

KRAFT FOODS 2007 Results Conference Call



Forward-Looking Statements



This slide presentation contains forward-looking statements that our Wave 1 investments are paying off; that our percent of revenue is growing/holding share and our longer term share goal; our expectations for greater on-going restructuring savings at lower cost and 2008 one-time costs; our current 2008 outlook, specifically, organic net revenue, operating income, investment, EPS and effective tax rate; our belief that we have an excellent start to restoring Kraft to reliable growth, specifically by continuing to invest in growth initiatives, strengthening brand equity and pricing power, more aggressively reducing costs, strengthening portfolio and improving growth prospects and that we're on track to hit long-term guidance in 2009 of at least 4% organic net revenue growth and 7% to 9% EPS growth; our 2008 outlook for North America Cheese & Foodservice; our belief that we have solid momentum going into 2008 in our North America Convenient Meals; that we will continue to contemporize in 2008 and focus on reversing long-standing declines in salad dressings in our North America Grocery business; our intent to further investments in growth and improve price realization to address unprecedented input cost increases in our North America Snacks & Cereals business; our belief that Danone Biscuits will enhance our future growth, that our Danone post-acquisition transition is progressing on schedule and our plan for broad-based Q1 pricing; our expectation for soft near-term volume and margins and significant price increases in Developing Markets; our expectation that with regard to cash flow, we are aggressively managing working capital and that we have further opportunity in inventory and receivables; that we are confident that investments and cost reductions will maintain momentum; and that our strategic actions are strengthening our portfolio and improving growth prospects. 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 higher input costs, pricing actions, increased competition, our ability to differentiate our products from private label products, increased costs of sales, our ability to realize the expected cost savings and spending from our planned restructuring program, unexpected safety or manufacturing issues, FDA or other regulatory actions or delays, 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, our inability to integrate the Danone biscuit business and tax law changes. 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 slide presentation.



Agenda

- **2007 Perspective, 2008 Outlook**
- **Earnings and Business Segment Review**
- **Q&A**

Strong finish to 2007; established good momentum for 2008



- Organic Net Revenue growth* above expectations
 - 6% in Q4, 5% for 2007
 - Wave 1 investments paying off
 - Volume growth improved as year progressed
 - Solid gains from product mix

* Reported Net Revenue Growth was 11% in Q4; 8% in 2007. Organic net revenue is defined as net revenue excluding the impacts of acquisitions, divestitures and currency; See GAAP to non-GAAP reconciliation on pages 29-30 of this presentation.

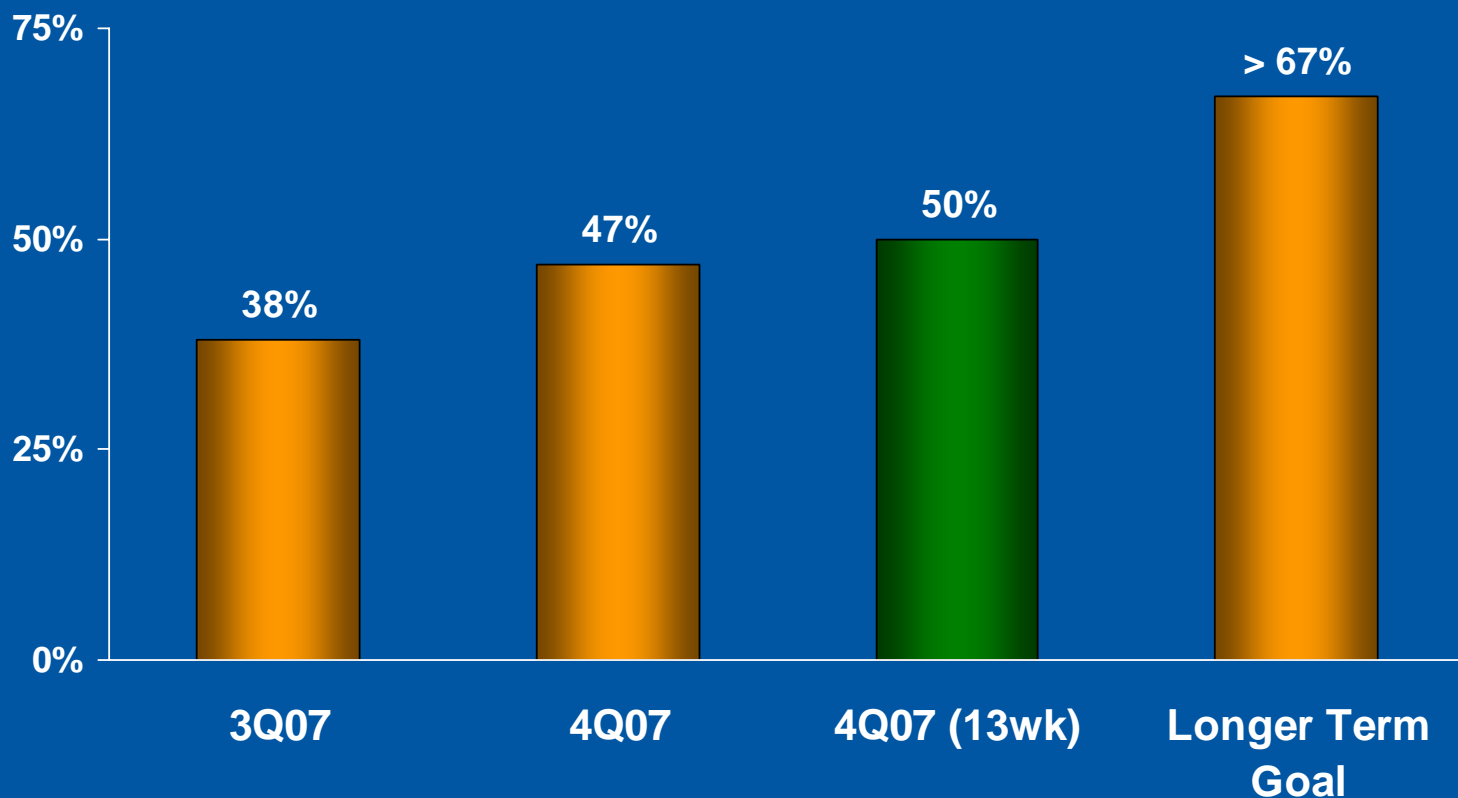
Good results where we've invested





Share performance improved

Percent of Revenue Growing/Holding Share
Top 32 US Categories, Trailing 52 Weeks*



* AC Nielsen: Top 32 Kraft US Categories Dollar Share 3-Outlet + Wal-Mart as of 12/29/07

Strong finish to 2007; established good momentum for 2008



- Organic Net Revenue growth* above expectations
- New leadership in place
- Strengthened portfolio
- Delivered high end of revised EPS guidance
 - Lower effective tax rate
 - Despite escalating input costs, especially dairy
 - More aggressive actions to reduce overhead

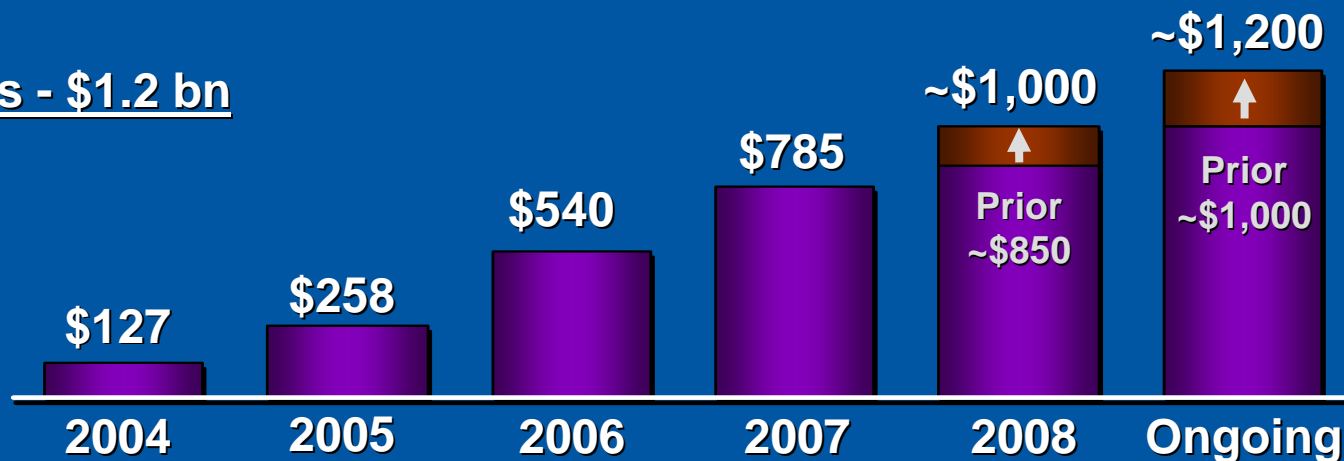


Greater restructuring* savings at lower cost

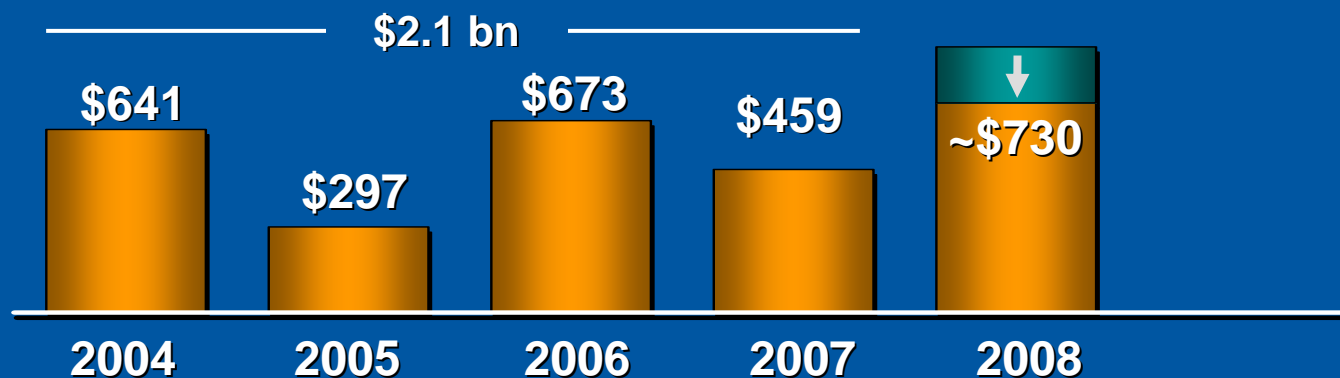
(\$ Pre-tax millions)

Ongoing Savings - \$1.2 bn

(Cumulative)



One-time Costs - \$2.8 bn

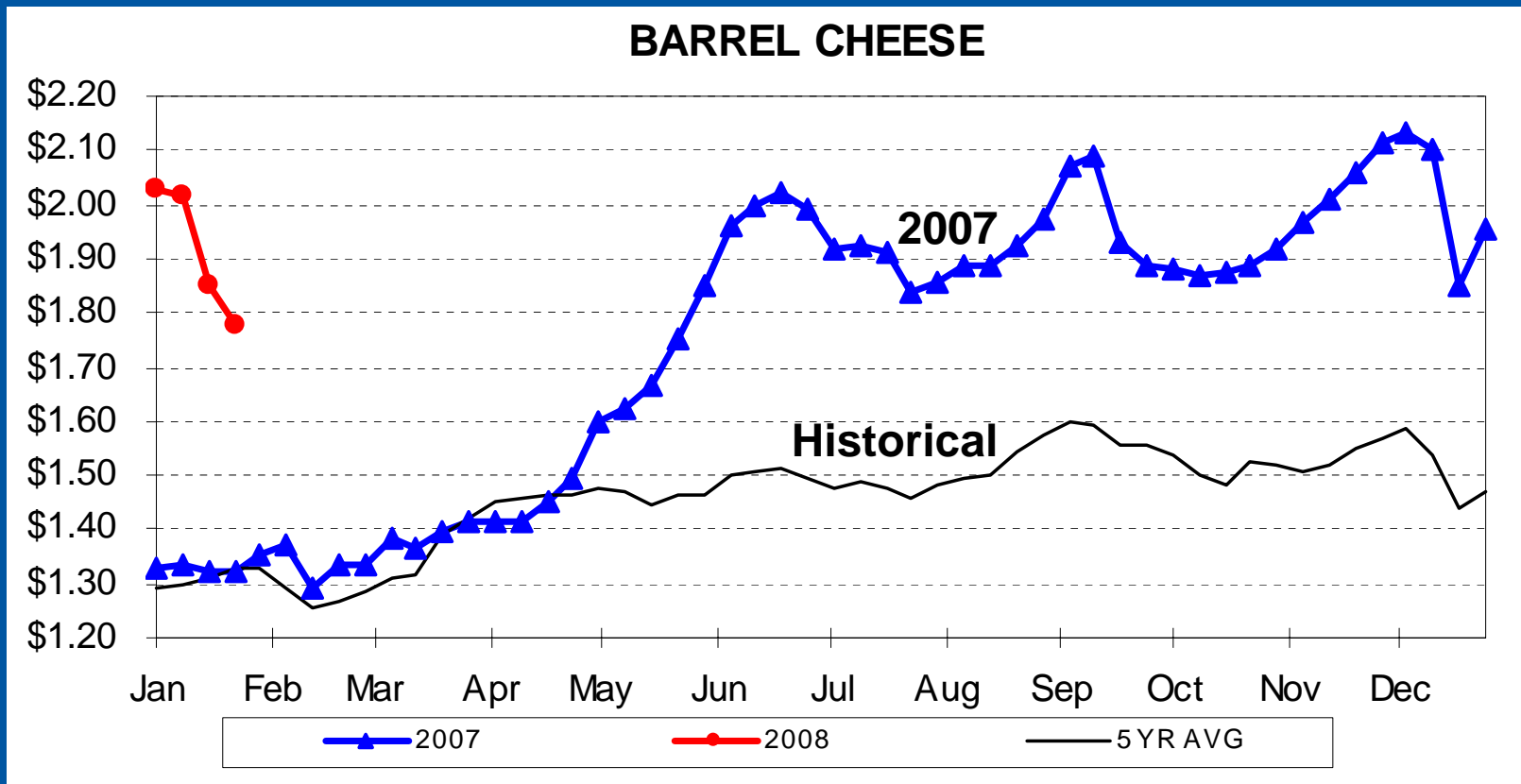


* Restructuring program includes asset impairment, implementation, and exit costs.



Cheese prices

2007 and 2008 YTD trend versus 5-year average





2008 Outlook

CAGNY '07

– Organic Net Revenue*

3-4%

– Operating Income

OI growth exceeds revenue growth

– Investment

Accelerate A&C to 8-9% LT target

* Organic net revenue is defined as net revenue excluding the impacts of acquisitions, divestitures and currency.



2008 Outlook

| | <u>CAGNY '07</u> | <u>Current</u> |
|------------------------|----------------------------------|--|
| – Organic Net Revenue* | 3-4% | At least 4% |
| – Operating Income | OI growth exceeds revenue growth | OI growth exceeds revenue growth |
| – Investment | Accelerate A&C to 8-9% LT target | Accelerate A&C to 8-9% LT target |
| – Earnings | | EPS** at least \$1.90 Effective tax rate** of 33.5% (vs 31.2% in '07) |

* Organic net revenue is defined as net revenue excluding the impacts of acquisitions, divestitures and currency.

** Excluding items

Excellent start to restoring Kraft to reliable growth



- Continuing to invest in growth initiatives
- Strengthening brand equity and pricing power
- More aggressively reducing costs
- Strengthening portfolio and improving growth prospects
- On track to hit long-term guidance in 2009
 - At least 4% organic net revenue* growth
 - 7% to 9% EPS growth

* Organic net revenue is defined as net revenue excluding the impacts of acquisitions, divestitures and currency.

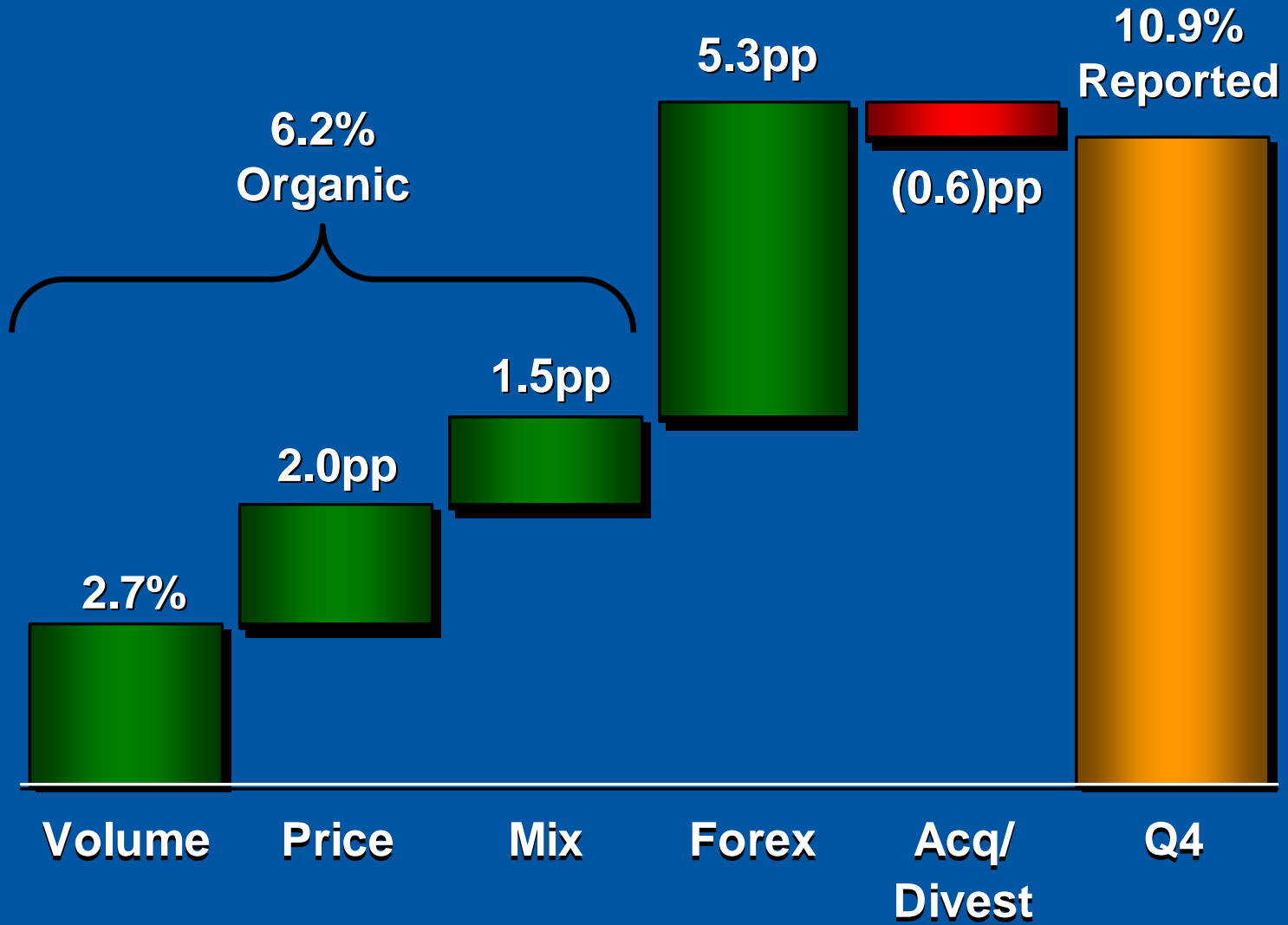


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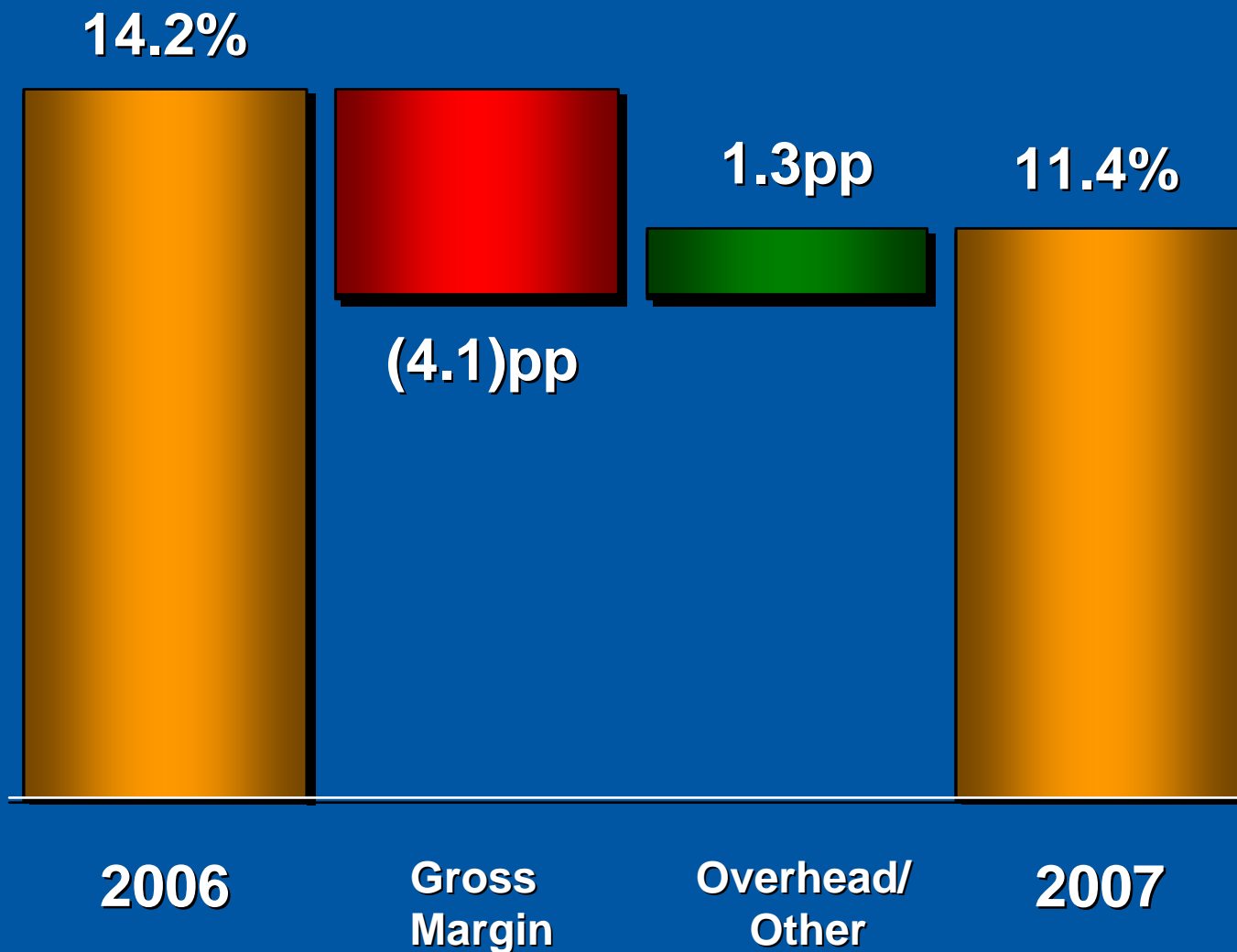


Q4 Revenue growth





Q4 Operating Income Margin ex items*



* Reported Operating Income margin was 10.4% in 2006; 10.0% in 2007. See GAAP to non-GAAP reconciliation on page 32 of this presentation.

Commodity prices



Market Price % Above/(Below) 10 Year Average*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 YTD |
|----------------------|------|------|------|-------|------|----------|
| U.S. Barrel Cheese | (8)% | 16% | 4% | (12)% | 26% | 32% |
| Coffee - NY 'C' | (31) | (16) | 19 | 20 | 30 | 50 |
| Cocoa - London | 21 | (5) | (6) | (3) | 9 | 25 |
| Hazelnuts - Turkey | (37) | 20 | 98 | 21 | 37 | 69 |
| Almonds - California | (16) | 14 | 81 | 36 | 16 | 5 |
| Lean Hogs | (3) | 21 | 20 | 11 | 14 | (5) |
| Wheat - Chicago | (3) | 1 | (7) | 17 | 85 | 188 |
| Soybean Oil | 0 | 19 | 0 | 11 | 59 | 138 |
| Paper Packaging | (7) | 1 | 5 | 18 | 27 | 31 |
| Resin Packaging | (11) | 9 | 30 | 34 | 41 | 58 |
| Crude Oil | (20) | 6 | 59 | 71 | 86 | 132 |

* Annual average market prices; 10 year average 1998-2007.



Q4 EPS ex-items*

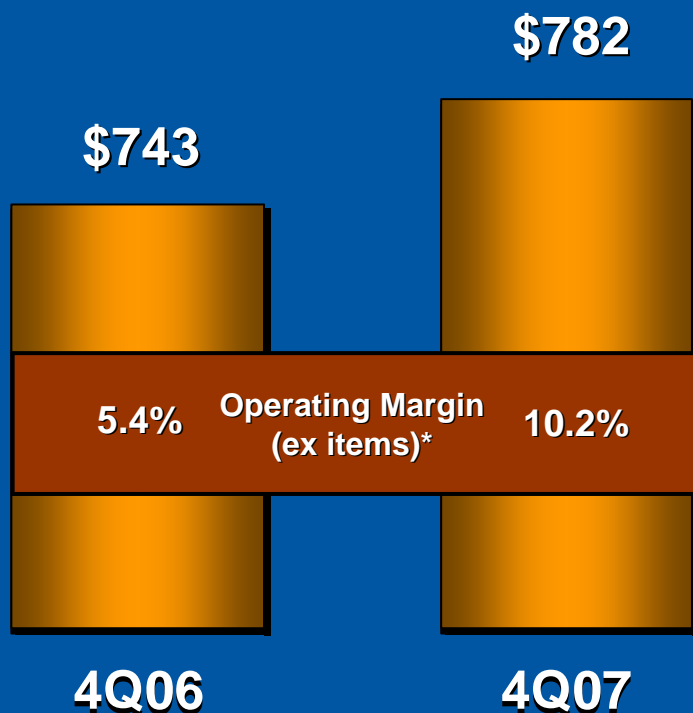
| | |
|---------------------------------|---------------|
| 2006 EPS | \$0.51 |
| Operating results | (0.05) |
| Higher interest expense | (0.04) |
| Lower shares outstanding | 0.02 |
| 2007 EPS | \$0.44 |

* Reported EPS was \$0.38 in Q4 2006; \$0.38 in Q4 2007. See GAAP to non-GAAP reconciliation on page 31 of this presentation.



North America Beverages

Net Revenue
\$ millions



- Organic Net Revenue* up 6.7%
 - Better-for-you offerings
 - Double-digit growth in powdered beverage
 - Strong premium coffee growth
 - Improved *Maxwell House* trends
- Operating Income Margin up 4.8pp
 - Strong growth of higher-margin powdered beverages, premium coffee
 - More targeted strategy for *Tassimo*

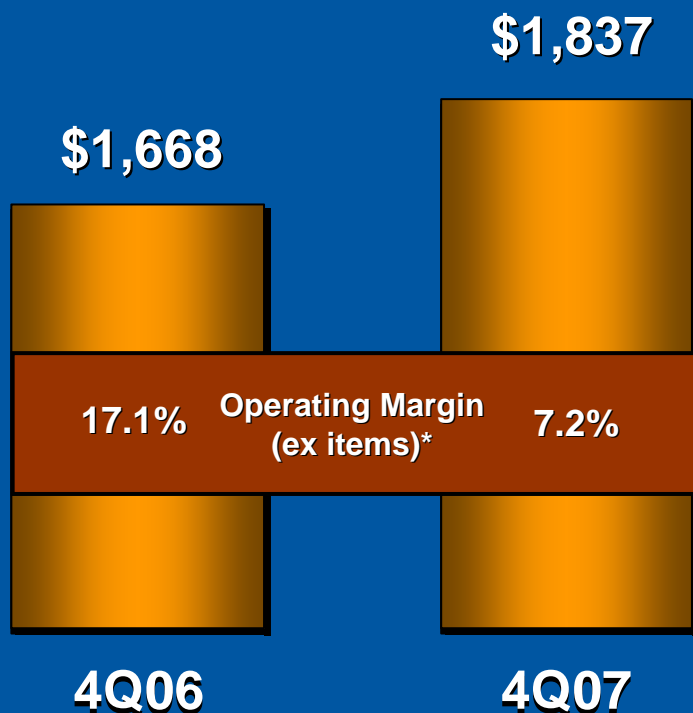
* Reported Revenue growth was 5.2%; reported Operating Income margin was (18.8)% in 2006; 8.7% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



North America Cheese & Foodservice

Net Revenue

\$ millions



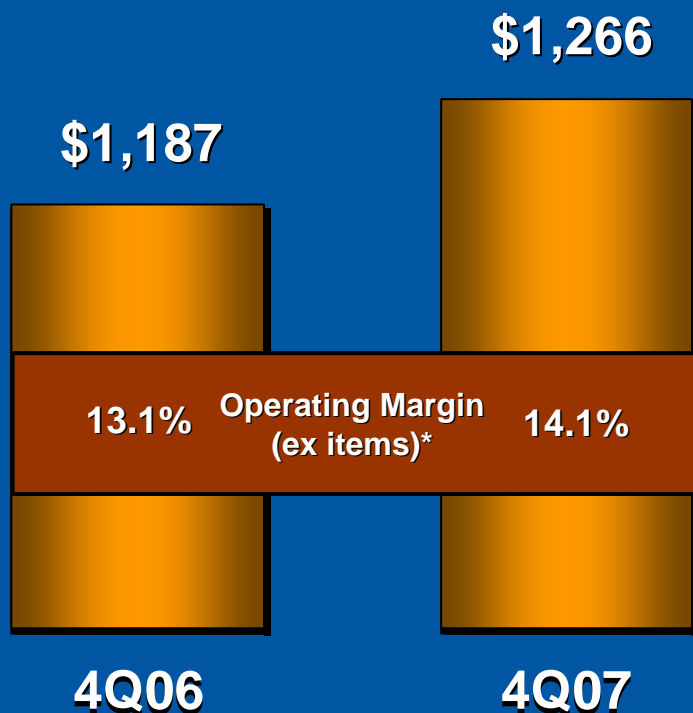
- Organic Net Revenue* up 8.4%
 - Pricing up 7.9%
 - Snacking cheese, *LiveActive* and *Singles Select* rollout
 - Buying ahead of price increase
- Operating Income Margin down 9.9pp
 - Pricing insufficient to cover record-high dairy costs
- 2008 Outlook
 - Better recovery of costs
 - More innovation and investment
 - Margins improve as year progresses

* Reported Revenue growth was 10.1%; reported Operating Income margin was 16.2% in 2006; 6.5% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



North America Convenient Meals

Net Revenue
\$ millions



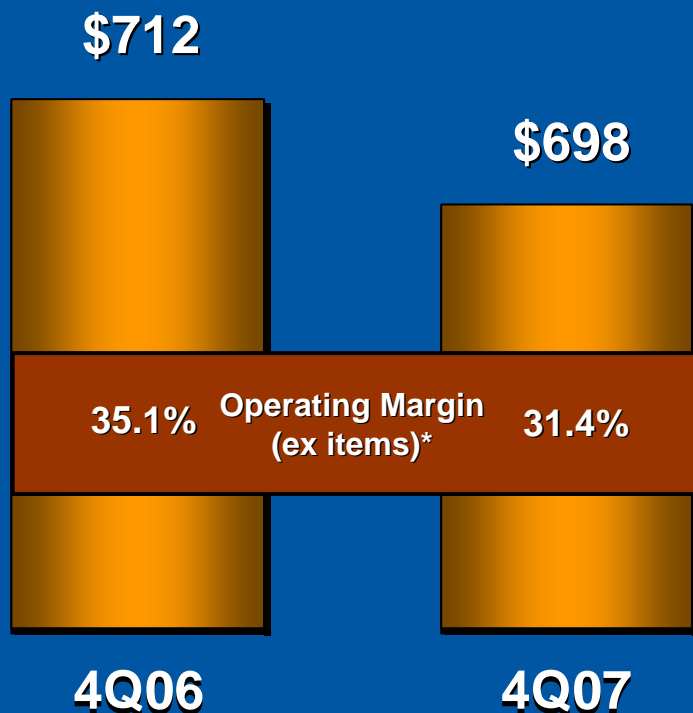
- Organic Net Revenue* up 6.8%
 - Strong growth across business
 - Shares up in categories representing 90% of segment revenue
- Operating Income Margin up 1.0pp
 - Volume leverage and favorable product mix
 - Higher input costs
- Solid momentum going into 2008
 - Favorable mix from innovation
 - Recent pricing to cover input costs

* Reported Revenue growth was 6.7%; reported Operating Income margin was 29.1% in 2006; 13.3% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



North America Grocery

Net Revenue
\$ millions



- Organic Net Revenue* down 3.5%
 - Investments in better-for-you desserts
 - Continued weakness in salad dressings
- Continue to contemporize in 2008
 - Focus on reversing long-standing declines in salad dressings
- Operating Income Margin down 3.7pp
 - Investments behind 2008 salad dressings recovery plan
 - Pricing insufficient to cover higher commodity costs

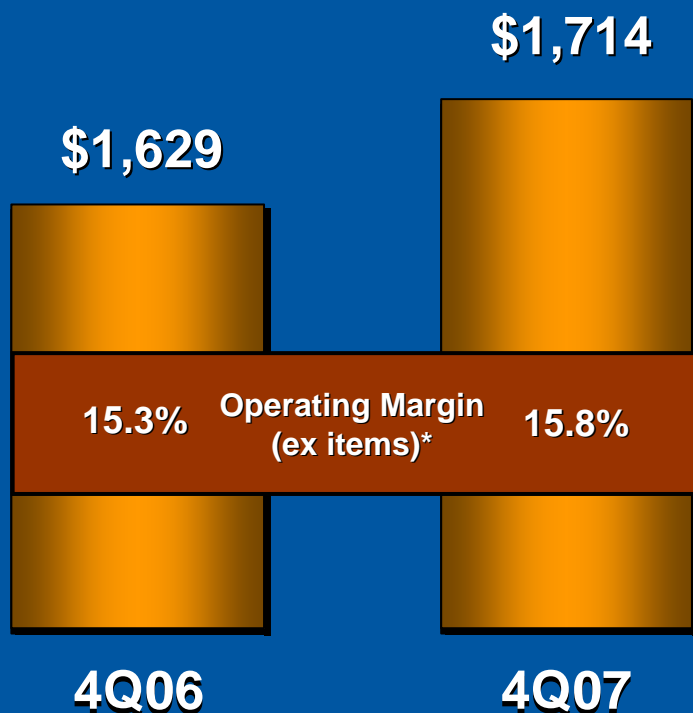
* Reported Revenue growth was (2.0)%; reported Operating Income margin was 34.4% in 2006; 23.8% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



North America Snacks & Cereals

Net Revenue

\$ millions



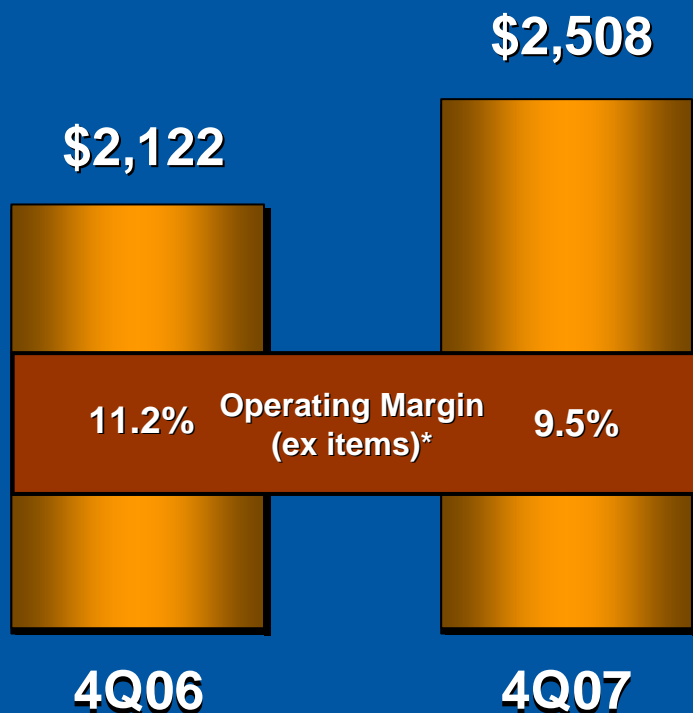
- Organic Net Revenue* up 4.7%
 - New product platforms
 - Improved Cracker and Snack Nut trends
 - Solid RTE Cereal growth
- Operating Income Margin up 0.5pp
 - Volume leverage and productivity
 - Higher input costs and A&C
- Further investments in growth
 - Improving price realization to address unprecedented input cost increases

* Reported Revenue growth was 5.2%; reported Operating Income margin was 10.0% in 2006; 15.4% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



European Union

Net Revenue
\$ millions



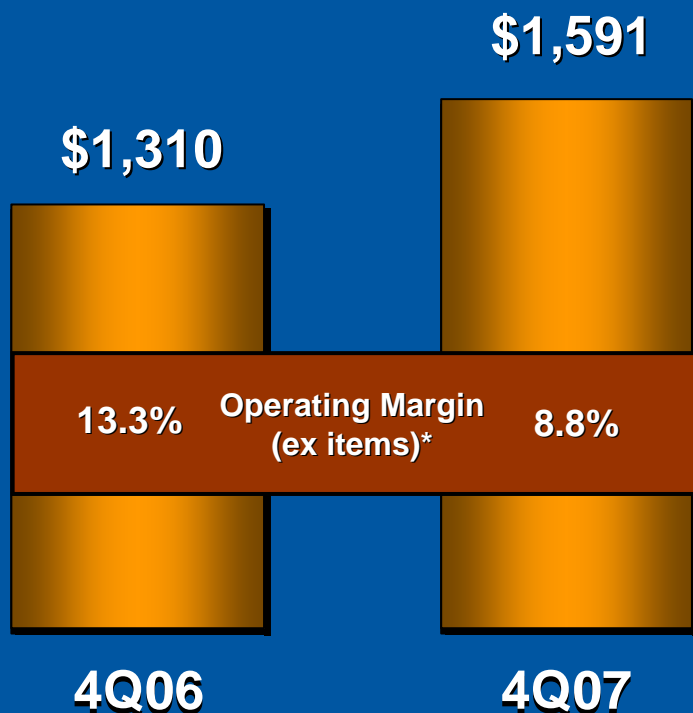
- Organic Net Revenue* up 4.4%
 - Focus on core brands drove
 - Four consecutive quarters of solid volume and mix gains
 - Growth in chocolate, coffee and cheese partly offset by continued declines in local categories
- Operating Income Margin down 1.7pp
 - Topline momentum and productivity
 - Higher input costs, primarily dairy and cocoa
 - Broad-based Q1 pricing
- Danone Biscuits to enhance future growth
 - Post-acquisition transition progressing on schedule

* Reported Revenue growth was 18.2%; reported Operating Income margin was (0.7)% in 2006; 7.9% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



Developing Markets

Net Revenue
\$ millions



- Organic Net Revenue* up 12.4%
 - Focused investment behind core categories, brands driving growth
 - Volume and mix gains driven by *Jacobs*, *Oreo*, *Kraft* cheese, *Tang*, and *Milka*
- Operating Income Margin down 4.5pp
 - Higher input costs ahead of pricing
 - Investments in A&C and distribution infrastructure
- Soft near-term volume, margins
 - Significant price increases
 - One-time volume reduction from shift to local sourcing for new plant

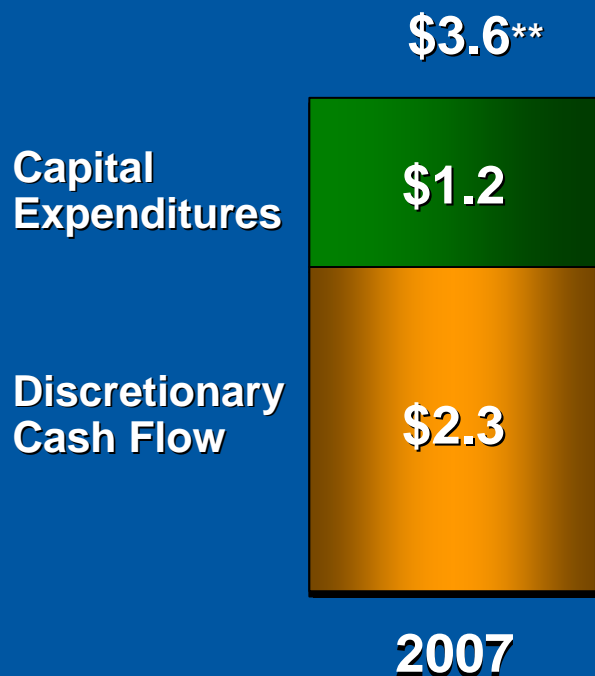
* Reported Revenue growth was 21.5%; reported Operating Income margin was 12.3% in 2006; 7.9% in 2007. See GAAP to non-GAAP reconciliation on pages 30 and 32 of this presentation.



Cash Flow

Cash Flow from Operating Activities

\$ Billions



- **Discretionary Cash Flow* down approximately \$200 million**
 - Due to lower earnings
 - Capital Expenditures essentially flat versus year ago
- **Aggressively managing Working Capital**
 - Cash Conversion Cycle down to 47 days versus 51 days last year***
 - Improvements in inventory and payables
 - Further opportunity going forward

•The company defines Discretionary Cash Flow as Cash Flow from Operating Activities (\$3,571 million in 2007; \$3,720 million in 2006) less Capital Expenditures (\$1,241 million in 2007; \$1,169 million in 2006). Discretionary Cash Flow equals \$2,330 million in 2007, down \$221 million from \$2,551 million in 2006.

** Does not total due to rounding.

*** Excludes balance sheet impacts of Danone Biscuit acquisition. Including such impacts, the reported Cash Conversion Cycle for 2007 is 46 days.



Summary

- **Solid start to our 3-year plan**
- **Confident that investments and cost reductions will maintain momentum**
- **Strategic actions are strengthening portfolio and improving growth prospects**
- **On track to hit long-term guidance in 2009**
 - **At least 4% organic net revenue growth***
 - **7% to 9% EPS growth**



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2007 Results Conference Call





GAAP to Non-GAAP Reconciliation

Net Revenues For the Twelve Months Ended December 31

(\$ in millions, Unaudited)

| | As Reported (GAAP) | Impact of Divestitures | Impact of Acquisitions | Impact of Currency | Organic (Non-GAAP) | % Change | |
|----------------------------|-----------------------|---------------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | | As Reported (GAAP) | Organic (Non-GAAP) |
| <u>2007 Reconciliation</u> | | | | | | | |
| Kraft Foods | \$37,241 | \$(96) | \$(344) | \$(1,070) | \$35,731 | 8.4% | 5.1% |
| <u>2006 Reconciliation</u> | | | | | | | |
| Kraft Foods | \$34,356 | \$(369) | — | — | \$33,987 | | |



GAAP to Non-GAAP Reconciliation

Net Revenues For the Quarters Ended December 31

(\$ in millions, Unaudited)

| | As Reported (GAAP) | Impact of Divestitures | Impact of Currency | Organic (Non-GAAP) | % Change | |
|-----------------------------------|-----------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | As Reported (GAAP) | Organic (Non-GAAP) |
| <u>2007 Reconciliation</u> | | | | | | |
| Beverages | \$782 | \$(4) | \$(9) | \$769 | 5.2% | 6.7% |
| Cheese & Foodservice | 1,837 | (2) | (35) | 1,800 | 10.1 | 8.4 |
| Convenient Meals | 1,266 | — | (7) | 1,259 | 6.7 | 6.8 |
| Grocery | 698 | — | (11) | 687 | (2.0) | (3.5) |
| Snacks & Cereals | 1,714 | — | (23) | 1,691 | 5.2 | 4.7 |
| North America | \$6,297 | \$(6) | \$(85) | \$6,206 | 6.0% | 5.4% |
| European Union | 2,508 | — | (293) | 2,215 | 18.2 | 4.4 |
| Developing Markets | 1,591 | — | (118) | 1,473 | 21.5 | 12.4 |
| Kraft Foods | \$10,396 | \$(6) | \$(496) | \$9,894 | 10.9% | 6.2% |
| <u>2006 Reconciliation</u> | | | | | | |
| Beverages | \$743 | \$(22) | \$— | \$721 | | |
| Cheese & Foodservice | 1,668 | (7) | — | 1,661 | | |
| Convenient Meals | 1,187 | (8) | — | 1,179 | | |
| Grocery | 712 | — | — | 712 | | |
| Snacks & Cereals | 1,629 | (14) | — | 1,615 | | |
| North America | \$5,939 | \$(51) | \$— | \$5,888 | | |
| European Union | 2,122 | — | — | 2,122 | | |
| Developing Markets | 1,310 | — | — | 1,310 | | |
| Kraft Foods | \$9,371 | \$(51) | \$— | \$9,320 | | |



GAAP to Non-GAAP Reconciliation

Diluted Earnings Per Share For the Twelve Months Ended December 31

| (Unaudited) | Fourth Quarter | | |
|---|------------------------------|------------------------------|----------------|
| | 2007 | 2006 | Growth % |
| Reported Diluted EPS | \$ 0.38 | \$0.38 | — |
| Asset Impairment, Exit, Implementation and Other Costs | 0.07 | 0.20 | |
| (Gains)/Losses on Divestitures | | (0.06) | |
| Diluted EPS Excluding Above Items | <u><u>\$0.44*</u></u> | <u><u>\$0.51*</u></u> | (13.7)% |

* Does not add due to rounding

GAAP to Non-GAAP Reconciliation



Operating Income Margin For the Quarters Ended December 31

| (Unaudited) | Operating Income Margin As Reported (GAAP) | Asset Impairment, Exit and Implementation Costs – Restructuring | Asset Impairments/Other Expenses – Non-Restructuring | (Gains)/Losses on Divestitures, net | Operating Income Margin Excluding Items (Non-GAAP) |
|-----------------------------------|---|---|---|---|---|
| <u>2007 Reconciliation</u> | | | | | |
| Beverages | 8.7% | 0.9 pp | – | 0.6 pp | 10.2% |
| Cheese & Foodservice | 6.5 | 0.7 | – | – | 7.2 |
| Convenient Meals | 13.3 | 0.8 | – | – | 14.1 |
| Grocery | 23.8 | 7.6 | – | – | 31.4 |
| Snacks & Cereals | 15.4 | 0.4 | – | – | 15.8 |
| North America | 12.5% | 1.4 pp | – | 0.1 pp | 14.0% |
| European Union | 7.9 | 1.2 | 0.4 pp | – | 9.5 |
| Developing Markets | 7.9 | 0.9 | – | – | 8.8 |
| Kraft Foods | 10.0% | 1.2 pp | 0.1 pp | 0.1 pp | 11.4% |
| <u>2006 Reconciliation</u> | | | | | |
| Beverages | (18.8)% | 1.4 pp | 10.1 pp | 12.7 pp | 5.4% |
| Cheese & Foodservice | 16.2 | 0.9 | – | – | 17.1 |
| Convenient Meals | 29.1 | 3.0 | – | (19.0) | 13.1 |
| Grocery | 34.4 | 0.7 | – | – | 35.1 |
| Snacks & Cereals | 10.0 | 1.1 | 4.2 | – | 15.3 |
| North America | 14.9% | 1.4 pp | 2.4 pp | (2.2)pp | 16.5% |
| European Union | (0.7) | 3.9 | 8.0 | – | 11.2 |
| Developing Markets | 12.3 | 1.0 | – | – | 13.3 |
| Kraft Foods | 10.4% | 1.9 pp | 3.3 pp | (1.4)pp | 14.2% |