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CADBURY PUBLIC LTD CO

Form 425

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Subject Company: Cadbury plc

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The following documents were made available at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com), and/or were otherwise disseminated by Kraft Foods Inc. on November 3, 2009.

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

These documents contain 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 U.S.-RELATED INFORMATION**

These documents are provided for informational purposes only and are 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).

**Contacts:** Michael Mitchell (Media) Christopher M. Jakubik (Investors)  
+1-847-646-4538 +1-847-646-5494  
[news@kraft.com](mailto:news@kraft.com) [ir@kraft.com](mailto:ir@kraft.com)

**KRAFT FOODS REPORTS Q3 EPS FROM CONTINUING OPERATIONS UP 62% TO \$0.55;**

**RAISES 2009 EPS AND CASH FLOW GUIDANCE**

*Net revenues declined 5.7% due to currency; organic net revenues<sup>1</sup> up 0.5%*

*Operating income increased 38.7%; margin expanded 470 basis points*

*2009 diluted EPS guidance raised to at least \$1.97 from at least \$1.93<sup>2</sup>*

*Discretionary cash flow<sup>1</sup> outlook raised to at least \$3 billion from \$2.6 billion<sup>2</sup>*

NORTHFIELD, Ill. Nov. 3, 2009 Kraft Foods Inc. (NYSE: KFT) today reported solid third quarter 2009 results fueled by strong profit performance across all geographies. Volume/mix, which improved sequentially from the second quarter 2009, was the key driver of organic net revenue growth and a significant contributor to income growth and margin expansion versus the prior year.

We continue to build our operating and financial momentum despite the difficult consumer environment, said Irene Rosenfeld, Chairman and CEO. Our volume/mix, profit margin and cash flow trends are strengthening as we successfully execute our growth plan. As a result, we expect to deliver higher earnings and cash flow in 2009<sup>2</sup>, while further increasing our brand investments to drive future growth.

Regarding the company's possible offer for Cadbury plc, Rosenfeld commented, We remain interested but will maintain a disciplined approach. Our criteria include accretion to cash EPS in the second year, delivering a return on investment well in excess of our cost of capital, and maintaining both our investment grade credit rating and our dividend.

Rosenfeld concluded, We remain focused on driving sustainable top-line growth, while implementing our strong cost-savings pipeline. We are making good progress toward our goal to be at or above industry margins in the next two years, and are well-positioned to deliver top-tier performance.

<sup>1</sup> Please see discussion of Non-GAAP Financial Measures at the end of this press release.

<sup>2</sup> Please see section entitled Outlook later in this press release for important information about these forecasts.

**Net revenues** declined 5.7 percent to \$9.8 billion, including the unfavorable impact of 5.6 percentage points from currency and 0.6 percentage points from divestitures.

Organic net revenues grew 0.5 percent driven by 0.7 percentage points from volume/mix, partially offset by negative 0.2 percentage points from pricing. Volume/mix gains were negatively impacted by approximately 0.8 percentage points due to the planned discontinuation of less profitable product lines over the past year. The pricing decline included the unfavorable impact of approximately 1.6 percentage points in response to lower dairy costs, consistent with the company's adaptive pricing model for its cheese business in the U.S. Pricing was also negatively impacted by 0.2 percentage points due to the absence of a value added tax credit in Brazil that benefited prior year results.

**Operating income** increased 38.7 percent from the prior year to \$1,419 million. This increase included a negative 7.9 percentage point impact due to currency.

Operating income margin increased 470 basis points year-over-year to 14.5 percent. Approximately 70 basis points of the margin increase were attributable to improved volume/mix. The remainder of the margin increase largely reflected an improved alignment of prices with input costs, the year-over-year change in unrealized gains and losses on hedging activities, lower costs due to the completion of the Restructuring Program and the absence of asset impairment charges incurred in the prior year. These gains were partially offset by higher overhead costs, including incremental investments in systems, increased marketing investments and the absence of the value added tax credit in Brazil.

The **tax rate** of 24.6 percent was down from 28.3 percent in the prior year period. The tax rate in each year reflected the timing of discrete items, primarily the settlement of tax audits.

**Earnings per share** from continuing operations were \$0.55, up from \$0.34 in third quarter 2008.

	<b>Diluted EPS</b>
<b>Third Quarter 2008 Diluted EPS</b>	<b>\$ 0.91</b>
Earnings and Gain from Discontinued Operations	\$ (0.57)
<b>Third Quarter 2008 Diluted EPS from Continuing Operations</b>	<b>\$ 0.34</b>
Operating Gains	0.09
Lower Restructuring Program Costs and Asset Impairment Charges	0.07
Change in Unrealized Gains/Losses from Hedging Activities	0.07
Absence of Brazilian VAT Credit	(0.01)
Unfavorable Foreign Currency	(0.04)
Higher Interest Expense	(0.01)
Changes in Taxes, Including Tax Settlements	0.03
Fewer Shares Outstanding	0.01
<b>Third Quarter 2009 Diluted EPS</b>	<b>\$ 0.55</b>

Operating gains of \$0.09 versus the prior year include the unfavorable impact of approximately \$0.01 from incremental pension costs.

**Discretionary cash flow**<sup>1</sup> for the first nine months of 2009 was approximately \$2.7 billion, up 67 percent from the prior year. The increase primarily reflects improved gains from working capital efficiency programs and lower capital expenditures.

<sup>1</sup> Please see discussion of Non-GAAP Financial Measures at the end of this press release.

**THIRD QUARTER 2009 RESULTS, DISCUSSION BY SEGMENT<sup>3</sup>**

	Net Revenues	Q3 2009 (percent growth) Organic Net Revenues <sup>1</sup>	Operating Income <sup>4</sup>
<b>Total Kraft Foods</b>	<b>(5.7)%</b>	<b>0.5%</b>	<b>38.7%</b>
<b>Kraft Foods North America</b>	<b>(2.5)</b>	<b>(1.8)</b>	<b>16.5</b>
U.S. Beverages	1.5	1.5	60.2
U.S. Cheese	(10.3)	(10.3)	12.2
U.S. Convenient Meals	5.0	5.0	60.8
U.S. Grocery	(3.0)	(3.0)	9.3
U.S. Snacks	(3.3)	(3.3)	3.2
Canada & N.A. Foodservice	(4.9)	(1.0)	2.0
<b>Kraft Foods Europe</b>	<b>(11.5)</b>	<b>(0.8)</b>	<b>83.5</b>
<b>Kraft Foods Developing Markets</b>	<b>(8.4)</b>	<b>8.1</b>	<b>2.2</b>
<b>U.S. Beverages</b>			

Organic net revenues increased 1.5 percent as higher price levels were partially offset by unfavorable volume/mix. The increase in net revenue was driven by solid growth in *Capri Sun* ready-to-drink beverages, *Kool-Aid* and *Country Time* powdered beverages as well as *Starbucks* and *Maxwell House* coffees. Volume/mix was negatively impacted by the planned discontinuation of a less-profitable product line, management's decision to forego unprofitable volume, and the timing of a merchandising program versus the prior year.

Segment operating income increased 60.2 percent as lower costs due to the completion of the Restructuring Program and an improved alignment of prices with input costs were partially offset by incremental marketing investments.

<sup>1</sup> Please see discussion of Non-GAAP Financial Measures at the end of this press release.

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

<sup>4</sup> Represents operating income for Kraft Foods and segment operating income for each of the reportable segments.

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

Organic net revenues declined 10.3 percent as a 6.8 percentage point gain in volume/mix was more than offset by a 17.1 percentage point reduction from lower price levels. This price decline was in response to significantly lower dairy costs, consistent with the company's adaptive pricing model. Incremental marketing investments behind *Kraft Singles* processed slices and *Philadelphia* cream cheese drove volume/mix and market share gains.

Segment operating income grew 12.2 percent as the benefits of improved volume/mix more than offset lower pricing net of input costs and increased marketing investments.

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

Organic net revenues increased 5.0 percent as strong volume/mix gains were partially offset by lower price levels in response to lower input costs. Pizza generated double-digit growth behind further gains in market share. Incremental investments in value-oriented consumer programs drove more than 20 percent growth in *DiGiorno* pizza. *Oscar Mayer Deli Fresh* meats also delivered double-digit growth. The planned discontinuation of less-profitable product lines slowed growth by approximately one percentage point.

Segment operating income increased 60.8 percent as improved alignment of prices with input costs, strong volume/mix gains and lower costs due to the completion of the Restructuring Program more than offset increased marketing investments.

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

Organic net revenues declined 3.0 percent reflecting the planned discontinuation of less-profitable product lines, which accounted for about one-half of the revenue decline, as well as the timing of a merchandising program versus the prior year. These factors more than offset solid growth from investments behind *Kraft* mayonnaise and *Miracle Whip* spoonable dressings and *Jell-O* dry packaged desserts.

Segment operating income increased 9.3 percent as the benefits of improved alignment of prices with input costs more than offset incremental investments in marketing.

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

Organic net revenues declined 3.3 percent due to lower price levels. Solid volume/mix gains in core biscuit brands and snack nuts were offset by a decline in bars and the timing of a merchandising program versus the prior year. Lower price levels reflected lower input costs and investments to better manage price gaps in snack nuts. Net revenue of the top five biscuit brands grew approximately 5 percent.

Segment operating income increased 3.2 percent as lower investments in marketing and improved alignment of prices with input costs more than offset an increase in overhead costs.

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

Organic net revenues declined 1.0 percent as strong volume/mix gains and higher price levels in Canada were more than offset by lower revenues in North America Foodservice. Continued marketing investments and successful customer programs drove strong growth in Canada. North America Foodservice declined due to unfavorable volume/mix, reflecting an industry-wide decrease in casual dining traffic, lower pricing in response to significantly lower dairy prices and the planned discontinuation of a less-profitable product line.

Segment operating income increased 2.0 percent including an unfavorable currency impact of approximately 6.0 percentage points. Excluding the impact of currency, the increase in segment operating income was driven by the improved alignment of prices with input costs and lower costs due to the completion of the Restructuring Program. Increased marketing investments, higher overhead costs and the impact of unfavorable volume/mix partially offset these gains.

#### **Kraft Foods Europe**

Organic net revenues declined 0.8 percent as higher price levels were more than offset by lower volume/mix. Management's decision to forego unprofitable volume and the planned discontinuation of less-profitable product lines slowed growth by approximately 1.7 percentage points.

Coffee was flat as growth in retail, including strong performances by *Kenco* and *Carte Noire*, offset a decline in revenue from foodservice channels. New products and incremental marketing investments drove *Tassimo* growth of more than 25 percent.

Chocolate declined in response to weakening economic conditions in Iberia, France and Belgium as well as from the discontinuation of less-profitable product lines. These factors more than offset solid revenue growth and market share gains by *Milka*, *Marabou* and *Freia*.

Biscuits declined as the impact of weakening economic conditions, particularly in Iberia, were partially offset by growth in key brands such as *Tuc*, *Mikado* and *Ourson*.

Cheese declined despite growth in *Philadelphia* cream cheese, which increased due to the introduction of new packaging and successful new product launches.

Segment operating income increased 83.5 percent including an unfavorable impact from currency of more than 11 percentage points. Lower costs due to the completion of the Restructuring Program and the absence of an asset impairment charge recognized in the prior year quarter accounted for approximately 80 percentage points of the increase. Excluding these factors, segment operating income grew due to an improved alignment of prices with input costs and favorable volume/mix. Higher investments in cost-savings initiatives and marketing partially offset these gains.

### **Kraft Foods Developing Markets**

Organic net revenues increased 8.1 percent driven by solid gains from each region's priority brands.

In Latin America, the priority brands, which collectively grew nearly 20 percent, drove strong organic revenue growth. *Tang* powdered beverages increased over 45 percent.

In Asia Pacific, higher price levels and volume/mix gains drove revenue growth. The priority brands collectively grew more than 20 percent, led by *Oreo* cookies and *Tang* powdered beverages.

In Central and Eastern Europe, Middle East & Africa, organic revenue increased largely due to higher price levels and strong mix. However, volume/mix declined due to weakening economic conditions. The priority brands collectively increased more than 9 percent, including more than 20 percent growth in *Jacobs* coffee.

Organic revenue growth in the quarter was negatively impacted by approximately one percentage point due to the absence of a value added tax credit in Brazil that benefited the prior year quarter.

Segment operating income increased 2.2 percent including an unfavorable currency impact of approximately 22 percentage points. Excluding currency, a combination of volume/mix gains, improved alignment of prices with input costs and lower costs due to the completion of the Restructuring Program more than offset the impact of the absence of the Brazilian value added tax credit in the prior year and increased investments in marketing.



## **OUTLOOK**

Kraft Foods increased its guidance for 2009 diluted earnings per share to at least \$1.97 versus the previous expectation of at least \$1.93.\* This guidance reflects strong year-to-date profit performance and a reduction in its full-year effective tax rate to approximately 30.0 percent versus the previous expectation of approximately 31.5 percent.

The new guidance also reflects further investments in marketing to drive future growth as well as an estimate for certain costs in connection with the company's possible combination with Cadbury plc.

The company also revised its forecast for 2009 organic net revenue growth to be approximately 2 percent versus a prior expectation of approximately 3 percent. The change in outlook primarily reflects a lower contribution from pricing as a result of lower-than-expected input costs. It also reflects management's decision to forego unprofitable volume as well as weakening economic conditions in certain countries in Western and Eastern Europe.

As a result of its increased profit guidance, as well as the benefit of improved working capital management, the company raised its outlook for full-year discretionary cash flow to at least \$3.0 billion versus its previous estimate of \$2.6 billion.\*

\* The above diluted earnings per share and discretionary cash flow guidance constitutes profit forecasts which must be reported on under Rule 28 of the U.K. City Code on Takeovers and Mergers (the "Takeover Code"). Please refer to Exhibits 99.6 and 99.7, which includes the report of our reporting accountant on those profit forecasts and the accompanying report of our financial advisers. In accordance with Rule 28.8 of the U.K. Takeover Code, please also refer to our Form 10-Q filed with the SEC on May 5, 2009, containing our first quarter 2009 results and our Form 10-Q filed with the SEC on August 5, 2009, containing our second quarter 2009 results.

## **CONFERENCE CALL**

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

## ABOUT KRAFT FOODS INC.

Kraft Foods ([www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)) makes today delicious in 150 countries around the globe. Our 100,000 employees work tirelessly to make delicious foods consumers can feel good about. From American brand icons like *Kraft* cheeses, dinners and dressings, *Maxwell House* coffees and *Oscar Mayer* meats, to global powerhouse brands like *Oreo* and *LU* biscuits, *Philadelphia* cream cheeses, *Jacobs* and *Carte Noire* coffees, *Tang* powdered beverages and *Milka*, *Côte d'Or*, *Lacta* and *Toblerone* chocolates, our brands deliver millions of smiles every day. Kraft Foods (NYSE: KFT) is the world's second largest food company with 2008 annual revenues of \$42 billion. The company is a member of the Dow Jones Industrial Average, Standard & Poor's 500, the Dow Jones Sustainability Index and the Ethibel Sustainability Index.

## FORWARD-LOOKING STATEMENTS

This press release contains a number of forward-looking statements. Words such as *expects*, *goals*, *plans*, *believes*, *continues*, *may*, *will*, variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, this release contains forward-looking statements regarding our guidance for 2009 diluted EPS and discretionary cash flow; that we continue to build our operating and financial momentum; that our volume/mix, profit margin and cash flow trends are strengthening as we successfully execute our growth plan; our expectation to deliver higher earnings and cash flow in 2009, while further increasing our brand investments to drive future growth; statements regarding our possible offer for Cadbury plc, including that we remain interested but will maintain a disciplined approach; that our criteria include accretion to cash EPS in the second year, delivering a return on investment well in excess of our cost of capital and maintaining both our investment-grade credit rating and our dividend; that we remain focused on driving sustainable top-line growth while implementing our strong cost-savings pipeline; that we are making good progress toward our goal to be at or above industry margins in the next two years; that we are well-positioned to deliver top-tier performance; and our outlook for 2009, specifically that diluted EPS includes a reduction in our full-year effective tax rate, further investments in marketing to drive future growth and certain costs in connection with our possible combination with Cadbury plc, our revised forecast for 2009 organic net revenue growth based on our expectation for lower contribution from pricing, management's decision to forego unprofitable volume and weakening economic conditions in certain countries. 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, 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 possible 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 possible combination, adverse effects on the market price of our common stock and on our operating results because of a failure to complete the possible combination, failure to realize the expected benefits of the possible combination, negative effects of announcement or consummation of the possible 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 possible combination. For additional information on these and other factors that could affect our forward-looking statements, see our filings with the SEC, including our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this press release except as required by applicable law or regulation.

#### **FURTHER INFORMATION**

This press release 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 press release or otherwise. Any possible offer for or combination with Cadbury plc 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.

#### **ADDITIONAL U.S.-RELATED INFORMATION**

This press release 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 with Cadbury plc. 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 website at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).

## **UNAUDITED FIGURES**

This press release contains unaudited profit figures which must be reported on under Rule 28 of the U.K. Takeover Code. Please refer to Exhibits 99.2, 99.3 and 99.4, which includes our condensed consolidated financial statements as of and for the three and nine month periods ended September 30, 2009, and the accompanying report of our reporting accountant and financial advisers.

## **NON-GAAP FINANCIAL MEASURES**

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

The company's top-line guidance measure is organic net revenues, which excludes the impact of acquisitions, divestitures and currency. The company uses organic net revenues and corresponding growth ratios as non-GAAP financial measures. Management believes this measure better reflects revenues on a going-forward basis and provides improved comparability of results because it excludes the volatility of currency, and the one-time impacts of acquisitions and divestitures from net revenues.

Management uses segment operating income to evaluate segment performance and allocate resources. The company believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. Segment operating income excludes unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of its U.S. pension plan cost (which is a component of cost of sales and marketing, administration and research costs), general corporate expenses (which are a component of marketing, administration and research costs) and amortization of intangibles for all periods presented. In 2009, the company began excluding certain components of its U.S. pension plan cost from segment operating income because the company centrally manages pension plan funding decisions and determination of discount rate, expected rate of return on plan assets and other actuarial assumptions. Therefore, the company allocates only the service cost component of its U.S. pension plan expense to segment operating income. The company excludes the unrealized gains and losses on hedging activities from segment operating income to provide better transparency of its segment operating results. Once realized, the gains and losses on hedging activities are recorded within segment operating results. Accordingly, the company does not present these items by segment because they are excluded from the segment profitability measure that management reviews.

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

The company uses discretionary cash flow as its primary cash flow metric as it represents the controllable cash flows from operations. Discretionary cash flow is defined as cash flow from operations less capital expenditures plus voluntary pension contributions. Management believes discretionary cash flow shows the financial health of, and how efficiently we are running, the company.

See the attached schedules for supplemental financial data and corresponding reconciliations of the non-GAAP financial measures referred to above to the most comparable GAAP financial measures for the quarters ended September 30, 2009 and 2008. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the company's results prepared in accordance with GAAP. In addition, the non-GAAP measures the company is using may differ from non-GAAP measures used by other companies. Because GAAP financial measures on a forward-looking basis are neither accessible nor deemed to be significantly different from the non-GAAP financial measures, and reconciling information is not available without unreasonable effort, with regard to the non-GAAP financial measures in its 2009 Outlook, the company has not provided that information.

**WEB SITE**

This press release will be available on the company's web site ([www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)) by no later than 12 noon (London time) on November 4, 2009.

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## Kraft Foods Inc. and Subsidiaries

## Condensed Statements of Earnings

For the Three Months Ended September 30,

(in millions, except per share data) (Unaudited)

	2009	As Reported (GAAP) 2008	% Change
Net revenues	\$ 9,803	\$ 10,401	(5.7)%
Cost of sales	6,262	7,096	11.8%
Gross profit	3,541	3,305	7.1%
Gross profit margin	36.1%	31.8%	
Marketing, administration & research costs	2,116	2,151	1.6%
Asset impairment and exit costs		123	100.0%
(Gains) / losses on divestitures, net		1	100.0%
Amortization of intangibles	6	7	14.3%
Operating income	1,419	1,023	38.7%
Operating income margin	14.5%	9.8%	
Interest & other expense, net	323	298	(8.4)%
Earnings from continuing operations before income taxes	1,096	725	51.2%
Provision for income taxes	270	205	(31.7)%
Effective tax rate	24.6%	28.3%	
Earnings from continuing operations	\$ 826	\$ 520	58.8%
Loss from discontinued operations, net of income taxes		(4)	100.0%
Gain on divestiture of discontinued operations, net of income taxes		849	(100.0)%
Net earnings	\$ 826	\$ 1,365	(39.5)%
Noncontrolling interest	2	3	33.3%
Net earnings attributable to Kraft Foods	\$ 824	\$ 1,362	(39.5)%
Per share data:			
Basic earnings per share attributable to Kraft Foods:			
- Continuing operations	\$ 0.56	\$ 0.34	64.7%
- Discontinued operations		0.57	(100.0)%
- Net earnings attributable to Kraft Foods	\$ 0.56	\$ 0.91	(38.5)%

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Diluted earnings per share attributable to Kraft Foods:

- Continuing operations	\$ 0.55	\$ 0.34	61.8%
- Discontinued operations		0.57	(100.0)%

- Net earnings attributable to Kraft Foods	\$ 0.55	\$ 0.91	(39.6)%
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Average shares outstanding:

Basic	1,479	1,493	0.9%
Diluted	1,487	1,503	1.1%

## Kraft Foods Inc. and Subsidiaries

## Reconciliation of GAAP to Non-GAAP Information

## Net Revenues

## For the Three Months Ended September 30,

(\$ in millions) (Unaudited)

	As Reported (GAAP)	Impact of Divestitures	Impact of Currency	Organic (Non-GAAP)	% Change		Organic Growth Drivers		
					As Reported (GAAP)	Organic (Non-GAAP)	Vol / Mix	Price	
<b>2009</b>									
U.S. Beverages	\$ 754	\$	\$	\$ 754	1.5%	1.5%	(1.1)pp	2.6pp	
U.S. Cheese	824			824	(10.3)%	(10.3)%	6.8	(17.1)	
U.S. Convenient Meals	1,135			1,135	5.0%	5.0%	5.9	(0.9)	
U.S. Grocery	778			778	(3.0)%	(3.0)%	(2.3)	(0.7)	
U.S. Snacks	1,232			1,232	(3.3)%	(3.3)%	0.0	(3.3)	
Canada & N.A. Foodservice	1,055		43	1,098	(4.9)%	(1.0)%	0.4	(1.4)	
<b>North America</b>	<b>\$ 5,778</b>	<b>\$</b>	<b>\$ 43</b>	<b>\$ 5,821</b>	<b>(2.5)%</b>	<b>(1.8)%</b>	<b>1.7</b>	<b>(3.5)</b>	
<b>Europe</b>	<b>2,070</b>	<b>(1)</b>	<b>199</b>	<b>2,268</b>	<b>(11.5)%</b>	<b>(0.8)%</b>	<b>(2.4)</b>	<b>1.6</b>	
<b>Developing Markets</b>	<b>1,955</b>		<b>336</b>	<b>2,291</b>	<b>(8.4)%</b>	<b>8.1%</b>	<b>0.7</b>	<b>7.4</b>	
<b>Kraft Foods</b>	<b>\$ 9,803</b>	<b>\$ (1)</b>	<b>\$ 578</b>	<b>\$ 10,380</b>	<b>(5.7)%</b>	<b>0.5%</b>	<b>0.7pp</b>	<b>(0.2)pp</b>	
<b>2008 (As Revised)</b>									
U.S. Beverages	\$ 743	\$	\$	\$ 743					
U.S. Cheese	919			919					
U.S. Convenient Meals	1,081			1,081					
U.S. Grocery	802			802					
U.S. Snacks	1,274			1,274					
Canada & N.A. Foodservice	1,109			1,109					
<b>North America</b>	<b>\$ 5,928</b>	<b>\$</b>	<b>\$</b>	<b>\$ 5,928</b>					
<b>Europe</b>	<b>2,338</b>	<b>(52)</b>		<b>2,286</b>					
<b>Developing Markets</b>	<b>2,135</b>	<b>(16)</b>		<b>2,119</b>					
<b>Kraft Foods</b>	<b>\$ 10,401</b>	<b>\$ (68)</b>	<b>\$</b>	<b>\$ 10,333</b>					



## Kraft Foods Inc. and Subsidiaries

## Operating Income by Reportable Segments

## For the Three Months Ended September 30,

(\$ in millions) (Unaudited)

	2008 Impacts					2009 Impacts		2009 Operating Income - As Reported (GAAP)	% Change
	2008 Operating Income - As Revised (GAAP)	Restructuring Program Costs	Asset Impairment Costs	(Gains) / Losses on Divestitures, Net	Impact of Currency	Impact of Divestitures	Operations		
Segment Operating Income:									
U.S. Beverages	\$ 83	\$ 26	\$	\$ 1	\$	\$	\$ 23	\$ 133	60.2%
U.S. Cheese	148	1					17	166	12.2%
U.S. Convenient Meals	79	7					41	127	60.8%
U.S. Grocery	236	(2)					24	258	9.3%
U.S. Snacks	190	2					4	196	3.2%
Canada & N.A. Foodservice	153	12			(10)		1	156	2.0%
<b>North America</b>	<b>889</b>	<b>46</b>		<b>1</b>	<b>(10)</b>		<b>110</b>	<b>1,036</b>	<b>16.5%</b>
<b>Europe</b>	<b>115</b>	<b>35</b>	<b>55</b>		<b>(24)</b>	<b>1</b>	<b>29</b>	<b>211</b>	<b>83.5%</b>
<b>Developing Markets</b>	<b>279</b>	<b>9</b>			<b>(63)</b>	<b>(2)</b>	<b>62</b>	<b>285</b>	<b>2.2%</b>
Unrealized G/(L) on Hedging Activities	(141)						160	19	
HQ Pension							(27)	(27)	
General Corporate Expenses	(112)				2		11	(99)	
Amortization of Intangibles	(7)				(1)		2	(6)	
<b>Kraft Foods</b>	<b>\$ 1,023</b>	<b>\$ 90</b>	<b>\$ 55</b>	<b>\$ 1</b>	<b>\$ (96)</b>	<b>\$ (1)</b>	<b>\$ 347</b>	<b>\$ 1,419</b>	<b>38.7%</b>

## Kraft Foods Inc. and Subsidiaries

## Condensed Statements of Earnings

**For the Nine Months Ended September 30,**

(in millions, except per share data) (Unaudited)

	2009	As Reported (GAAP) 2008	% Change
Net revenues	\$ 29,361	\$ 31,251	(6.0)%
Cost of sales	18,890	20,777	9.1%
Gross profit	10,471	10,474	
Gross profit margin	35.7%	33.5%	
Marketing, administration & research costs	6,247	6,544	4.5%
Asset impairment and exit costs	(26)	306	100.0+%
(Gains) / losses on divestitures, net	17	93	81.7%
Amortization of intangibles	15	18	16.7%
Operating income	4,218	3,513	20.1%
Operating income margin	14.4%	11.2%	
Interest & other expense, net	915	934	2.0%
Earnings from continuing operations before income taxes	3,303	2,579	28.1%
Provision for income taxes	986	834	(18.2)%
Effective tax rate	29.9%	32.3%	
Earnings from continuing operations	\$ 2,317	\$ 1,745	32.8%
Earnings from discontinued operations, net of income taxes		119	(100.0)%
Gain on divestiture of discontinued operations, net of income taxes		849	(100.0)%
Net earnings	\$ 2,317	\$ 2,713	(14.6)%
Noncontrolling interest	6	7	14.3%
Net earnings attributable to Kraft Foods	\$ 2,311	\$ 2,706	(14.6)%
Per share data:			
Basic earnings per share attributable to Kraft Foods:			
- Continuing operations	\$ 1.56	\$ 1.15	35.7%
- Discontinued operations		0.63	(100.0)%
- Net earnings attributable to Kraft Foods	\$ 1.56	\$ 1.78	(12.4)%

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Diluted earnings per share attributable to Kraft Foods:

- Continuing operations	\$ 1.56	\$ 1.14	36.8%
- Discontinued operations		0.63	(100.0)%
- Net earnings attributable to Kraft Foods	\$ 1.56	\$ 1.77	(11.9)%

Average shares outstanding:

Basic	1,477	1,516	2.6%
Diluted	1,485	1,527	2.8%

## Kraft Foods Inc. and Subsidiaries

## Reconciliation of GAAP to Non-GAAP Information

## Net Revenues

## For the Nine Months Ended September 30,

(\$ in millions) (Unaudited)

	As Reported (GAAP)	Impact of Divestitures	Impact of Currency	Organic (Non-GAAP)	% Change		Organic Growth Drivers	
					As Reported (GAAP)	Organic (Non-GAAP)	Vol / Mix	Price
<b>2009</b>								
U.S. Beverages	\$ 2,373	\$	\$	\$ 2,373	3.0%	3.0%	2.6pp	0.4pp
U.S. Cheese	2,605			2,605	(8.5)%	(8.5)%	(1.3)	(7.2)
U.S. Convenient Meals	3,418			3,418	6.7%	6.7%	3.5	3.2
U.S. Grocery	2,569			2,569	2.5%	2.5%	(1.8)	4.3
U.S. Snacks	3,717			3,717	(0.5)%	(0.5)%	(2.2)	1.7
Canada & N.A. Foodservice	2,989		281	3,270	(8.8)%	(0.3)%	(1.1)	0.8
<b>North America</b>	<b>\$ 17,671</b>	<b>\$</b>	<b>\$ 281</b>	<b>\$ 17,952</b>	<b>(1.1)%</b>	<b>0.4%</b>	<b>(0.2)</b>	<b>0.6</b>
<b>Europe</b>	<b>6,081</b>	<b>(15)</b>	<b>865</b>	<b>6,931</b>	<b>(16.0)%</b>	<b>(1.2)%</b>	<b>(3.7)</b>	<b>2.5</b>
<b>Developing Markets</b>	<b>5,609</b>	<b>(14)</b>	<b>1,089</b>	<b>6,684</b>	<b>(8.6)%</b>	<b>9.7%</b>	<b>0.5</b>	<b>9.2</b>
<b>Kraft Foods</b>	<b>\$ 29,361</b>	<b>\$ (29)</b>	<b>\$ 2,235</b>	<b>\$ 31,567</b>	<b>(6.0)%</b>	<b>1.9%</b>	<b>(0.8)pp</b>	<b>2.7pp</b>
<b>2008 (As Revised)</b>								
U.S. Beverages	\$ 2,304	\$	\$	\$ 2,304				
U.S. Cheese	2,848			2,848				
U.S. Convenient Meals	3,202			3,202				
U.S. Grocery	2,506			2,506				
U.S. Snacks	3,736			3,736				
Canada & N.A. Foodservice	3,279			3,279				
<b>North America</b>	<b>\$ 17,875</b>	<b>\$</b>	<b>\$</b>	<b>\$ 17,875</b>				
<b>Europe</b>	<b>7,239</b>	<b>(223)</b>		<b>7,016</b>				
<b>Developing Markets</b>	<b>6,137</b>	<b>(44)</b>		<b>6,093</b>				
<b>Kraft Foods</b>	<b>\$ 31,251</b>	<b>\$ (267)</b>	<b>\$</b>	<b>\$ 30,984</b>				

## Kraft Foods Inc. and Subsidiaries

## Operating Income by Reportable Segments

## For the Nine Months Ended September 30,

(\$ in millions) (Unaudited)

Segment Operating Income:	2008 Operating Income - As Revised (GAAP)	2008 Impacts				2009 Impacts				2009 Operating Income - As Reported (GAAP)	% Change
		Restructuring Program Costs	Asset Impairment Costs	(Gains) / Losses on Net Currency Impact of Divestitures	Asset Impairment & Exit Costs *	(Gains) / Losses on Net Divestitures Impact of Operations					
U.S. Beverages	\$ 363	\$ 42	\$	\$ 1	\$	\$	\$	\$	\$ 37	\$ 443	22.0%
U.S. Cheese	373	15							75	463	24.1%
U.S. Convenient Meals	275	17							117	409	48.7%
U.S. Grocery	781	7							71	859	10.0%
U.S. Snacks	532	11							(13)	530	(0.4)%
Canada & N.A. Foodservice	391	52			(50)				(7)	386	(1.3)%
<b>North America</b>	<b>2,715</b>	<b>144</b>		<b>1</b>	<b>(50)</b>				<b>280</b>	<b>3,090</b>	<b>13.8%</b>
<b>Europe</b>	<b>348</b>	<b>116</b>	<b>55</b>	<b>92</b>	<b>(130)</b>	<b>26</b>	<b>17</b>	<b>(12)</b>	<b>53</b>	<b>565</b>	<b>62.4%</b>
<b>Developing Markets</b>	<b>715</b>	<b>49</b>			<b>(173)</b>			<b>(5)</b>	<b>159</b>	<b>745</b>	<b>4.2%</b>
Unrealized G/(L) on Hedging Activities	(38)								178	140	
HQ Pension									(121)	(121)	
General Corporate Expenses	(209)				1				22	(186)	
Amortization of Intangibles	(18)				2				1	(15)	
<b>Kraft Foods</b>	<b>\$ 3,513</b>	<b>\$ 309</b>	<b>\$ 55</b>	<b>\$ 93</b>	<b>\$(350)</b>	<b>\$ 26</b>	<b>\$ 17</b>	<b>\$ (17)</b>	<b>\$ 572</b>	<b>\$ 4,218</b>	<b>20.1%</b>

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

## Kraft Foods Inc. and Subsidiaries

## Cash Flows

**For the Nine Months Ended September 30,**

(\$ in millions) (Unaudited)

	<b>2009</b>	<b>2008</b>
<b>Net Cash Provided by Operating Activities (GAAP)</b>	\$ 3,269	\$ 2,529
Capital Expenditures	(749)	(901)
Voluntary Pension Contribution	200	
<b>Discretionary Cash Flow (Non-GAAP)</b>	\$ 2,720	\$ 1,628

## Kraft Foods Inc. and Subsidiaries

## Condensed Balance Sheets

(\$ in millions) (Unaudited)

	September 30, 2009	December 31, 2008	September 30, 2008
<b>Assets</b>			
Cash and cash equivalents	\$ 2,996	\$ 1,244	\$ 737
Receivables, net	4,720	4,704	4,709
Inventories, net	4,073	3,881	4,792
Other current assets	1,229	1,632	1,103
Property, plant and equipment, net	10,409	9,917	10,638
Goodwill	28,617	27,581	28,573
Intangible assets, net	13,319	12,926	13,496
Other assets	1,306	1,288	2,981
<b>Total assets</b>	<b>\$ 66,669</b>	<b>\$ 63,173</b>	<b>\$ 67,029</b>
<b>Liabilities and Equity</b>			
Short-term borrowings	\$ 1,359	\$ 897	\$ 1,000
Current portion of long-term debt	1,258	765	719
Accounts payable	3,264	3,373	3,439
Other current liabilities	6,175	6,009	5,141
Long-term debt	18,108	18,589	18,874
Deferred income taxes	4,314	4,064	5,439
Accrued pension costs	2,204	2,367	771
Accrued postretirement health care costs	2,682	2,678	2,890
Other long-term liabilities	2,094	2,075	2,202
<b>Total liabilities</b>	<b>41,458</b>	<b>40,817</b>	<b>40,475</b>
<b>Total equity</b>	<b>25,211</b>	<b>22,356</b>	<b>26,554</b>
<b>Total liabilities and equity</b>	<b>\$ 66,669</b>	<b>\$ 63,173</b>	<b>\$ 67,029</b>

Q3 2009 Results  
November 3, 2009  
Kraft Foods



2  
Forward-looking statements  
This  
slide  
presentation  
contains  
a  
number

of  
forward-looking  
statements.

Words  
such  
as

expects,  
goals,  
plans,  
believes,  
continues,  
may,  
will,

and  
variations

of  
such  
words  
and  
similar  
expressions

are  
intended

to  
identify  
such  
forward-looking  
statements.

In  
addition,  
this  
presentation

contains forward-looking statements, including our belief that we are delivering organic revenue growth, driving transition to growth volume/mix from growth based on price, and gaining further momentum on the bottom line; that we are raising our 2009 earnings guidance, staging the business for strong growth in 2010 based on strong year-to-date operating performance, our plans for further investment, and tax rate reduction

in  
our  
full-year  
effective  
tax  
rate  
and  
the  
impact  
from  
anticipated  
expenses  
relate  
to

the possible combination with Cadbury plc; that we are adjusting our 2009 organic revenue growth target because we expect pricing to contribute less than anticipated, management forego additional unprofitable volume and the weakening economic conditions in Western and Eastern Europe; our belief that we are well-positioned to deliver top-tier performance, and we are driving higher quality organic revenue growth, executing a strong pipeline of cost-savings, increasing investment in sales, R&D and A&C; our long-term targets, including restoring profit margins to industry benchmarks, our end of 7%-9% EPS growth target and growing cash flow in excess of EPS growth; our update on the possible combination with Cadbury, including that we are actively reviewing the opportunity, speaking with shareholders, assessing potential financing options, and managing the approach within our key criteria, including that the possible combination will result in accretion to cash EPS in the second year of the combination, return on investment well in excess of cost of capital, maintaining investment grade credit rating and

maintaining

Kraft

Foods

dividend;

that

growth

from volume/mix is improving sequentially; that we are continuing to build operating and financial momentum; that recent U.S.

improving; in U.S. Beverages that investments in innovation and marketing are paying off; in U.S. Grocery that innovation and

off; in U.S. Snacks, that snack nuts are rebounding and our expectation for Q4 vol/mix growth driven by investments in core b

Markets that incremental marketing investments in Q4 are expected to boost consumption; and that we are well-positioned to d

performance

on

a

standalone

basis

or

in

combination

with

Cadbury

plc.

These

forward-looking

statements

involve

risks

and

uncertainties

that

could

cause actual results to differ materially from those predicted in any of our forward-looking statements. Such factors, include, b

continued volatility of input costs, pricing actions, increased competition, our ability to differentiate our products from private

unanticipated expenses such as litigation or legal settlement expenses, our indebtedness and ability to pay our indebtedness, the

mix to lower margin offerings, risks from operating internationally, tax law changes, the possibility that the possible combinati

will not be pursued, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditio

combination, adverse effects on the market price of our common stock and on our operating results because of a failure to com

combination, failure to realize the expected benefits of the possible combination, negative effects of announcement or consum

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 possible combination. For additional information on these and other factors that may affect our forward-looking statements, see our filings with the SEC, including our most recently filed Annual Report on Form 10-K, quarterly reports on Forms 10-Q and 8-K. We disclaim and do not undertake any obligation to update or revise any forward-looking statements in this presentation.

3  
Additional U.S. Related Information  
This  
slide  
presentation  
is  
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for

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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 with Cadbury plc. Cadbury plc shareholders should read all 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  
website  
at  
www.kraftfoodscompany.com.

#### Responsibility Statement

The directors of Kraft Foods each accept responsibility for the information contained in this document, save that the only responsibility accepted by them in respect of information in this document relating to Cadbury plc or the Cadbury Group (which has been compiled from public sources) is to ensure that such information has been correctly and fairly reproduced and presented.

Subject

as  
aforesaid,  
to  
the  
best  
of  
the  
knowledge  
and  
belief  
of  
the  
directors  
of  
Kraft  
Foods  
(who  
have  
taken  
all  
reasonable  
care  
to  
ensure  
that  
such  
is  
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case),  
the  
information  
contained  
in  
this  
document  
is  
in  
accordance  
with  
the  
facts



and  
does  
not  
omit  
anything  
likely to affect the import of that information.

#### Unaudited Figures and Outlook

This  
presentation  
contains  
profit  
forecasts  
and  
unaudited  
profit  
figures  
which  
must  
be  
reported  
on  
under  
Rule  
28  
of  
the  
U.K.  
City  
Code

on Takeovers and Mergers (the Takeover Code ). Please refer to our Form 8-K filed with the SEC on November 3, 2009, which includes the reports of PricewaterhouseCoopers LLP, as our reporting accountant, and the accompanying reports of Lazard & Co. Limited, Centerview Partners U.K. LLP, Citigroup Global Markets Limited and Deutsche Bank AG, London Branch, on those forecasts and the unaudited profit figures in our condensed consolidated financial statements as of and for the three and nine month periods ended September 30, 2009.

In accordance with Rule 28.8 of the Takeover Code, please also refer to our Form 10-Q filed with the SEC on May 5, 2009, covering our first quarter 2009 results and our Form 10-Q filed with the SEC on August 5, 2009, containing our second quarter 2009 results. Forward-looking statements

4

Q3 results reflect strong operating and financial momentum

Delivering organic revenue growth despite significant headwinds

~(1.0)pp impact on revenue due to discontinuation of less profitable product lines and walking away from unprofitable volume

~(1.6)pp impact from adaptive pricing to reflect lower dairy costs

Comparison with strong prior year merchandising program at a key North American customer

Driving transition to growth based on volume/mix from growth based on price

Volume/mix improved sequentially

Priority brands fueled volume/mix gains

Vol/mix gains drove 70 bps increase in Q3 profit margins

Gaining further momentum on the bottom line

Operating gains fueling strong EPS growth from continuing ops

Discretionary cash flow\* up 67%, \$2.7 billion year-to-date

\* See GAAP to Non-GAAP reconciliation at the end of this presentation.

5  
Raising 2009 earnings guidance while staging  
business for strong growth in 2010

Increasing  
2009  
diluted  
EPS

to  
at  
least  
\$1.97  
from  
at  
least  
\$1.93  
\*

Strong year-to-date operating performance

Further reinvestment in marketing

2009 A&C ~7% of Net Revenue despite significant media deflation

~\$0.04 benefit from a reduction in our full-year effective tax rate

\$(0.02) to \$(0.03) impact from anticipated expenses related to the possible combination with Cadbury

Adjusting 2009 organic revenue growth target to ~2%

Pricing to contribute less than anticipated due to lower input costs

Management decision to forego additional unprofitable volume

Weakening economic conditions in Western and Eastern Europe

\* See Unaudited Figures and Outlook on page 3 of this presentation for important information about this forecast.

6

Well-positioned to deliver  
top-tier performance

Driving higher quality organic revenue growth

Executing strong pipeline of cost-savings initiatives

Increasing investment in Sales, R&D, A&C

Restoring profit margins to industry benchmarks

Achieving high end of 7%-9% EPS growth target

Growing cash flow in excess of EPS growth  
Targets

7

Update on possible combination with  
Cadbury plc

U.K. Takeover Panel set deadline of November 9 for Kraft Foods  
to make formal offer or walk away

Actively reviewing the opportunity



Speaking with shareholders

Assessing potential financing options

Maintaining disciplined approach within key criteria

Accretion to cash EPS in second year

Return on investment well in excess of cost of capital

Maintain investment-grade credit rating

Maintain Kraft Foods  
dividend

8

As expected, volume/mix becoming key driver of organic revenue growth

Organic growth

4.4%

Q3 2009 Net Revenue Growth

0.7 pp

Volume /

Mix  
Pricing  
(0.2)pp  
Currency  
Divestitures  
(5.6)pp  
(0.6)pp  
(5.7)%  
Reported  
Q3  
Organic growth  
0.5%

9  
Growth from volume/mix  
improving sequentially  
Q1'09  
Q2'09  
Q3'09  
Q4'09E  
(3.4)pp

0.2 pp

0.7 pp

Product line  
discontinuations

~(0.8)pp

~(1.0)pp

~(0.8)pp

3+ pp

~(0.5)pp

Volume/Mix

~(0.8)pp

~0.8 pp

Easter Shift

10  
Continuing to build operating and financial  
momentum  
2008 Diluted EPS  
\$0.91  
\$1.77  
Earnings and Gain from Discontinued Operations  
(0.57)

(0.63)  
2008 Diluted EPS from Continuing Operations  
0.34  
1.14  
Operating Gains  
0.09  
0.19  
Lower Restructuring Program Costs and Asset  
Impairment Charges  
0.07  
0.19  
Change in Unrealized Gains/Losses from  
Hedging Activities  
0.07  
0.08  
Lower Losses on Divestitures, net  
-  
0.03  
Absence of Brazilian VAT Credit  
(0.01)  
(0.03)  
Unfavorable Foreign Currency  
(0.04)  
(0.15)  
(Higher)/Lower Interest Expense  
(0.01)  
0.01  
Changes in Taxes  
0.03  
0.06  
Fewer Shares Outstanding  
0.01  
0.04  
2009 Diluted EPS  
\$0.55  
\$1.56  
Q3  
September  
YTD

11  
Steady improvement in operating margins  
Operating Income Margin  
Q1 08  
Q1 09  
Q2 08  
Q2 09  
Q3 08



Q3 09

11.8%

13.5%

11.8%

15.0%

15.1%

14.5%

10.6%

13.2%

9.8%

Reflects reported operating income margins in Q1, Q2 and Q3 2008.

Reflects operating income margins excluding items in Q1, Q2 and Q3 2008. See GAAP to Non-GAAP

Reconciliation at the end of this presentation.

12

Cash flow up strongly

Improved gains from working capital efficiency programs and  
disciplined management of capital expenditures

\$2.2

\$2.4

FY 07

FY 08

\$3.0+

FY 09E

\*\*

Discretionary Cash Flow

\*

(\$ billions)

\*

Excluding *Post* cereals and adjusted for the timing of deferred interest payments; see GAAP to Non-GAAP reconciliation at the end of this presentation.

\*\*

See Unaudited Figures and Outlook on slide 3 of this presentation for important information about this forecast.

13  
Kraft Foods North America

Lower pricing due to lower input  
costs

~(2.7)pp impact from dairy

Growth in priority categories  
drove vol/mix growth despite  
several headwinds

~(0.6)pp impact from product line  
discontinuations

Comparison with strong  
merchandising program in Q3 08

Margin gains driven by improved  
alignment of costs and pricing,  
completion of Restructuring  
Program and growth in vol/mix

A&C spending up double digits  
versus Q3 08

(1.8)%

Pricing

(3.5)pp

Vol/Mix

+1.7 pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

15.0%

17.9%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (2.5)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

14

Recent U.S. share trends improving as impact  
of pricing, consumer crisis decreases

Percent of U.S. retail revenue gaining/holding share

Source: 4-Outlet data; The Nielsen Company

Solid Q3 performance despite difficult comparisons

Q4 08

41%

48%

Q2 09

Latest 52 Weeks

Q1 09

40%

Q4 08

59%

26%

Q2 09

Latest 13 Weeks

Q1 09

20%

50%

Q3 09

34%

Q3 09

15  
U.S. Beverages

Investments in innovation and  
marketing paying off

Kool-Aid  
powdered beverages



revenue  
and  
Capri  
Sun  
RTD  
revenue  
each up double-digits

Lower vol/mix due to comparisons  
with prior year

~(0.7)pp impact from  
discontinuation of less profitable  
products

Negative impact from timing of a  
merchandising program versus the  
prior year

Margin gains from completion of  
Restructuring Program, improved  
alignment of input costs and prices

Partially offset by incremental  
marketing investments

+1.5%

Vol/Mix

(1.1)pp

Pricing

+2.6 pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

11.2%

17.6%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue growth was 1.5%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

16  
U.S. Cheese

Incremental marketing  
investments in advantaged  
categories drove strong volume  
and market share gains

Kraft  
Singles  
up double-digit

Philadelphia  
cream  
cheese  
up  
nearly 20%

Q3 09 profile reflects success of  
adaptive pricing model

Pricing down to reflect lower  
underlying dairy costs

Vol/mix key driver of operating  
income growth

(10.3)%

Vol/Mix

+6.8 pp

Pricing

(17.1)pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

16.1%

20.1%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (10.3)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

17

U.S. Convenient Meals

Revenue gains driven by  
investments in key brands and  
new products

DiGiorno

pizza up 20+%

DiGiorno  
and  
CPK  
flatbread  
melts  
driving incremental revenues

Oscar Mayer Deli Fresh  
cold cuts  
up double-digit

Margin gains from better  
alignment of input costs and  
pricing and strong vol/mix gains

Lower price levels reflect  
increased trade spending in  
response to lower input costs

Marketing spending up strong  
double digits

+5.0%

Pricing

(0.9)pp

Vol/Mix

+5.9 pp

Organic Net

Revenue

Growth

\*

Segment Operating  
Income Margin

7.3%

11.2%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue growth was 5.0%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

18  
U.S. Grocery

Innovation, marketing paying off

Grew spoonables  
revenue through  
reinvention of *Miracle Whip*

and  
Kraft  
mayonnaise

Drove *Jell-O*  
revenue growth  
through value-oriented marketing

Vol/mix negatively impacted by  
comparisons with prior year

~(1.6)pp impact from  
discontinuation of less profitable  
products

Negative impact from timing of a  
merchandising program vs. prior  
year

Margin gains from better alignment  
of input costs and pricing and  
improved vol/mix

(3.0)%

Pricing

(0.7)pp

Vol/Mix

(2.3)pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

29.4%

33.2%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (3.0)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

19

U.S. Snacks

Pricing reflected lower input costs,  
investments to manage price gaps  
in snack nuts

Flat vol/mix performance



Top 5 biscuit brands up  
approximately 5%

Snack nuts rebounding

Offset by negative impact from  
comparison with a merchandising  
program in prior year

Expect Q4 vol/mix growth driven by  
investments in core brands

Margin gains from a better  
alignment of input costs and pricing  
as well as timing of marketing  
investments

(3.3)%

Pricing

(3.3)pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

14.9%

15.9%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (3.3)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

20  
Canada and North America Foodservice

Strong revenue growth and market  
share gains in Canada

Canada revenue growth offset by  
decline in N.A. Foodservice

Continued slowdown in  
restaurant traffic

Product line discontinuation

Lower pricing in response to  
significantly lower dairy costs

Margin gains driven by a better  
alignment of input costs and  
pricing and completion of  
Restructuring Program

Partially offset by higher  
marketing investments and  
overhead as well as the impact  
of unfavorable vol/mix

(1.0)%

Pricing

(1.4)pp

Vol/Mix

+0.4 pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

13.8%

14.8%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (4.9)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

21

Kraft Foods Europe

Vol/mix negatively impacted by  
~(1.7)pp due to decision to forego  
unprofitable volume as well as the  
planned discontinuation of product  
lines

Economic slowdown continuing to negatively impact consumption trends

Iberia hit hardest

Solid market share performance, particularly in chocolate and coffee

Operating margin more than doubled:

+150 bps from improved product mix

Includes higher investments in cost-savings initiatives and marketing

(0.8)%

Pricing

+1.6 pp

Vol/Mix

(2.4)pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

4.9%

10.2%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (11.5)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

22

Kraft Foods Developing Markets

Strong revenue and share growth  
despite soft category trends in  
Central and Eastern Europe

Priority brands increased 15+%

~(1)pp impact due to the  
absence of a Brazilian value  
added tax credit in Q3 08

Continued market share gains by  
priority brands in key markets

Margin expansion from improved  
vol/mix, timing of A&C spending,  
overhead leverage and completion  
of Restructuring Program

Partially offset by pricing net of  
input costs

Incremental marketing investments  
in Q4 expected to boost  
consumption

+8.1%

Pricing

+7.4 pp

Vol/Mix

+0.7 pp

Organic Net

Revenue

Growth

\*

Segment Operating

Income Margin

13.1%

14.6%

Q3 08

Q3 09

Q3 09

\* Reported Net Revenue declined (8.4)%. See GAAP to Non-GAAP reconciliation at the end of this presentation.

23  
Summary

Q3 results continue to reflect strong operating and financial momentum

Raising 2009 earnings, cash flow guidance  
\*



while  
staging business for strong growth in 2010

Well-positioned to deliver top-tier performance on a  
standalone basis or in combination with Cadbury

\* See Unaudited Figures and Outlook on page 3 of this presentation for important information about these forecasts.



25  
GAAP to Non-GAAP Reconciliation  
As Reported  
(GAAP)  
Impact of  
Divestitures  
Impact of  
Currency

Organic  
 (Non-GAAP)  
 As Reported  
 (GAAP)  
 Organic  
 (Non-  
 GAAP)  
 2009  
 U.S. Beverages  
 754  
 \$  
 -  
 \$  
 -  
 \$  
 754  
 \$  
 1.5%  
 1.5%  
 U.S. Cheese  
 824  
 -  
 -  
 824  
 (10.3)%  
 (10.3)%  
 U.S. Convenient Meals  
 1,135  
 -  
 -  
 1,135  
 5.0%  
 5.0%  
 U.S. Grocery  
 778  
 -  
 -  
 778  
 (3.0)%  
 (3.0)%  
 U.S. Snacks  
 1,232  
 -  
 -  
 1,232  
 (3.3)%  
 (3.3)%  
 Canada & N.A. Foodservice  
 1,055  
 -

43  
 1,098  
 (4.9)%  
 (1.0)%  
 North America  
 5,778  
 \$  
 -  
 \$  
 43  
 \$  
 5,821  
 \$  
 (2.5)%  
 (1.8)%  
 Europe  
 2,070  
 (1)  
 199  
 2,268  
 (11.5)%  
 (0.8)%  
 Developing Markets  
 1,955  
 -  
 336  
 2,291  
 (8.4)%  
 8.1%  
 Kraft Foods  
 9,803  
 \$  
 (1)  
 \$  
 578  
 \$  
 10,380  
 \$  
 (5.7)%  
 0.5%  
 2008  
 (As  
 Revised)  
 U.S. Beverages  
 743  
 \$  
 -  
 \$  
 -  
 \$

743  
\$  
U.S. Cheese  
919  
-  
-  
919  
U.S. Convenient Meals  
1,081  
-  
-  
1,081  
U.S. Grocery  
802  
-  
-  
802  
U.S. Snacks  
1,274  
-  
-  
1,274  
Canada & N.A. Foodservice  
1,109  
-  
-  
1,109  
North America  
5,928  
\$  
-  
\$  
-  
\$  
5,928  
\$  
Europe  
2,338  
(52)  
-  
2,286  
Developing Markets  
2,135  
(16)  
-  
2,119  
Kraft Foods  
10,401  
\$  
(68)

\$

-

\$

10,333

\$

% Change

Net Revenues

For the Three Months Ended September 30,

(\$ in millions, except percentages) (Unaudited)

26  
GAAP to Non-GAAP Reconciliation  
2009  
2008  
Net Cash Provided by Operating Activities (GAAP)  
\$3,269  
\$2,529  
Capital Expenditures



(749)

(901)

Voluntary Pension Contribution

200

-

Discretionary Cash Flow (Non-GAAP)

2,720

\$

1,628

\$

Cash Flows

For the Nine Months Ended September 30,

(\$ in millions, Unaudited)

Kraft Foods Inc.

27
GAAP to Non-GAAP Reconciliation
2007
2008
Net Cash Provided by Operating Activities (GAAP)
3.6
\$
4.1

\$  
Capital Expenditures  
(1.2)  
\$  
(1.4)  
\$  
Voluntary Pension Contribution  
0.1  
\$  
-  
\$  
Discretionary Cash Flow  
(1)  
2.4  
\$  
2.8  
\$  
Discretionary cash flow from the *Post* cereals business  
(0.2)  
\$  
(0.1)  
\$  
Timing of Deferred Interest Payments on debt issuances for the  
LU  
Biscuit acquisition  
-  
\$  
(0.3)  
\$  
Discretionary Cash Flow excluding *Post*  
cereals and  
adjusted for Timing of Deferred Interest Payments  
2.2  
\$  
2.4  
\$  
(1)  
May not add due to rounding  
Cash Flows  
For the Twelve Months Ended December 31,  
(\$ in billions, Unaudited)  
Kraft Foods Inc.

28  
GAAP to Non-GAAP Reconciliation  
For the Three Months Ended:  
As Revised  
(GAAP)  
Asset Impairment, Exit  
and Implementation  
Costs -

Restructuring  
 Asset Impairments /  
 Other Expenses -  
 Non-  
 Restructuring  
 (Gains) / Losses on  
 Divestitures, net  
 Excluding Items  
 (Non-GAAP)  
 March 31, 2008  
 Net Revenues  
 10,046  
 \$  
 -  
 -  
 -  
 10,046  
 \$  
 Operating Income  
 1,067  
 \$  
 98  
 3  
 18  
 1,186  
 \$  
 Operating Income Margin  
 10.6%  
 11.8%  
 June 30, 2008  
 Net Revenues  
 10,804  
 \$  
 -  
 -  
 -  
 10,804  
 \$  
 Operating Income  
 1,423  
 \$  
 121  
 1  
 74  
 1,619  
 \$  
 Operating Income Margin  
 13.2%  
 15.0%  
 September 30, 2008

Net Revenues

10,401

\$

-

-

-

10,401

\$

Operating Income

1,023

\$

90

112

1

1,226

\$

Operating Income Margin

9.8%

11.8%

Kraft Foods Inc.

Operating Income Margins

(\$ in millions, except percentages) (Unaudited)