

KRAFT FOODS INC  
Form 10-Q  
May 02, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2008**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-16483**

**Kraft Foods Inc.**

(Exact name of registrant as specified in its charter)

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

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

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

**60093**  
(Zip Code)

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

**Not Applicable**

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

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

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

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

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

At March 31, 2008, there were 1,516,031,559 shares of the registrant's common stock outstanding.

KRAFT FOODS INC.

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

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

Kraft Foods Inc. and Subsidiaries

Condensed Consolidated Statements of Earnings

(in millions of dollars, except per share data)

(Unaudited)

	For the Three Months Ended	
	March 31,	
	2008	2007
Net revenues	\$ 10,372	\$ 8,586
Cost of sales	6,891	5,535
Gross profit	3,481	3,051
Marketing, administration and research costs	2,211	1,872
Asset impairment and exit costs	80	67
Losses / (gains) on divestitures, net	18	(12)
Amortization of intangibles	7	2
Operating income	1,165	1,122
Interest and other debt expense, net	305	64
Earnings before income taxes	860	1,058
Provision for income taxes	252	356
Net earnings	\$ 608	\$ 702
Per share data:		
Basic earnings per share	\$ 0.40	\$ 0.43
Diluted earnings per share	\$ 0.40	\$ 0.43
Dividends declared	\$ 0.27	\$ 0.25

See notes to condensed consolidated financial statements.

## Kraft Foods Inc. and Subsidiaries

## Condensed Consolidated Balance Sheets

(in millions of dollars)

(Unaudited)

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 605	\$ 567
Receivables (less allowances of \$92 in 2008 and \$94 in 2007)	5,361	5,197
Inventories:		
Raw materials	1,944	1,605
Finished product	2,723	2,491
Total inventories	4,667	4,096
Deferred income taxes	615	575
Other current assets	430	302
Total current assets	11,678	10,737
Property, plant and equipment, at cost	20,065	19,204
Less accumulated depreciation	8,754	8,426
Property, plant and equipment, net	11,311	10,778
Goodwill	31,459	31,193
Intangible assets, net	12,207	12,200
Prepaid pension assets	1,691	1,648
Other assets	1,680	1,437
<b>TOTAL ASSETS</b>	<b>\$ 70,026</b>	<b>\$ 67,993</b>
<b>LIABILITIES</b>		
Short-term borrowings	\$ 4,528	\$ 7,385
Current portion of long-term debt	716	722
Accounts payable	4,157	4,065
Accrued marketing	1,834	1,833
Accrued employment costs	741	913
Other current liabilities	2,278	2,168
Total current liabilities	14,254	17,086
Long-term debt	17,428	12,902
Deferred income taxes	5,081	4,876
Accrued pension costs	830	810
Accrued postretirement health care costs	2,859	2,846
Other liabilities	2,308	2,178
<b>TOTAL LIABILITIES</b>	<b>42,760</b>	<b>40,698</b>
Contingencies (Note 12)		
<b>SHAREHOLDERS EQUITY</b>		
Common Stock, no par value (1,735,000,000 shares issued in 2008 and 2007)	-	-
Additional paid-in capital	23,373	23,445
Retained earnings	12,389	12,209
Accumulated other comprehensive losses	(1,442)	(1,835)
Treasury stock, at cost	(7,054)	(6,524)

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TOTAL SHAREHOLDERS EQUITY		27,266		27,295
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$	70,026	\$	67,993

See notes to condensed consolidated financial statements.

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Kraft Foods Inc. and Subsidiaries

Condensed Consolidated Statements of Shareholders Equity

(in millions of dollars, except per share data)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Losses) / Gains	Treasury Stock	Total Shareholders Equity
Balances at January 1, 2007	\$ -	\$ 23,626	\$ 11,128	\$ (3,069)	\$ (3,130)	\$ 28,555
Comprehensive earnings:						
Net earnings	-	-	2,590	-	-	2,590
Other comprehensive earnings, net of income taxes	-	-	-	1,234	-	1,234
Total comprehensive earnings *						3,824
Initial adoption of FIN 48	-	-	213	-	-	213
Exercise of stock options and issuance of other stock awards	-	33	(79)	-	293	247
Net settlement of employee stock awards with Altria Group, Inc.	-	(179)	-	-	-	(179)
Cash dividends declared (\$1.04 per share)	-	-	(1,643)	-	-	(1,643)
Common Stock repurchased	-	-	-	-	(3,687)	(3,687)
Other	-	(35)	-	-	-	(35)
Balances at December 31, 2007	\$ -	\$ 23,445	\$ 12,209	\$ (1,835)	\$ (6,524)	\$ 27,295
Comprehensive earnings:						
Net earnings	-	-	608	-	-	608
Other comprehensive earnings, net of income taxes	-	-	-	393	-	393
Total comprehensive earnings *						1,001
Exercise of stock options and issuance of other stock awards	-	(72)	(16)	-	120	32
Cash dividends declared (\$0.27 per share)	-	-	(412)	-	-	(412)
Common Stock repurchased	-	-	-	-	(650)	(650)
Balances at March 31, 2008	\$ -	\$ 23,373	\$ 12,389	\$ (1,442)	\$ (7,054)	