acquisition.

(7) Excludes hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility in Q1 2010.

(8) Excludes the impact of a deferred tax charge of approximately $0.08 per share resulting from U.S. health care legislation enacted in March 2010.

(9) Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition. Integration Program costs were $136 million, or $120 million after-tax including certain tax costs associated with the integration of Cadbury, for the three months ending June 30, 2011, as compared to $149 million, or $108 million after-tax for the three months ended June 30, 2010. Integration Program costs were $240 million, or $234 million after-tax including certain tax costs associated with the integration of Cadbury, for the six months ending June 30, 2011, as compared to $192 million, or $138 million for the six months ending June 30, 2010.

GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues by Consumer Sector

For the Six Months Ended June 30,

($ in millions, except percentages) (Unaudited)

Kraft Foods

	As Reported (GAAP)	Impact of Divestitures	Impact of Acquisitions [2]	Impact of Accounting Calendar Changes	Impact of Currency	Organic (Non-GAAP)	% Change As Reported (GAAP)	% Change Organic (Non-GAAP)
2011								
Biscuits	$ 5,776	$ -	$ -	$ (99)	$ (128)	$ 5,549	10.0%	6.9%
Confectionery								
Chocolate	4,513	-	(285)	(43)	(259)	3,926	26.2%	9.4%
Gum & Candy	2,710	-	(379)	15	(131)	2,215	24.3%	1.6%
Other Confectionery	178	-	(5)	(3)	(6)	164	(37.1)%	(14.6)%
	7,401	-	(669)	(31)	(396)	6,305	22.5%	5.8%
Snacks [1]	**$ 13,177**	**$ -**	**$ (669)**	**$ (130)**	**$ (524)**	**$ 11,854**	**16.7%**	**6.3%**
2010								
Biscuits	$ 5,252	$ -	$ -	$ (59)	$ -	$ 5,193		
Confectionery								
Chocolate	3,577	11	-	-	-	3,588		
Gum & Candy	2,180	-	-	-	-	2,180		
Other Confectionery	283	(91)	-	-	-	192		
	6,040	(80)	-	-	-	5,960		
Snacks [1]	**$ 11,292**	**$ (80)**	**$ -**	**$ (59)**	**$ -**	**$ 11,153**		

[1] Snacks is defined as the combination of the Biscuits sector, which includes cookies, crackers and salted snacks, and the Confectionery sector, which includes chocolate, gum & candy and other confectionery.

[2] Impact of acquisitions reflects the incremental January 2011 operating results from our Cadbury acquisition.

GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues

For the Three Months Ended June 30,
($ in millions, except percentages) (Unaudited)

	As Reported (GAAP)	Impact of Divestitures [1]	Impact of Accounting Calendar Changes	Impact of Currency	Organic (Non-GAAP)	% Change As Reported (GAAP)	% Change Organic (Non-GAAP)
2011							
Kraft Foods North America	$ 6,318	$ -	$ -	$ (51)	$ 6,267	2.5%	4.0%
Kraft Foods Europe	3,525	-	(226)	(376)	2,923	26.2%	6.4%
Kraft Foods Developing Markets	4,035	-	(90)	(260)	3,685	22.3%	13.5%
Kraft Foods	**$ 13,878**	**$ -**	**$ (316)**	**$ (687)**	**$ 12,875**	**13.3%**	**7.1%**
2010							
Kraft Foods North America	$ 6,161	$ (133)	$ -	$ -	$ 6,028		
Kraft Foods Europe	2,793	-	(45)	-	2,748		
Kraft Foods Developing Markets	3,299	(38)	(14)	-	3,247		
Kraft Foods	**$ 12,253**	**$ (171)**	**$ (59)**	**$ -**	**$ 12,023**		

(1) Impact of divestitures includes Starbucks CPG business.

GAAP to Non-GAAP Reconciliation

Net Revenues to Organic Net Revenues

For the Six Months Ended June 30,

($ in millions, except percentages) (Unaudited)

	As Reported (GAAP)	Impact of Divestitures [1]	Impact of Acquisitions [2]	Impact of Accounting Calendar Changes	Impact of Currency	Organic (Non-GAAP)	% Change As Reported (GAAP)	% Change Organic (Non-GAAP)
2011								
Kraft Foods North America	$ 12,254	$ (91)	$ (117)	$ -	$ (92)	$ 11,954	3.4%	3.1%
Kraft Foods Europe	6,541	-	(201)	(226)	(364)	5,750	18.9%	5.4%
Kraft Foods Developing Markets	7,656	-	(379)	(90)	(352)	6,835	23.1%	11.6%
Kraft Foods	**$ 26,451**	**$ (91)**	**$ (697)**	**$ (316)**	**$ (808)**	**$ 24,539**	**12.2%**	**5.9%**
2010								
Kraft Foods North America	$ 11,849	$ (258)	$ -	$ -	$ -	$ 11,591		
Kraft Foods Europe	5,502	-	-	(45)	-	5,457		
Kraft Foods Developing Markets	6,220	(80)	-	(18)	-	6,122		
Kraft Foods	**$ 23,571**	**$ (338)**	**$ -**	**$ (63)**	**$ -**	**$ 23,170**		

[1] Impact of divestitures includes Starbucks CPG business.

[2] Impact of acquisitions reflects the incremental January 2011 operating results from our Cadbury acquisition.

GAAP to Non-GAAP Reconciliation

Operating Income To Underlying Operating Income

For the Three Months Ended June 30,

($ in millions, except percentages) (Unaudited)

	2011				2010			
	As Reported (GAAP)	Integration Program Costs [1]	Acquisition-Related Costs [2]	**Underlying (Non-GAAP)**	**As Reported (GAAP)**	Integration Program Costs [1]	Acquisition-Related Costs [2]	**Underlying (Non-GAAP)**
Kraft Foods								
Operating Income	$ 1,806	$ 136	$ -	$ 1,942	$ 1,701	$ 149	$ 10	$ 1,860
Operating Income Margin	13.0%			14.0%	13.9%			15.2%
Kraft Foods North America								
Segment Operating Income	$ 1,139	$ 14	$ -	$ 1,153	$ 1,187	$ 7	$ -	$ 1,194
Segment Operating Income Margin	18.0%			18.2%	19.3%			19.4%
Kraft Foods Europe								
Segment Operating Income	$ 415	$ 58	$ -	$ 473	$ 335	$ 33	$ -	$ 368
Segment Operating Income Margin	11.8%			13.4%	12.0%			13.2%
Kraft Foods Developing Markets								
Segment Operating Income	$ 518	$ 55	$ -	$ 573	$ 429	$ 32	$ (2)	$ 459
Segment Operating Income Margin	12.8%			14.2%	13.0%			13.9%

[1] Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

[2] Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.

GAAP to Non-GAAP Reconciliation

Diluted Earnings per Share to Operating EPS

For the Three Months Ended June 30,
(Unaudited)

	As Reported (GAAP)	Integration Program Costs [1]	Acquisition-Related Costs [2] and Financing Fees [3]	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non-GAAP)	% Growth: As Reported EPS Growth (GAAP)	% Growth: Operating EPS Growth (Non-GAAP)
2011							
Diluted EPS							
- Continuing operations	$ 0.55	$ 0.07	$ -	$ -	$ 0.62	3.8%	3.3%
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	$ 0.55						
2010							
Diluted EPS							
- Continuing operations	$ 0.53	$ 0.06	$ 0.01	$ -	$ 0.60		
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	$ 0.53						

(1) Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

(2) Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.

(3) Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.

GAAP to Non-GAAP Reconciliation

Diluted Earnings per Share to Operating EPS

For the Six Months Ended June 30,
(Unaudited)

	As Reported (GAAP)	Integration Program Costs (1)	Acquisition-Related Costs (2) and Financing Fees (3)	U.S. Health Care Legislation Impact on Deferred Taxes	Operating (Non-GAAP)	% Growth: As Reported EPS Growth (GAAP)	% Growth: Operating EPS Growth (Non-GAAP)
2011							
Diluted EPS							
- Continuing operations	$ 1.01	$ 0.13	$ -	$ -	$ 1.14	44.3%	3.6%
- Discontinued operations	-						
- Net earnings attributable to Kraft Foods	$ 1.01						
2010							
Diluted EPS							
- Continuing operations	$ 0.70	$ 0.08	$ 0.24	$ 0.08	$ 1.10		
- Discontinued operations	0.97						
- Net earnings attributable to Kraft Foods	$ 1.67						

(1) Integration Program costs are defined as the costs associated with combining the Kraft Foods and Cadbury businesses, and are separate from those costs associated with the acquisition.

(2) Acquisition-related costs include transaction advisory fees, U.K. stamp taxes and the impact of the Cadbury inventory revaluation.

(3) Acquisition-related financing fees include hedging and foreign currency impacts associated with the Cadbury acquisition and other fees associated with the Cadbury bridge facility.