

CAGNY 2007

Taking a Great Portfolio in New Directions





Forward-Looking Statements

This presentation contains projections of future results and other forward-looking statements. One can identify these forward-looking statements by use of words such as "strategy," "expects," "plans," "anticipates," "believes," "will," "continues," "estimates," "intends," "projects," "goals," "targets" and other words of similar meaning. One can also identify them by the fact that they do not relate strictly to historical or current facts. These statements are based on the Company's current assumptions and estimates and are subject to risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is hereby identifying important factors that could cause actual results and outcomes to differ materially from those contained in any forward looking statement made by or on behalf of the Company. These factors include: (a) the effect on the Company of competition in its markets, changes in consumer preferences and demand for its products, including diet trends, changing prices for its raw materials and local economic and market conditions; (b) the Company's continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios, to compete effectively with lower priced products in a consolidating environment at the retail and manufacturing levels and to improve productivity; (c) the Company's ability to consummate and successfully integrate acquisitions and to realize the cost savings and improved asset utilization contemplated by its restructuring program; (d) the impact of gains or losses, or lost operating income, from the sales of businesses that are less of a strategic fit within the Company's portfolio; (e) the effects of foreign economies, changes in tax requirements and currency movements; (f) fluctuations in levels of customer inventories and credit and other business risks related to the operations of the Company's customers; (g) the Company's access to credit markets, borrowing costs and credit ratings; (h) the Company's benefit expense, which is subject to the investment performance of pension plan assets, interest rates and cost increases for medical benefits offered to employees and retirees; (i) the impact of recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations, potential claims relating to false or deceptive advertising under consumer protection or other laws and the possibility that consumers could lose confidence in the safety and quality of certain food products; (j) consumer concerns regarding genetically modified organisms and the health implications of obesity and trans fatty acids; and (k) potential short-term volatility in the trading volume and market price of the Company's stock as a result of the spin-off of the Company from Altria Group, Inc. Developments in any of these areas could cause the Company's results to differ materially from results that have been or may be projected by or on behalf of the Company. The Company cautions that the foregoing list of important factors is not exclusive. For additional information on these and other factors that could affect the Company's forward-looking statements, see the Company's filings with the Securities and Exchange Commission, including the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Form 10-Q and 8-K. Any forward looking statements in this press release are made as of the date hereof. The Company does not undertake to update any forward looking statement.



You've Said...

- Culture too bureaucratic
- Low-growth categories
- Limited presence in developing markets
- Not exploiting scale



Three Basic Questions

- Why has Kraft been underperforming?
- What are we going to do about it?
- When will we live up to our potential?



Things to Fix

- Too focused on cost and efficiency
- When we've invested in quality, standards were too low
- Apologizing for categories... instead of reinventing them
- Not spending to support good ideas



What I've Seen

- Great opportunities
- Terrific potential
- Very promising future



Many Strengths to Build On

- Talented people
- Broad portfolio
 - Iconic brands
 - Complementary categories
- Global footprint
- Extensive manufacturing, distribution, sales capabilities
- Considerable financial strength



Taking Our Great Portfolio in New Directions





Four Strategies to Get Kraft Growing

- Rewire Organization for Growth
- Reframe Categories
- Exploit Sales Capabilities
- Drive Down Costs Without Compromising Quality



Rewire Organization for Growth

- Change mindset



Change Mindset

Less

More

Conformity



Candor

Caution



Courage

Consensus



Action



Change Mindset

Tassimo

- Original assumptions too aggressive
- People uncomfortable speaking up
- Did not course correct
- Took money from base coffee



Change Mindset

Less

More

Conformity



Candor

Caution



Courage

Consensus



Action



Rewire Organization for Growth

- Change mindset
- New management team
- Build mix of internal and external talent
- Operating decisions by local market experts
- Focus on what matters
 - Clear priorities
 - Get the base right



Four Strategies to Get Kraft Growing

- Rewire Organization for Growth
- Reframe Categories



Reframe Categories

Portfolio Breadth + Complementarity = Competitive Advantage





Reframe Categories

- Broaden frame of reference
- Component to complete
- Power of portfolio



Broaden Frame of Reference

- Compete in larger, faster-growing categories
- Gain share from quick meal and snack alternatives
- Drive incremental volume and mix
- Better meet consumer needs

Broaden Frame of Reference: Oscar Mayer



Pre-Pack
Cold Cuts

Grocery
Deli

Market Size

\$4B

\$4B

\$8B



Broaden Frame of Reference: Oscar Mayer



Deli Shaved Meats

Over
\$200MM
Net Revenues
+49%



Broaden Frame of Reference: Oscar Mayer



+8%
Net Revenues





Broaden Frame of Reference: Cheese





Broaden Frame of Reference: Cheese

From	Growth Rate	To	Growth Rate
Processed Slices	(2%) →	Sandwich Cheese	2%
Natural Chunks	4% →	Snacking Cheese	6%
Churny Business	(4%) →	Premium Cheese	13%

Grow Share of \$14B Total Cheese Market



Broaden Frame of Reference: Pizza





Broaden Frame of Reference: Pizza



* National chains defined as Pizza Hut, Domino's, Papa John's, Little Caesars
A.C. Nielsen, Company estimates



Broaden Frame of Reference: Pizza

	<u>Frozen Pizza</u>	<u>National Chains*</u>	<u>Local Pizzerias</u>
Market Size	\$4B	\$11B	\$20B



\$35B



* National chains defined as Pizza Hut, Domino's, Papa John's, Little Caesars
A.C. Nielsen, Company estimates

Broaden Frame of Reference: Pizza

DiGiorno Ultimate Pizza



North America: \$23 Billion Net Revenues

Broaden Frame of Reference: EU

United Biscuits Iberia





Reframe Categories

- Broaden frame of reference
- Component to complete



Component to Complete

- Expand to complete meal solutions
- Food away from home: \$500B
- Restaurant quality at a fraction of the cost
 - Proprietary technologies
 - Trusted brands



Component to Complete Oscar Mayer Deli Creations



Made with:

\$50B
Sandwich
Market





Component to Complete Kraft Fresh Creations



+19%
Prepared
Salads





Component to Complete

Kraft Fresh Creations



Made with:





Reframe Categories

- Broaden frame of reference
- Component to complete
- Power of portfolio

Power of Portfolio

South Beach Diet

\$250MM

Net Revenues





Reframe Categories

- Make current products more relevant
- Take volume from faster growing markets
- Rebuild new product pipeline
- Improve margins



Four Strategies to Get Kraft Growing

- Rewire organization for growth
- Reframe categories
- Exploit sales capabilities



Exploit Sales Capabilities

Direct



P&G



Kellogg's

GENERAL MILLS



Hershey Foods

Broker



Unilever



Nestle



Hershey Foods

DSD



PEPSI



Kellogg's



Exploit Sales Capabilities

- Scale advantage at retail
 - Execution of DSD
 - Economics of warehouse
 - Only Kraft has scale to do this

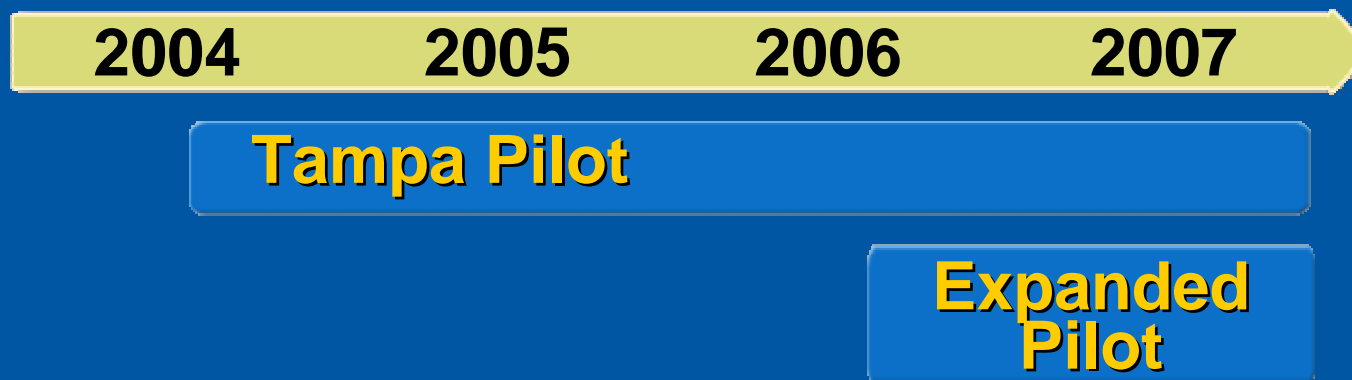


Exploit Sales Capabilities

Wall-to-Wall

- One rep covers full store
 - Selling, writing orders, merchandising
- Lower store count
- More time in store

Timeline





Exploit Sales Capabilities

Wall-to-Wall

- Results to date encouraging
- Potential to generate incremental revenue
- Little or no additional cost



Exploit Sales Capabilities

- Scale advantage at retail
- Expanding distribution
 - Developing markets

Exploit Sales Capabilities: Developing Markets



Exploit Sales Capabilities: Developing Markets



Mexico

Brazil





Exploit Sales Capabilities

International: \$11 Billion Net Revenues





Four Strategies to Get Kraft Growing

- Rewire Organization for Growth
- Reframe Categories
- Exploit Sales Capabilities
- Drive Down Costs Without Compromising Quality

Drive Down Costs Without Compromising Quality



Striking a better balance





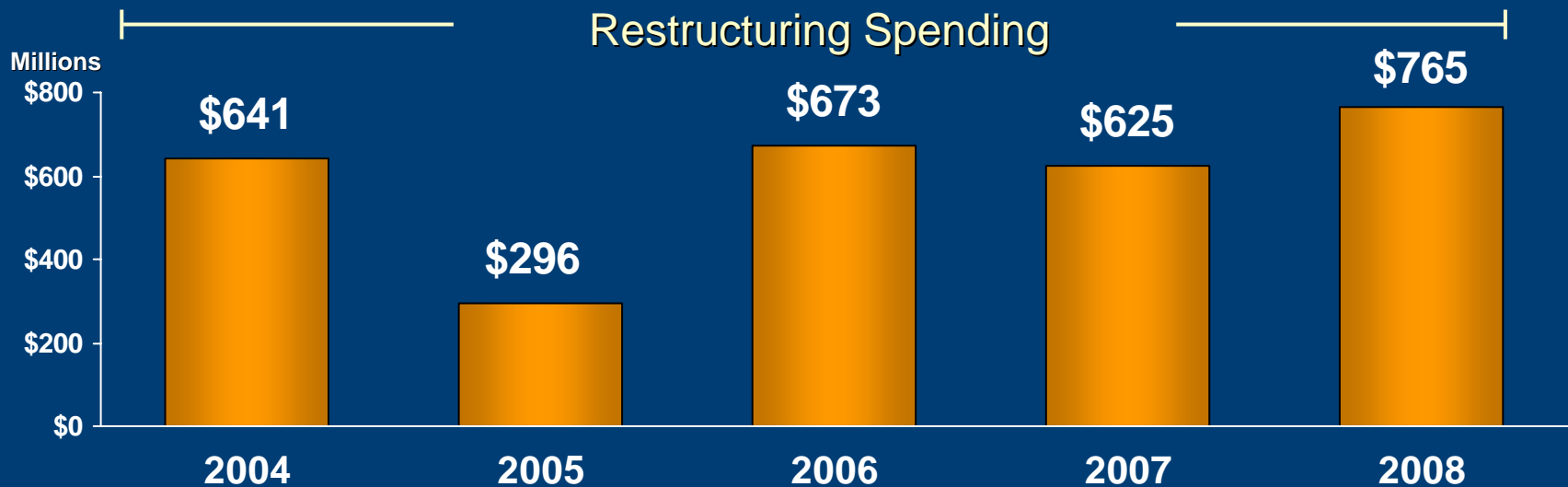
Drive Down Costs Without Compromising Quality

- **Contain overhead costs**
 - **Outsourcing and shared services**
 - **Invest to build capabilities**
 - **Marketing, Sales, R&D**
 - **Expand SAP from Europe to North America**
 - **Lower overheads as % of net revenue**

Drive Down Costs Without Compromising Quality



- Contain overhead costs
- Restructuring Program
 - \$3B spending through 2008
 - \$1B annual savings





Drive Down Costs Without Compromising Quality

- Contain overhead costs
- Restructuring Program
- Spend at more consistent level thereafter



Four Strategies to Get Kraft Growing

- Rewire Organization for Growth
- Reframe Categories
- Exploit Sales Capabilities
- Drive Down Costs Without Compromising Quality



Need to Invest

- **Improve product quality**
- **Build the new product pipeline**
- **Support products with competitive levels of marketing spending**
- **Improve infrastructure to support growth**



Return to Consistent Growth - 2007

- **Organic Net Revenue Growth 3% - 4%**
- **Invest \$300 - \$400 million**
- **Reported EPS \$1.50 to \$1.55**
 - Higher tax rate
 - Dilution from spin-off and divestitures
 - Restructuring costs of \$0.25
- **EPS \$1.75 to \$1.80, excluding restructuring costs**



Return to Consistent Growth - 2008

- Organic Net Revenue Growth 3% - 4%
- Operating Income growth exceeds revenue growth
- Continue to invest
 - Next wave of trajectory-changing initiatives
 - Accelerate A&C toward long-term target of 8% - 9% of net revenue



Long-Term Financial Profile

- Organic Net Revenue Growth at least 4%
- EPS growth of 7% - 9%



Drive Shareholder Value

- Strong balance sheet
- Spin-off creates additional opportunity
 - Greater debt capacity
 - Stock as acquisition currency
- \$5 billion share repurchase program
- Ample capacity for acquisitions
 - Categories, capabilities, technologies
- Maintain investment grade rating

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