



Kraft Foods, Inc.

CAGNY

February 21, 2006



Safe Harbor Statement

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 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; any such statement is qualified by reference to the following cautionary statements. Each of the company's segments is subject to intense competition, changes in consumer preferences and demand for its products, including diet trends, the effects of changing prices for its raw materials and local economic and market conditions. Their results are dependent upon their 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. The company's results are also dependent on its ability to consummate and successfully integrate acquisitions and to realize the cost savings and improved asset utilization contemplated by its restructuring program. The company may, from time to time, divest businesses that are less of a strategic fit within its portfolio, and its results may be impacted by either the gains or losses, or lost operating income, from the sale of those businesses. In addition, the company is subject to the effects of foreign economies, changes in tax requirements, currency movements, fluctuations in levels of customer inventories and credit and other business risks related to its customers operating in a challenging economic and competitive environment. The company's results are affected by its access to credit markets, borrowing costs and credit ratings, which may in turn be influenced by the credit ratings of Atria Group, Inc. The company's benefit expense is subject to the investment performance of pension plan assets, interest rates and cost increases for medical benefits offered to employees and retirees. The company's assessment of the fair value of its operations for purposes of assessing impairment of goodwill and intangibles is based on discounting projections of future cash flows and is affected by the interest rate market and general economic and market conditions. The food industry continues to be subject to recalls if products become adulterated or misbranded, liability if product consumption causes injury, ingredient disclosure and labeling laws and regulations and the possibility that consumers could lose confidence in the safety and quality of certain food products. The food industry is also subject to consumer concerns regarding genetically modified organisms and the health implications of obesity and trans-fatty acids. 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. Any forward-looking statements in this presentation are made as of the date hereof. The company does not undertake to update any forward-looking statement.

Agenda

- **Sustainable Growth Plan**
- **World Class Execution**
- **Expectations**

Sustainable Growth Plan is fixing the business

- **Organization better leveraging scale; more focused and flexible**
- **Consistent strategic direction with measurable progress**
- **Financial performance lagging**

Organization better leveraging scale; more focused and flexible

Organization Changes

Global Functions

North America Delayered

European Reorganization

Benefits

- Achieving greater economies of scale
- Driving brands and ideas around world faster
- Better leveraging technologies and best practices
- Senior managers closer to consumers
- Dedicated new product and channel resources
- Faster decision making
- Clearer category focus
- Leveraging Pan-European brands

Consistent strategic direction with measurable progress

- **Strategies unchanged; focused on right business drivers**

Kraft Strategies

- 1. Build superior consumer brand value**
- 2. Build shopper demand through superior customer collaboration**
- 3. Transform the portfolio**
- 4. Expand global scale**
- 5. Drive out costs and assets**
- 6. Strengthen employee & organizational excellence**
- 7. Act responsibly**

Consistent strategic direction with measurable progress

- **Strategies unchanged; focused on right business drivers**
- **Measurable progress in 2004-2005**

Strong execution of restructuring program

Targets

- Exit up to 20 plants by 2006
- Eliminate about 6,000 positions (~6% of workforce) by 2006
- Costs
 - 2004-2005: \$1.1 billion
 - Total program: \$1.2 billion
- Savings
 - 2004-2005: \$260-\$280 million
 - Total program: \$400 million

2004 – 2005 Results

- 19 facilities announced
- 5,500 positions announced
- Total costs on target
 - \$940 million
 - \$1.2 billion
- Total savings to exceed target
 - \$260 million
 - Increased to \$450 million

Multiple divestitures completed

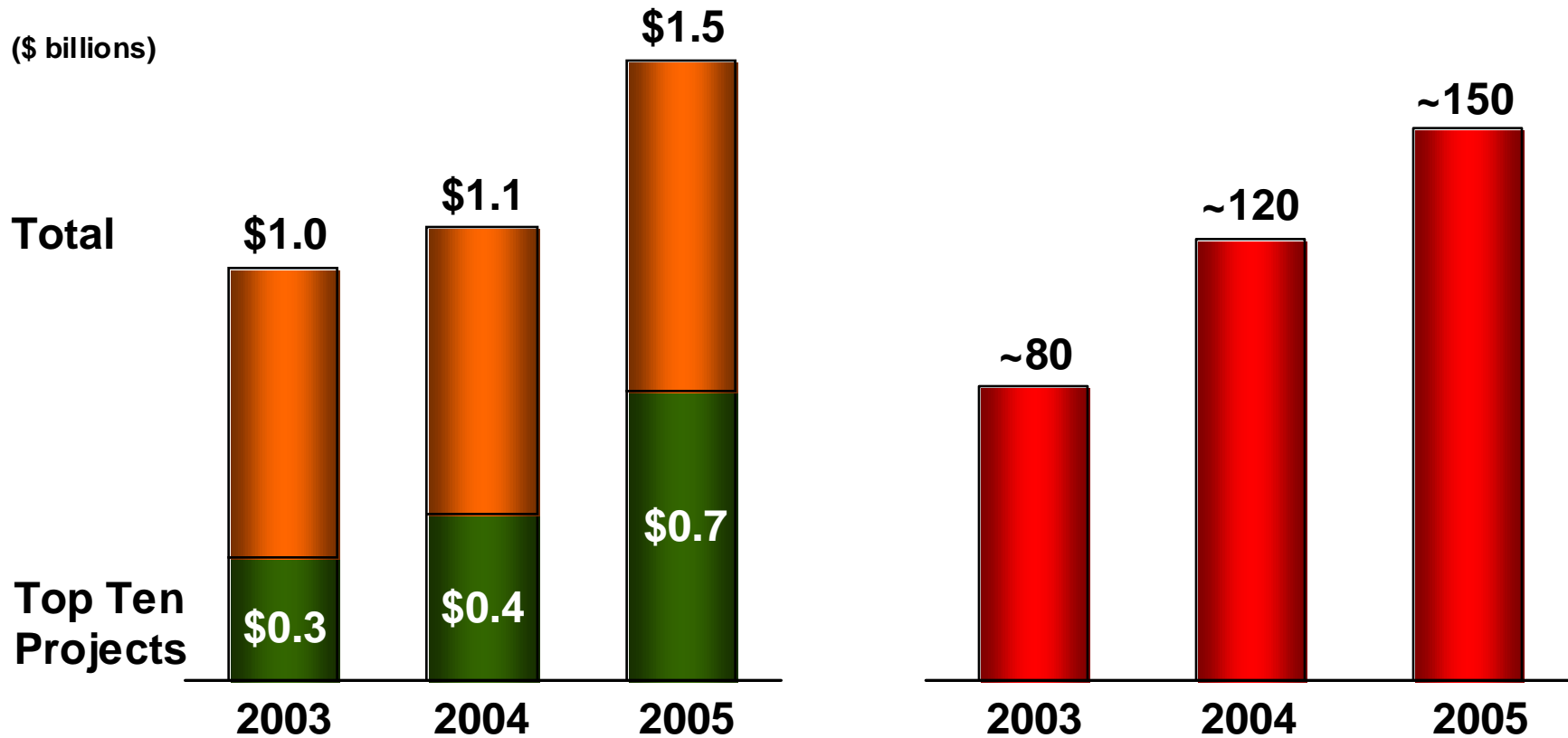
January 2004 to Date

(\$ billions)	<u>Revenues</u>
Sugar Confections	\$0.5
Canada Grocery	0.2
US Yogurt	0.1
US Fruit Snacks	0.1
UK Desserts	0.1
Other	0.1
	<hr/>
	\$1 Billion +

Growing new product revenues with improved mix

New Product Revenues

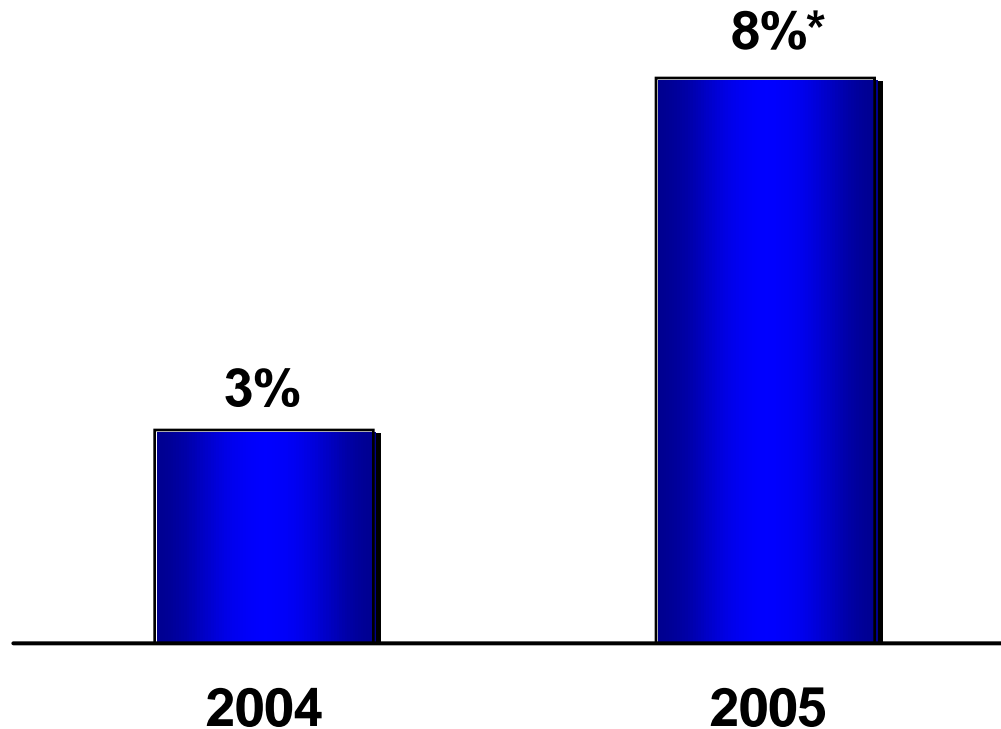
New Product Revenues/Lb
Vs Average Index



Note: New products in market one year or less

Accelerating developing market growth

Constant Currency Revenue % Chg Vs PY

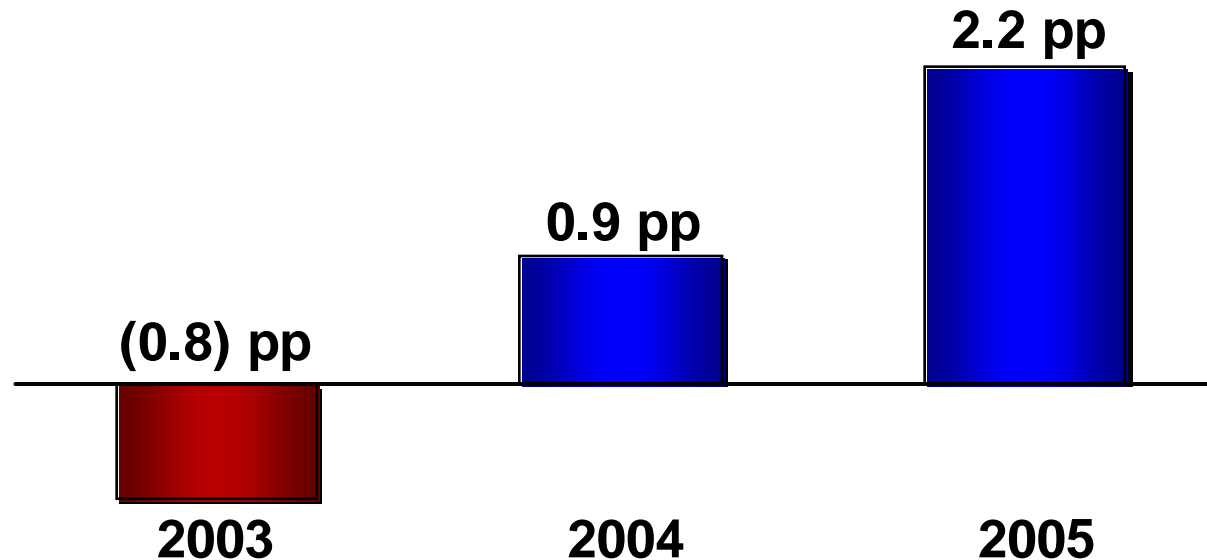


* The company's full year 2005 results include an extra shipping week. Growth rates shown have been adjusted down by 2 pp to remove the estimated impact of the 53rd week in 2005

Improving mix through revenue focus

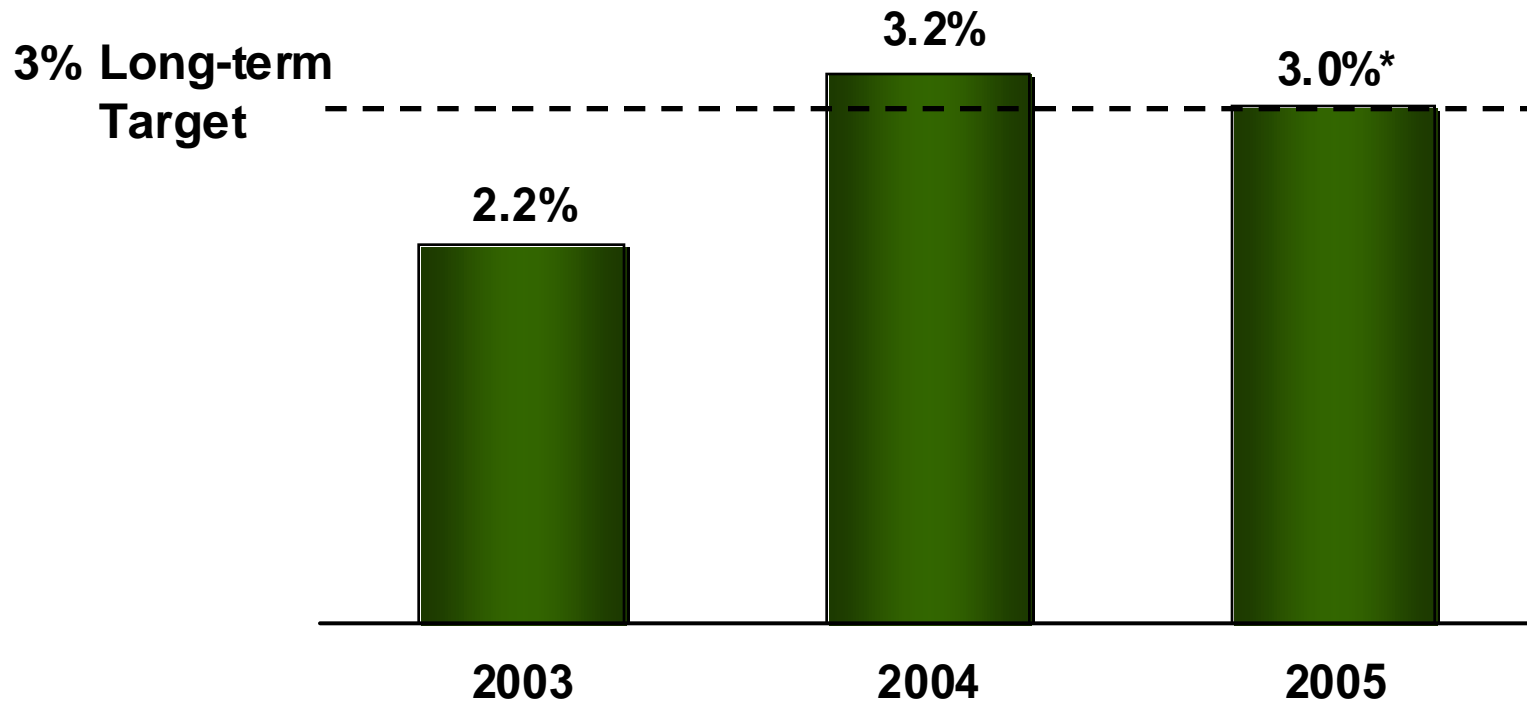
- Organization incented on revenue versus volume
- SKU rationalization (21% net 2003 YE to 2005 YE)
- Higher new product revenues/lb
- Trading consumers up to premium brands

Mix Contribution to Revenue Growth



Top-line revenue growth increased

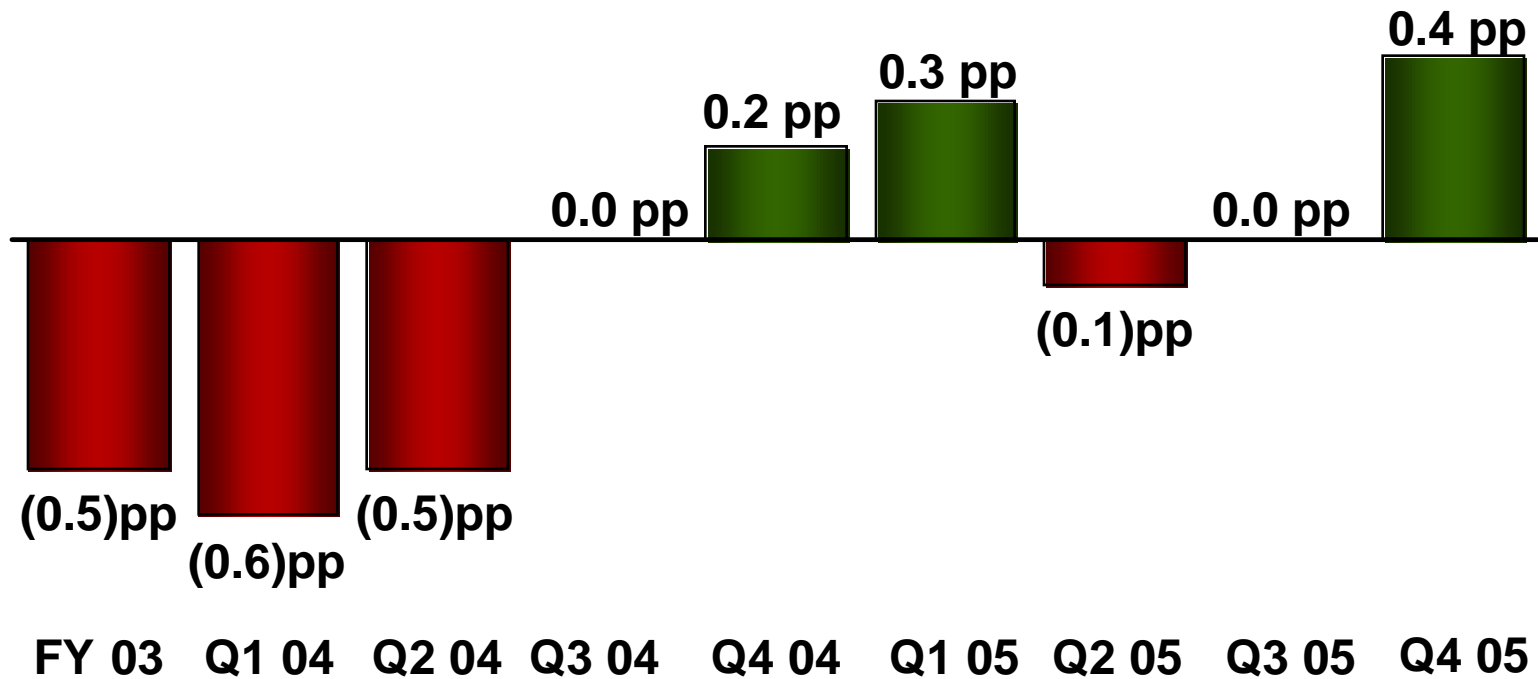
Ongoing Constant Currency Revenues Growth % Chg Vs PY



* Growth rates shown have been adjusted down by 2 pp to remove the estimated impact of the 53rd week in 2005

U.S. market share improvement

Share Point Change Vs PY Kraft Top 25 US OCI Categories



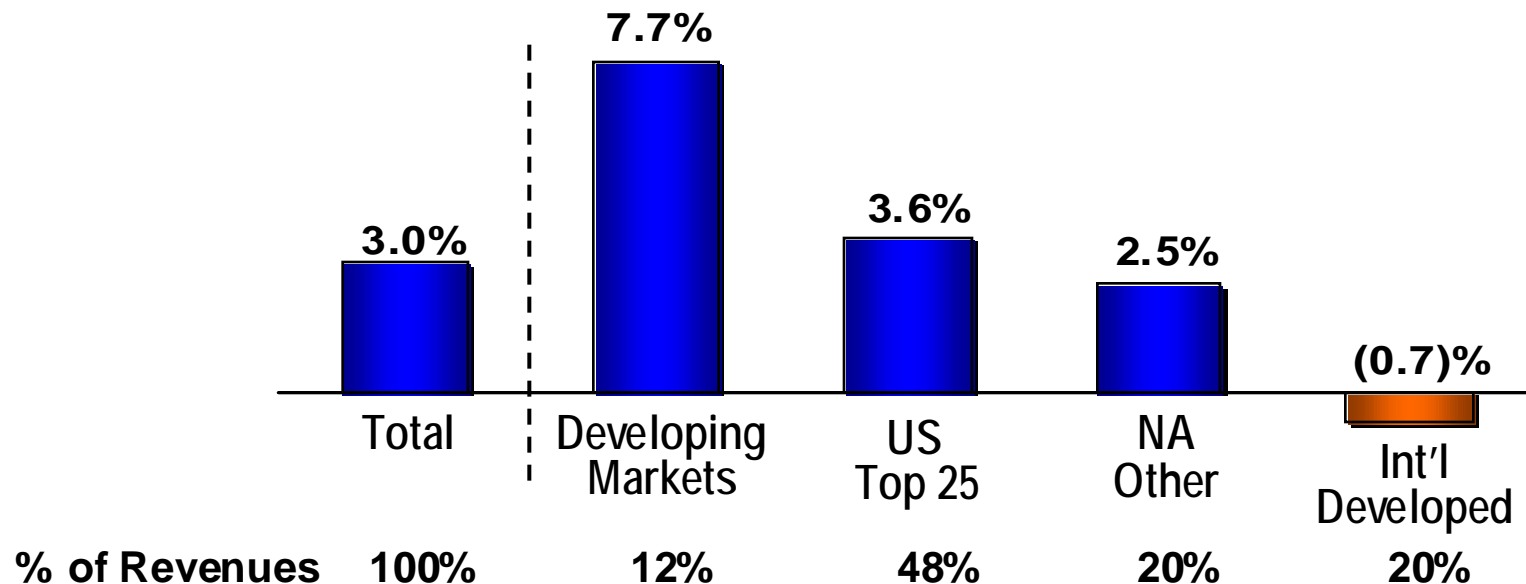
Source: A.C. Nielsen 3-outlet including Wal-Mart; w weighted average dollar share for Top 25 Kraft U.S. OCI categories

Financial performance lagging

- Volumes flat

- Revenue focus
- SKU pruning (~1.5 pp gross impact)
- Challenged businesses

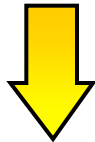
2005 Ongoing Constant Currency Revenues % Vs PY*



*Growth rates shown have been adjusted down by 2 pp to remove the estimated impact of the 53rd week in 2005

Financial performance lagging

- Volumes flat
- EPS growth below 6-9% long-term target
 - Significantly higher commodity costs
 - Investing in Brand Value propositions
 - Overhead costs still too high



Operating margin decline

Sustainable Growth Plan is fixing the business

- **Organization better leveraging scale; more focused and flexible**
- **Consistent strategic direction with measurable progress**
- **Financial performance lagging**

World class execution going forward will deliver improved financial performance

Agenda

- **Sustainable Growth Plan**
- **World Class Execution**
 - *Put Consumers First*
 - *Work Simply; Act Quickly*
 - *Play to Win*
- **Expectations**

One of best brand portfolios in Food & Beverage industry

7 Brands over \$1 billion

14 Brands over \$500 million

50+ Brands over \$100 million



***Put Consumers First:* Building superior consumer Brand Value**

Brand Value Proposition

***Providing the right bundle of consumer benefits ...
... at the right price***

Benefits

Product Quality Package Quality New Products Brand Image Consumer Spending Availability

Brand Value propositions weak at year-end 2003

Kraft Total Portfolio Assessment

	Benefits						Net Brand Value	
	Product Quality	Package Quality	New Products	Brand Image	Consumer Spending	Availability	Price	
Y/E 2003	2	3	3	2	3	2	4	3

1	Significant Advantage	3	Watch Out
2	Well Positioned	4	Significant Issue

Source: Internal assessment for directional indication



Improving price gaps the first step in fixing Brand Value propositions

Kraft Total Portfolio Assessment

	Benefits						Price	Net Brand Value
	Product Quality	Package Quality	New Products	Brand Image	Consumer Spending	Availability		
Y/E 2003	2	3	3	2	3	2	4	3
Y/E 2005	2	3 2	2	2	3	2	3 2	3 2

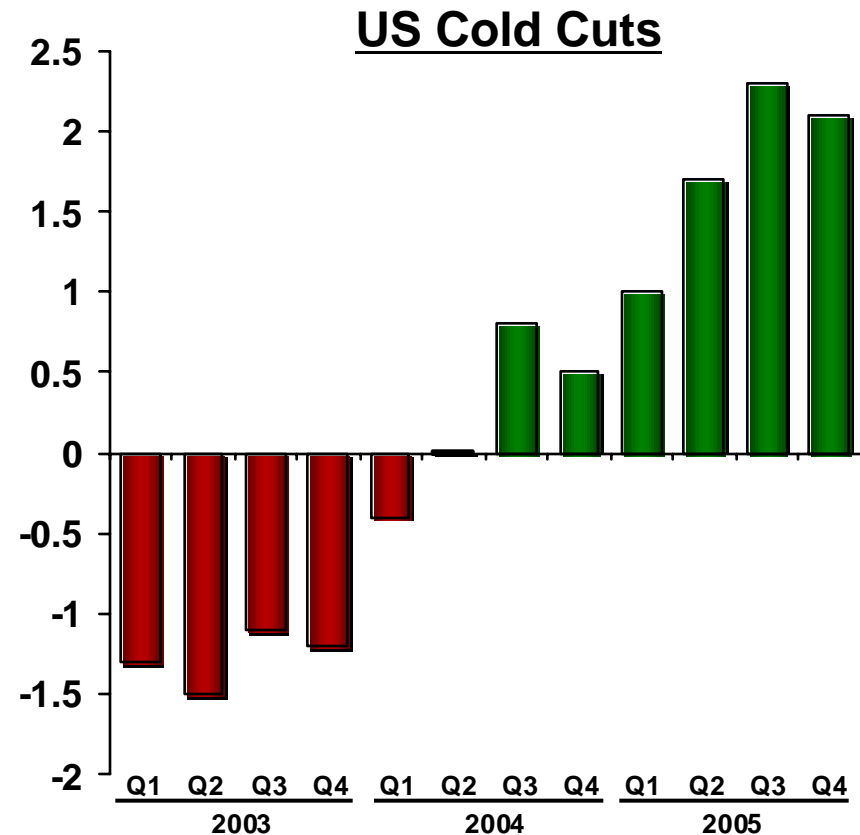
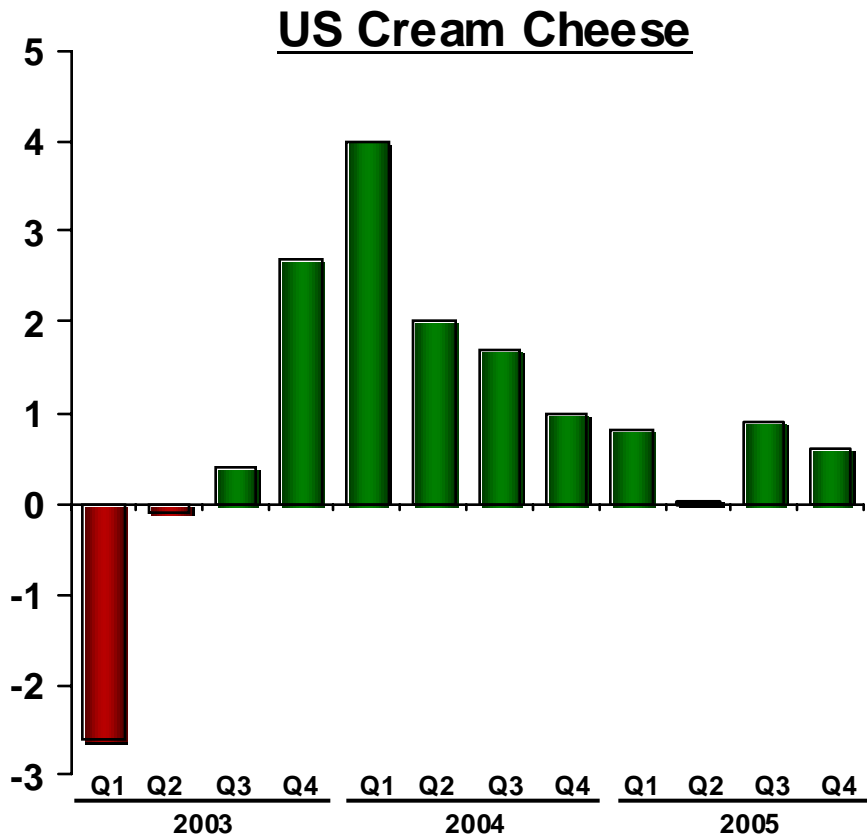
1	Significant Advantage	3	Watch Out
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Source: Internal assessment for directional indication



Price gap management sufficient in many categories resulting in solid share growth

Market Share Point Change Vs PY



Source: A.C. Nielsen 3-outlet including Wal-Mart



But price gap management requires ongoing diligence

- **Continued commodity pressure and volatility**
- **Retailer focus on store brands**
- **Remaining price gap challenges being addressed**
 - **Europe**
 - **Select US categories**

Stronger new product innovations and brand extensions

Kraft Total Portfolio Assessment

	Benefits							Net Brand Value
	Product Quality	Package Quality	New Products	Brand Image	Consumer Spending	Availability	Price	
Y/E 2003	2	3	3	2	3	2	4	3
Y/E 2005	2	3 2	2	2	3	2	3 2	3 2

1	Significant Advantage	3	Watch Out
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Source: Internal assessment for directional indication



Strengthened New Product Innovation Model

**Better
Understanding of
Consumer Needs**

Getting closer to consumers to better understand needs

Tools

Quantitative

- Nielsen store data
- Awareness/attitude tracking
- Attitudinal/behavioral studies
- Purchase/usage panels
- Market models
- Product/advertising testing

Qualitative

- Visits with consumers
 - In-home
 - In-store
 - In-restaurant
- 800# consumer calls
- Chat rooms
- Consumer blogs

Focused on addressing key consumer needs and demographic trends

Consumer Needs

Health & Wellness

Convenience

Premium Taste

Demographics

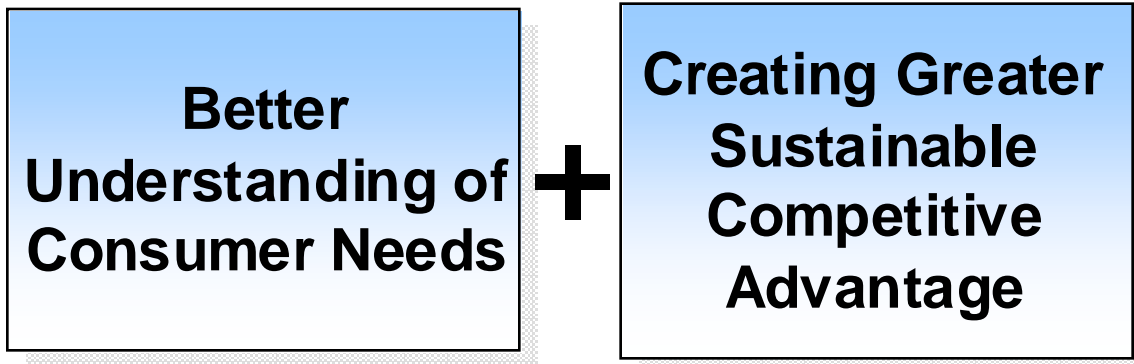
Aging 50+

Multicultural

Consumer needs being addressed with new products across all categories

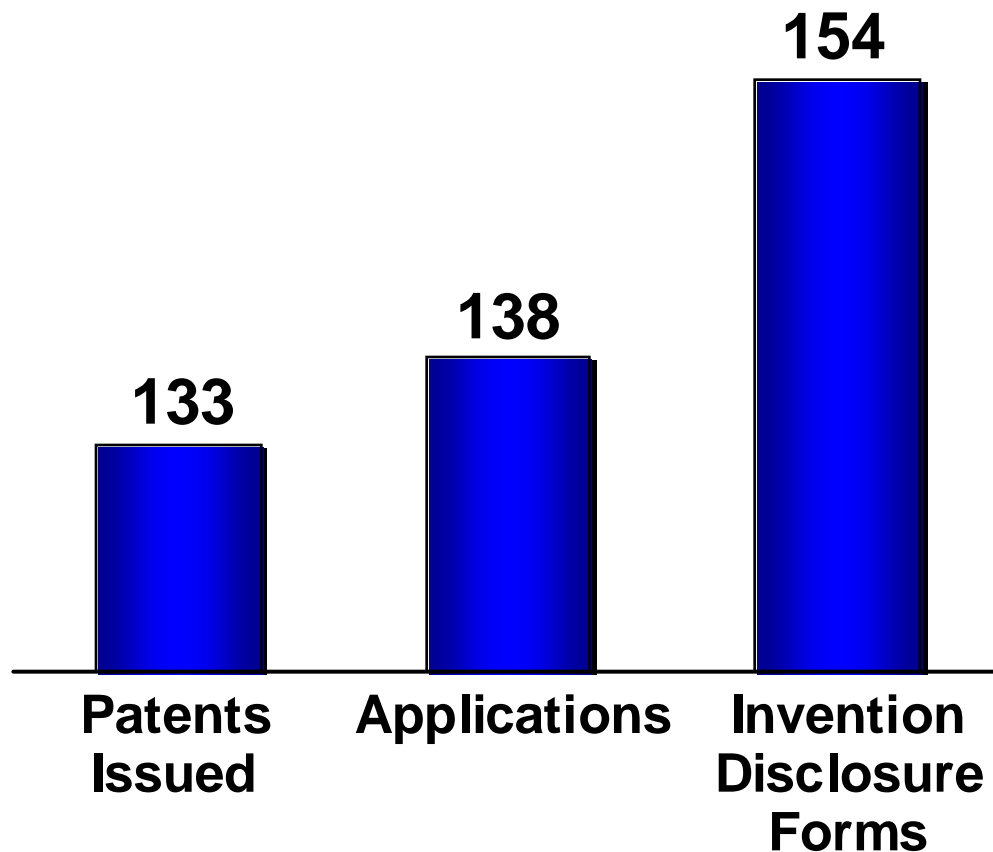
Sectors	Beverages		Snacks	Cheese & Dairy	Grocery	Convenient Meals	
Global/Regional Categories	Coffee	Ref. Bev.	Biscuits	Cheese	Sauces/ Dressings	Pizza	Meats
Consumer Needs							
Health & Wellness	[Arrow pointing right]						
Convenience	[Arrow pointing right]						
Premium Taste	[Arrow pointing right]						
Demographics							
Aging 50+	[Arrow pointing right]						
Multicultural	[Arrow pointing right]						

Strengthened New Product Innovation Model



Increased R&D investment in proprietary technologies

2005 Global Patent Activity Index Vs 2004



New enabling technologies are proprietary or patented

Enabling Technologies

Dairy Flavors & Processing

Health-Promoting Ingredients

Grains & Baking

Food Preservation

Functional Packaging

Scale offers opportunities to leverage technologies across categories

Sectors	Beverages		Snacks	Cheese & Dairy	Grocery	Convenient Meals	
	Coffee	Ref. Bev.	Biscuits	Cheese	Sauces/ Dressings	Pizza	Meats
Global/Regional Categories							
Enabling Technologies							
Dairy Flavors & Processing	X	X	X	X	X	X	
Health-Promoting Ingredients		X	X	X	X	X	
Grains & Baking			X			X	
Food Preservation	X	X	X	X	X	X	X
Functional Packaging	X	X	X	X	X	X	X

Strengthened New Product Innovation Model



Reinventing categories with new product platforms that address consumer needs and demographics

Sectors	Beverages		Snacks	Cheese & Dairy	Grocery	Convenient Meals	
	Coffee	Ref. Bev.	Biscuits	Cheese	Sauces/ Dressings	Pizza	Meats
Global/Regional Categories							
Consumer Needs							
Health & Wellness		X	X	X	X	X	X
Convenience	X	X	X	X	X	X	X
Premium Taste	X		X	X	X	X	X
Demographics							
Aging 50+	X	X	X	X			
Multicultural	X	X	X	X	X	X	X

Health & Wellness: South Beach Diet™ leveraged in multiple categories



- In-line with today's “smart nutrition” and USDA Food Pyramid
- \$170 MM revenues in first 10 months
- Already #2 share in breakfast bars
- New categories
 - Breakfast Wraps
 - Salad Dressing
 - 100 Calorie Snack Bars
- More categories to come

Health & Wellness: Whole grain technologies being applied across categories

**2005
Whole Grain
Cookies/Cracker
Revenues
\$270MM+**



**2005
Triscuit
Revenues
+17%***

**2005
RTE Cereal
Revenues +6%***

*52 week basis

Health & Wellness: Nutritional fortification key growth driver in both developed and developing markets

Cheese



Dry Dinners



Powdered Beverages



*52 week basis



Convenience: “Stick pack” extended across beverages

2005

2005
Coffee “Sticks”
Revenues
\$100+ Million



2005
Crystal Light &
Clight “Sticks”
Revenues
\$70+ Million

2006 New Products



Convenience: Snacks and meals “on the go”

Kraft To Go



Easy Mac Cups



Premium Taste: Trading consumers up to more premium brands and products

	US Frozen Pizza
Super Premium	
Premium	
Mainstream	
Value	

















2005 Revenues \$70MM+





















2005 Kraft Frozen Pizza Share +0.5 pp



Premium Taste: Utilizing trade-up approach across multiple categories

	US Frozen Pizza	US Salad Dressing	Europe Chocolate	Argentina Biscuits	Global Coffee
Super Premium					
Premium					
Mainstream					
Value					

Premium Taste: Utilizing trade-up approach across multiple categories

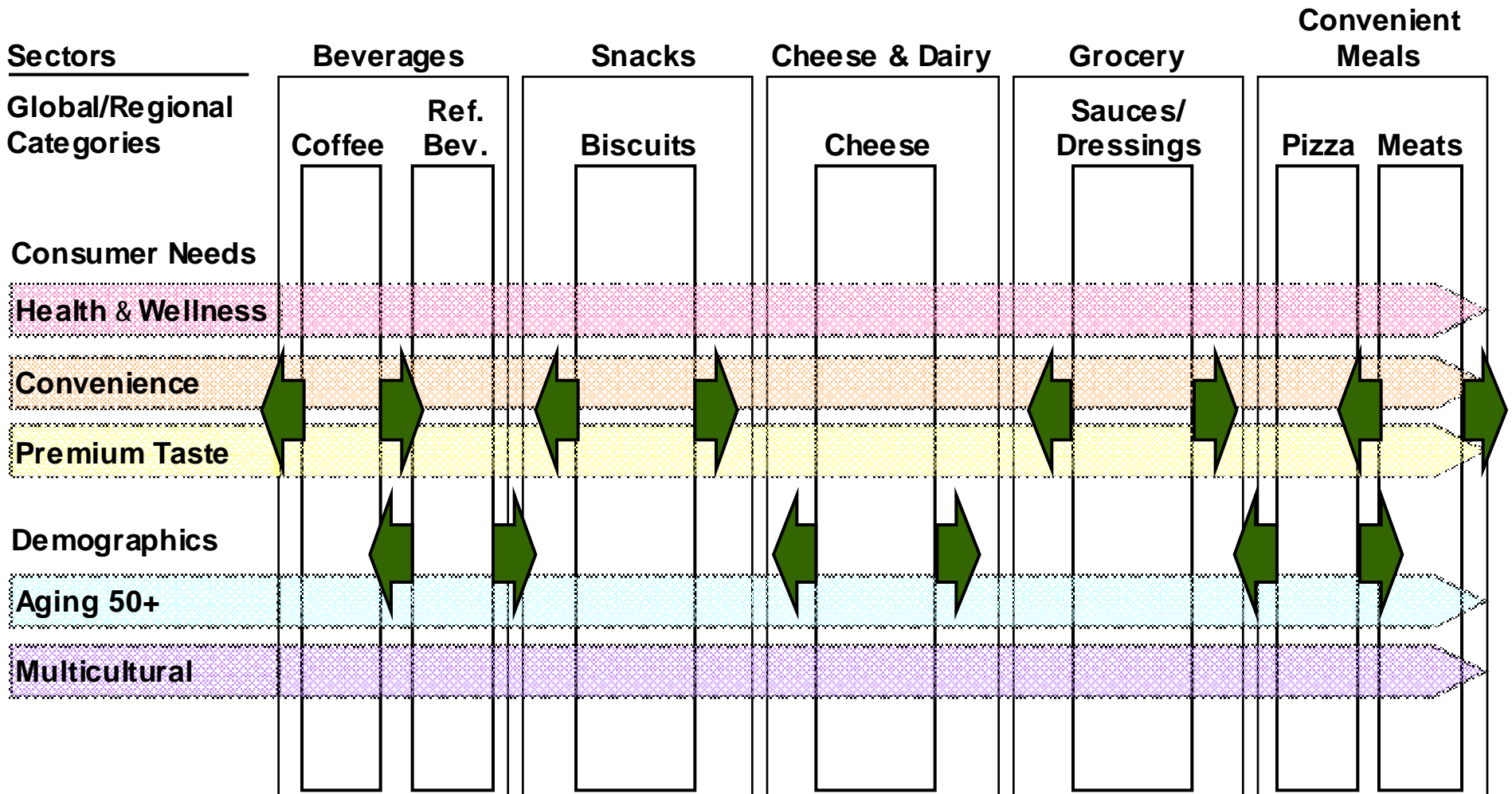
	US Frozen Pizza	US Salad Dressing	Europe Chocolate	Argentina Biscuits	Global Coffee
Super Premium					
Premium					
Mainstream					
Value					

Convenience/Premium Taste: Tassimo hot beverage system meeting multiple consumer needs

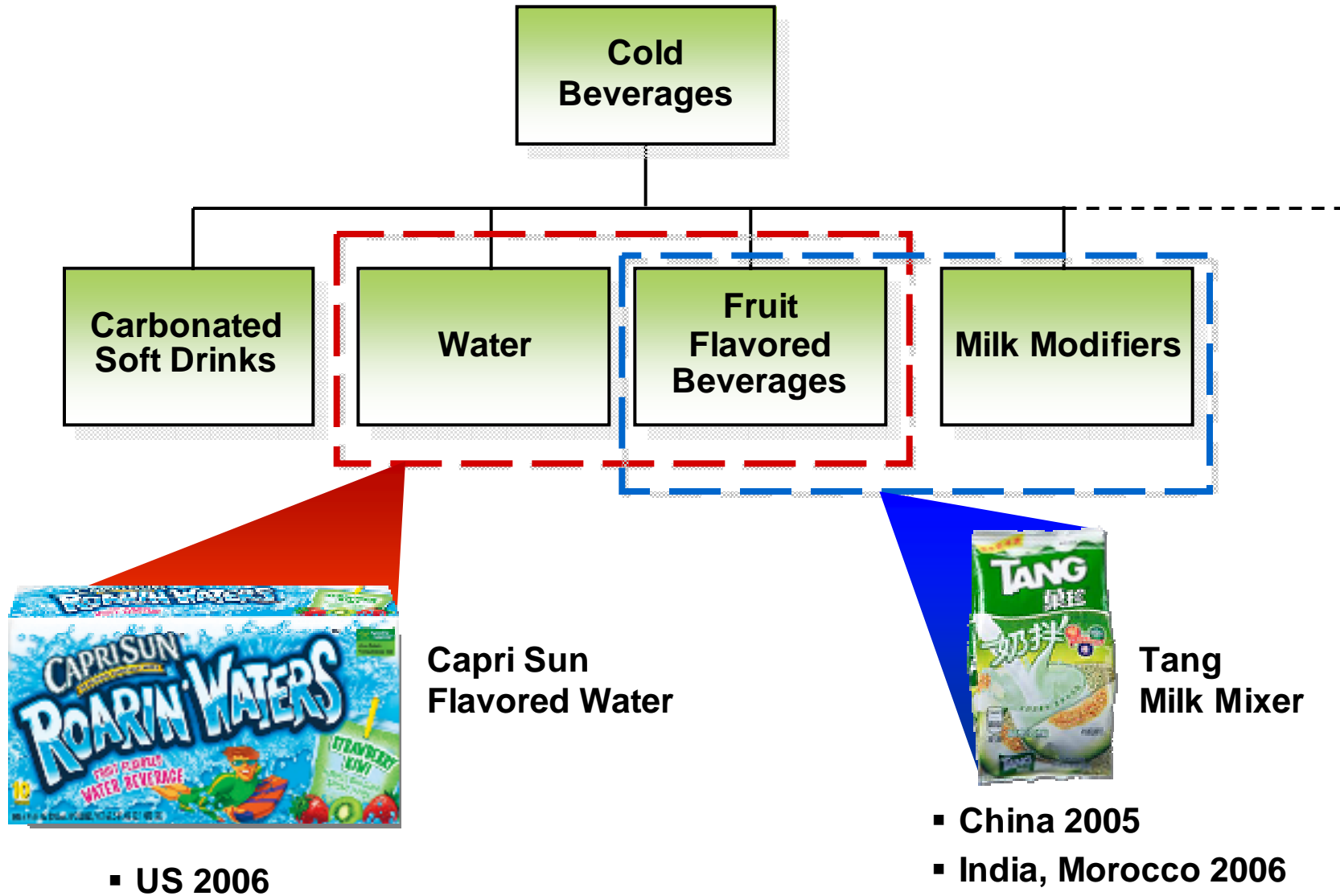


- Patented technologies
- Coffee shop quality and variety (real milk cappuccino/latte)
- Continued roll-out
 - 2H 2004 France
 - 1H 2005 UK, Switzerland
 - 2H 2005 Germany, US Specialty Retail
 - 2006 additional countries
- Lead market learnings guiding roll-out
- \$1 Billion revenue potential for Kraft long-term

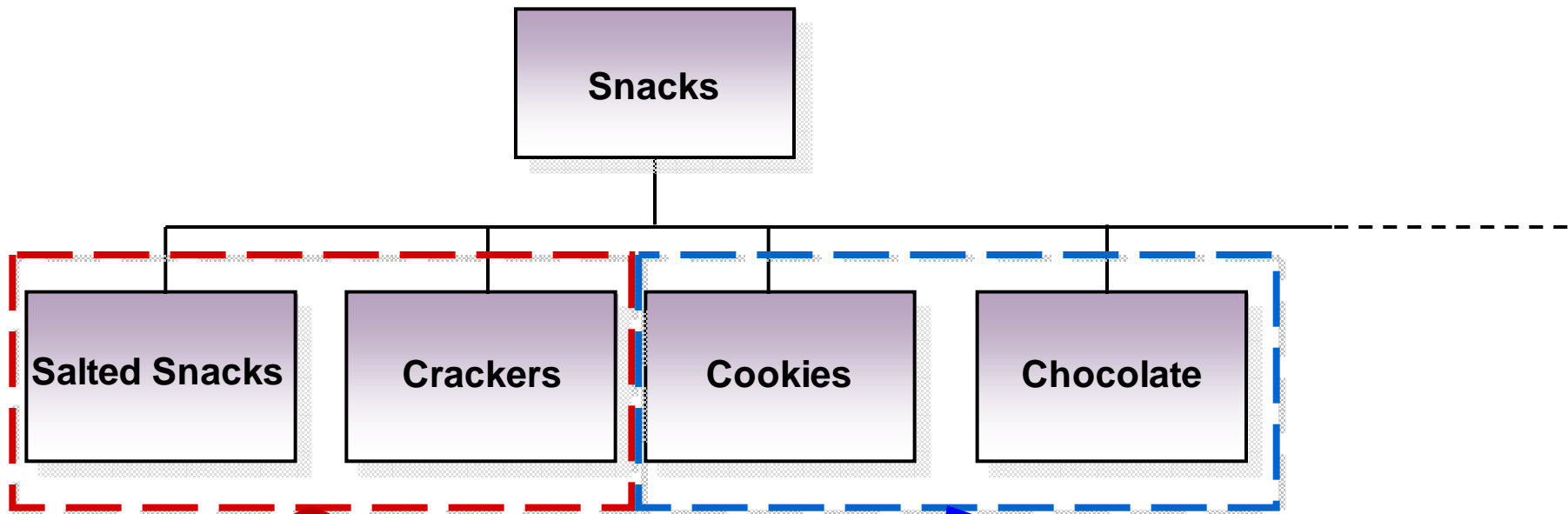
Also extending brands to source growth from category adjacencies and faster growing categories



Extending refreshment beverage brands into fast growing adjacent categories



Extending biscuit brands into salted snacks & chocolate



Chips Platform



Choco Bakery Platform



- US expanded distribution 2006

- US 2003-2005
- Canada, China, Brazil 2005
- Mexico, Australia 2006

Continuing to increase consumer spending and improve quality of marketing to build brand images

Kraft Total Portfolio Assessment

	Benefits							Net Brand Value
	Product Quality	Package Quality	New Products	Brand Image	Consumer Spending	Availability	Price	
Y/E 2003	2	3	3	2	3	2	4	3
Y/E 2005	2	3 2	2	2	3	2	3 2	3 2

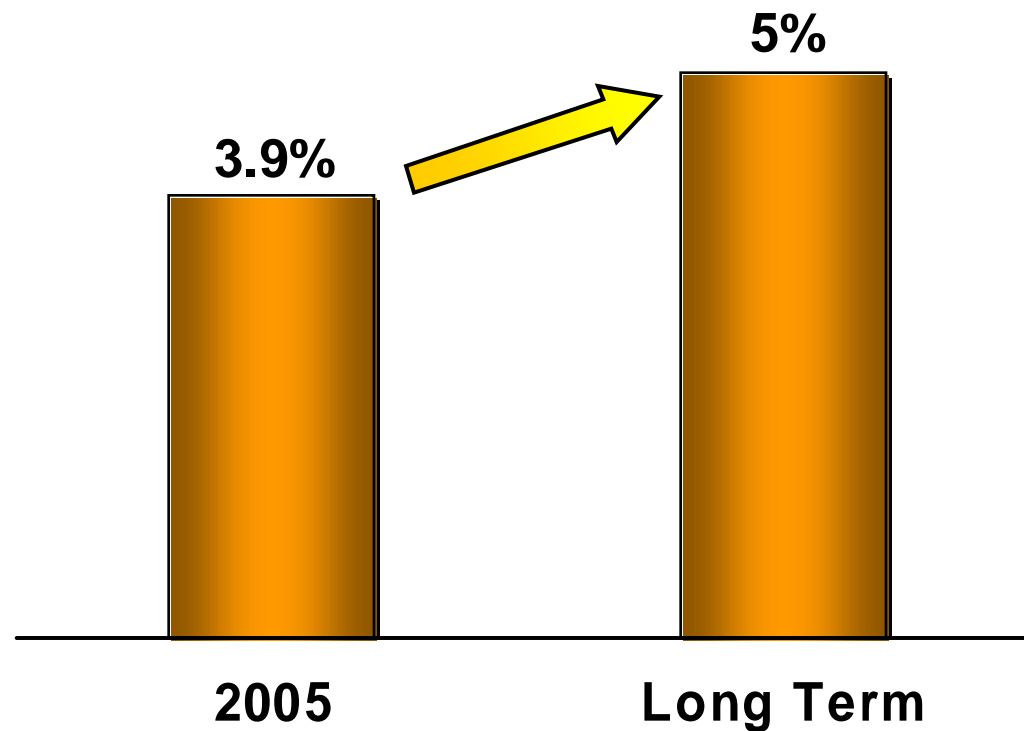
1	Significant Advantage	3	Watch Out
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Source: Internal assessment for directional indication



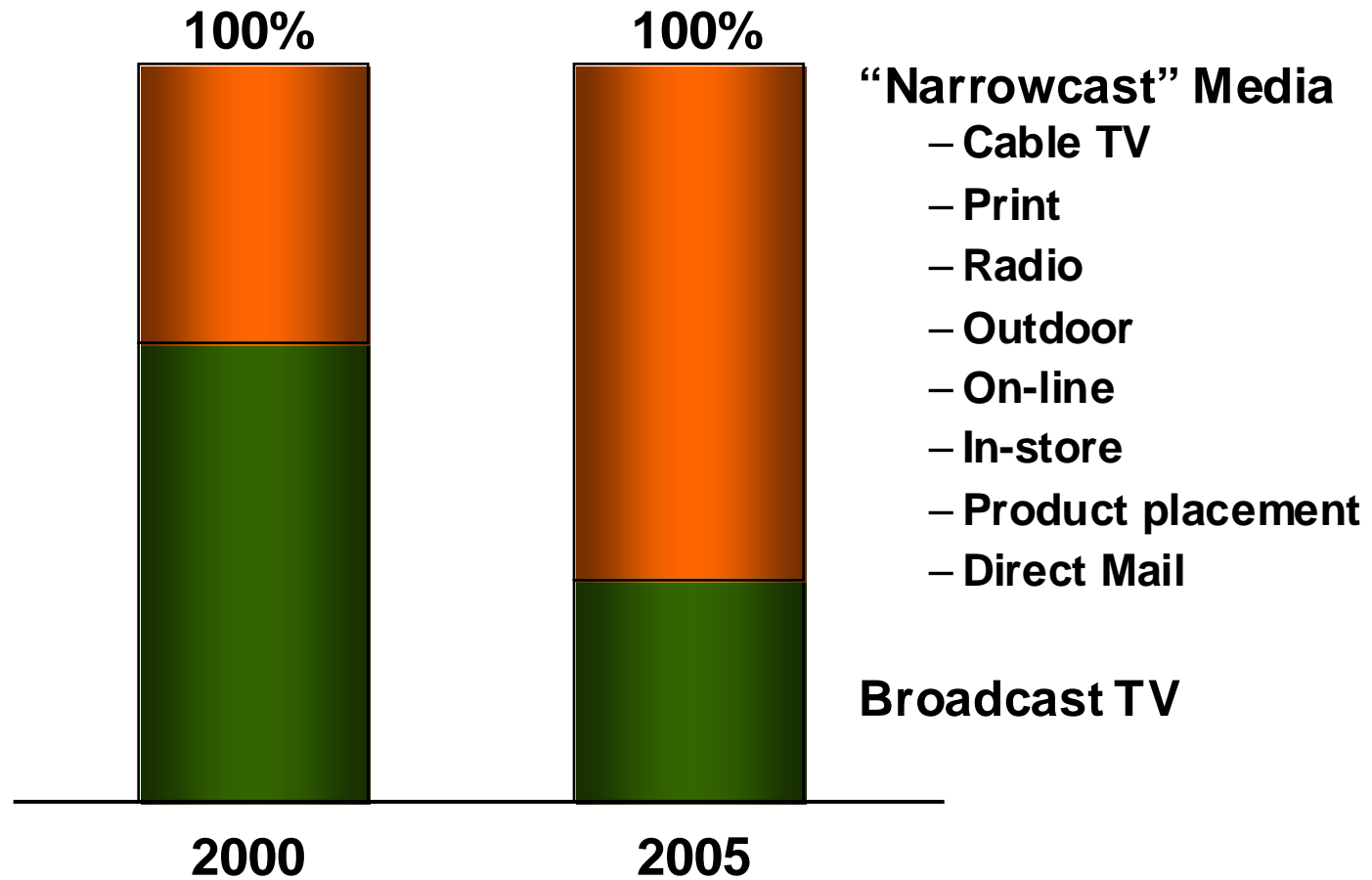
Key focus of increased consumer spending is advertising

Advertising Expense % of Net Revenue



Advertising mix changing in “narrowcast” world

Advertising Mix



Source: Kraft Media Tools

Leveraging Kraft's proprietary database to reach key consumer targets

Direct Magazines

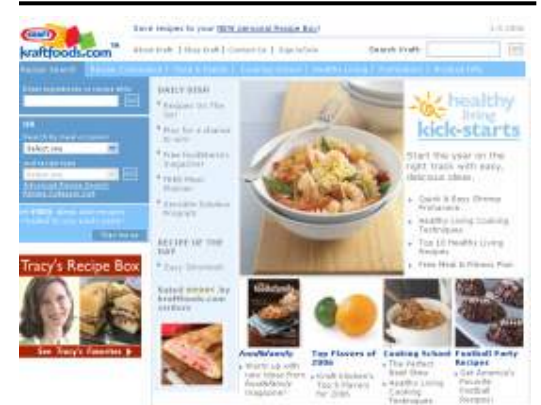


Revista comida y familia
¡Gratis!

Opt-In Emails



Web Sites



Integrated Marketing Communications



Advertising



On-Pack



In-Store



Partnership with Milk Board



Branded Entertainment

OREO
Milk's Favorite Cookie.

Internet



2005 Revenues +10%*

PR Events – Milk's Favorite Jingle Contest



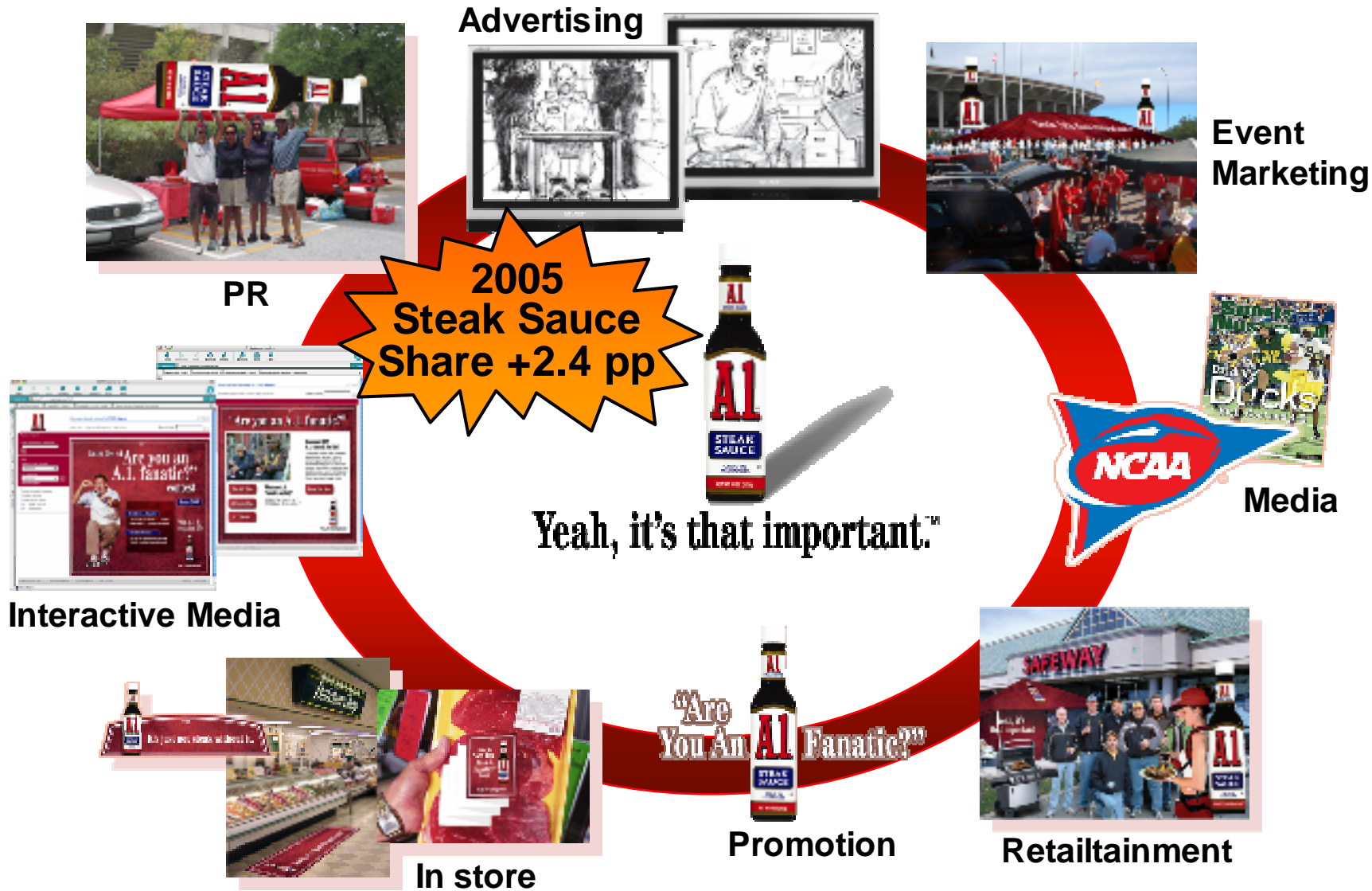
Oreo & Milk Cups



*52 week basis



Integrated Marketing Communications



*52 week basis

Put Consumers First: Building superior consumer Brand Value

- Better leveraging great brand portfolio
- More innovative new products
- Market shares will continue to improve
- Top-line momentum will accelerate



Agenda

- **Sustainable Growth Plan**
- **World Class Execution**
 - *Put Consumers First*
 - *Work Simply; Act Quickly*
 - *Play to Win*
- **Expectations**

***Work Simply; Act Quickly:* Driving out costs; creating greater flexibility and responsiveness**

- **Restructuring Program**

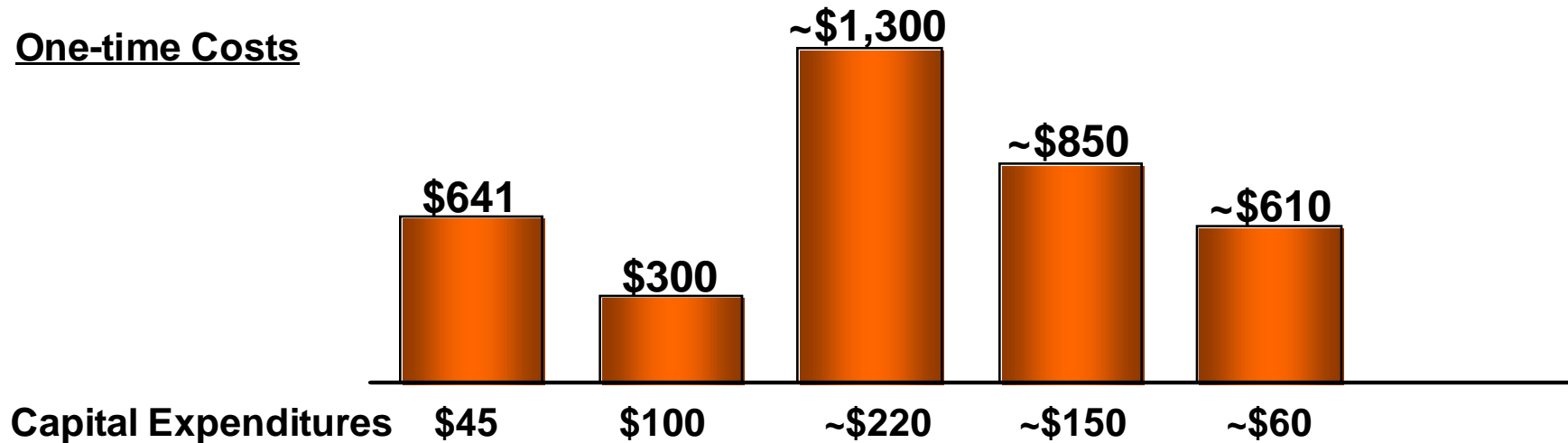
(\$ Pre-Tax Millions)	<u>One Time Costs</u>	<u>Ongoing Savings</u>	<u>Position Eliminations (Up To)</u>	<u>Facility Exits (Up To)</u>
Original	\$1,200	\$450	6,000	20
Expanded	2,500	700	8,000	20
Total	\$3,700	\$1,150	14,000	40

Expanded Restructuring Program delivering further savings to fund growth

(\$ Pre-tax millions)

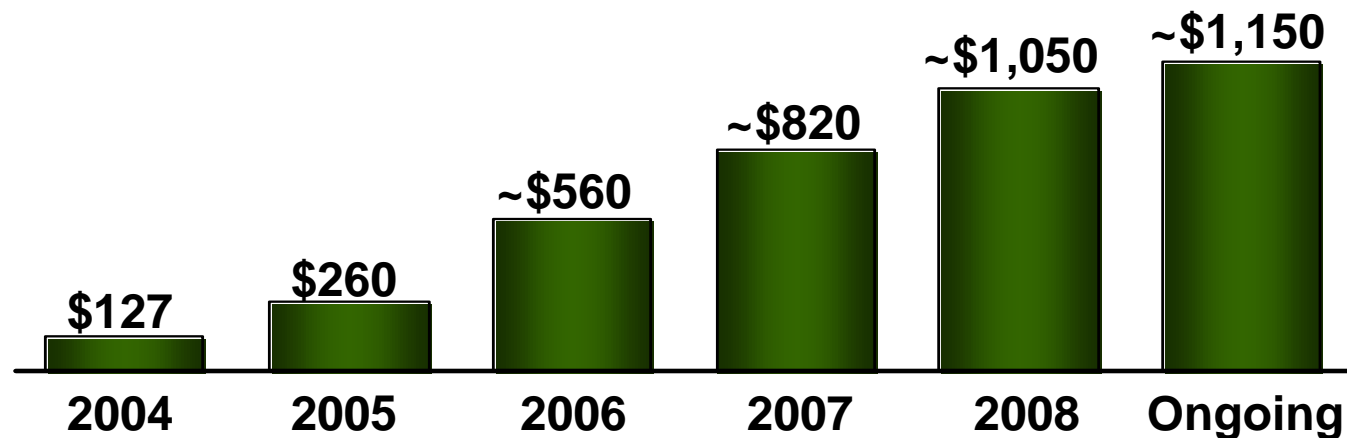
Total Restructuring Program

One-time Costs



Ongoing Savings

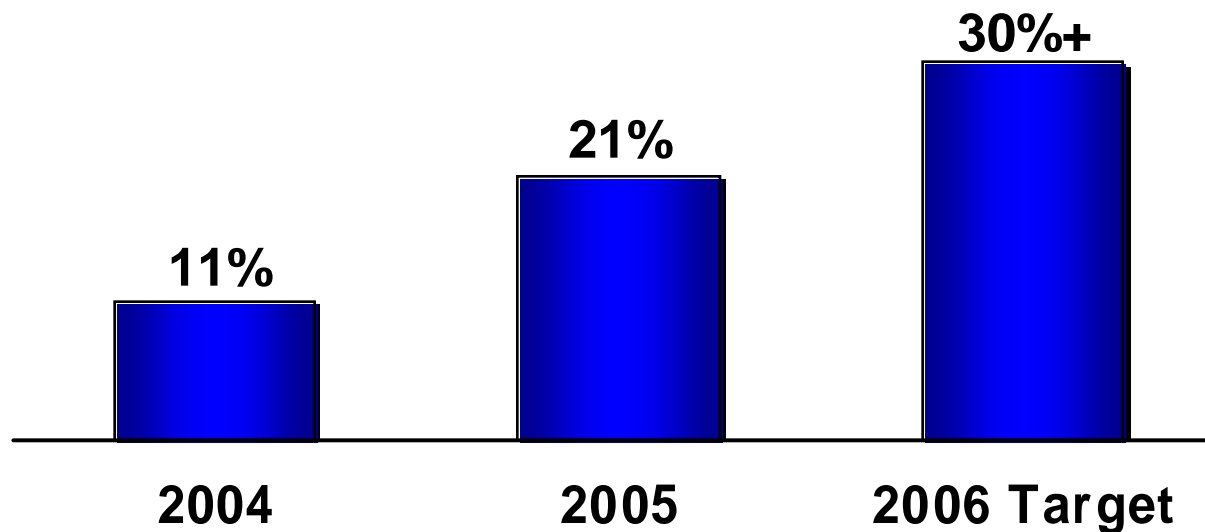
(Cumulative)



***Work Simply; Act Quickly:* Driving out costs; creating greater flexibility and responsiveness**

- **Restructuring Program**
- **Decomplexity**

Cumulative Net SKU Reduction
(Including new products)



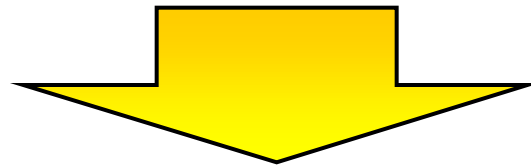
***Work Simply; Act Quickly:* Driving out costs; creating greater flexibility and responsiveness**

- **Restructuring Program**
- **Decomplexity**
- **Simplification**
 - **Organization streamlining**
 - **Process redesigns**
 - **Planning process time cut in half**
 - **Approvals reduced**
 - **Innovation process harmonized**

Work Simply; Act Quickly: Driving out costs; creating greater flexibility and responsiveness

Cost Savings —→ Funding growth

Greater Flexibility —→ Faster response to changing market conditions



Improved earnings quality

Agenda

- **Sustainable Growth Plan**
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 - *Put Consumers First*
 - *Work Simply; Act Quickly*
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- **Expectations**

Play to Win: Transforming our portfolio

Historical Portfolio Weaknesses

- **Insufficient focus**

Actions Underway

- **Divesting non-cores**
 - **Primarily smaller brands**
 - **Less than 5% of revenues**
 - **1-2 year time frame**
 - **Disciplined financial approach**

Play to Win: Transforming our portfolio

Historical Portfolio Weaknesses

- Insufficient focus
- More Health & Wellness needed

Actions Underway

- Divesting non-cores
- Continuing shift to Health & Wellness products



– Reformulations and new products

<u>US Retail*</u>	<u>Q3 YTD 2004</u>	<u>Q3 YTD 2005</u>
Total	22%	30%
Snacks/Cereal	24%	43%

*Excluding Pet Snacks, Coffee

– Geographic expansion



Play to Win: Transforming our portfolio

Historical Portfolio Weaknesses

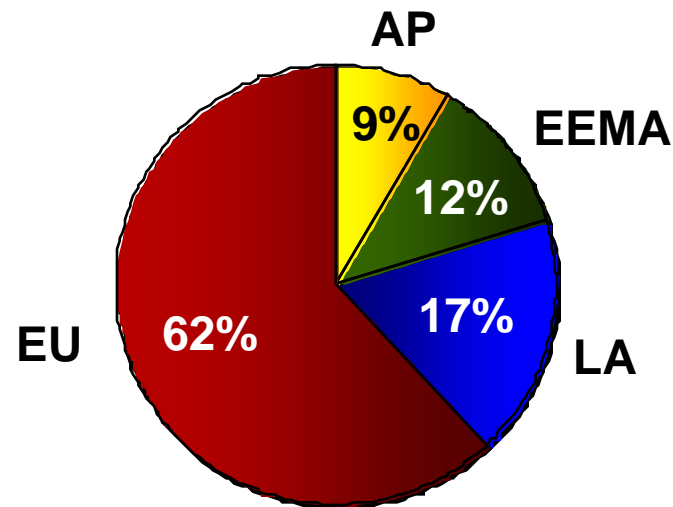
- Insufficient focus
- More Health & Wellness needed
- Greater developing market presence required

Actions Underway

- Divesting non-cores
- Continuing shift to Health & Wellness products
- Leveraging global scale
 - Driving global categories across developing markets

International

- \$11 billion 2005 revenues
- 150 countries



Driving growth platforms across developing markets

Cheese for Developing Markets



Russia

Ritz Chips



China

Belvita “Better for You” Biscuits



Southeast Asia

Play to Win: Transforming our portfolio

Historical Portfolio Weaknesses

- Insufficient focus
- More Health & Wellness needed
- Greater developing market presence required
- Commodity categories

Actions Underway

- Divesting non-cores
- Continuing shifting to Health & Wellness products
- Leveraging global scale
- “De-commoditizing” categories with value-added new products

Coffee - Tassimo



Meat - Microwave Bacon



Cheese - To Go

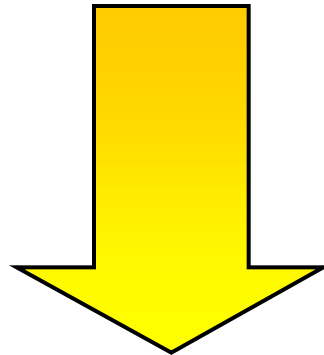


Play to Win: Transforming our portfolio and our culture

- **Transforming our portfolio**
- **Changing our culture**
 - **Guiding Principles**
 - **More external hiring**
 - **Winning attitude**

Play to Win: Transforming our portfolio and our culture

- **Transforming our portfolio**
- **Changing our culture**



Better positioned for long-term growth

Agenda

- Sustainable Growth Plan
- World Class Execution
- Expectations

2006 Full Year Guidance

Revenue Growth

52-week Basis

3%+

Reported Basis

1%+

*Constant currency;
Includes tack-ons;
Excludes divestitures*

EPS

Continuing Basis

\$1.38 - \$1.43

*Includes \$(.50) per share charges
from restructuring and impairment
charges*

Cash Flow

~\$2.7B in
Discretionary
Cash Flow*
Plus Divestiture
Proceeds

*Includes ~\$0.6B impact
from Restructuring
Program*

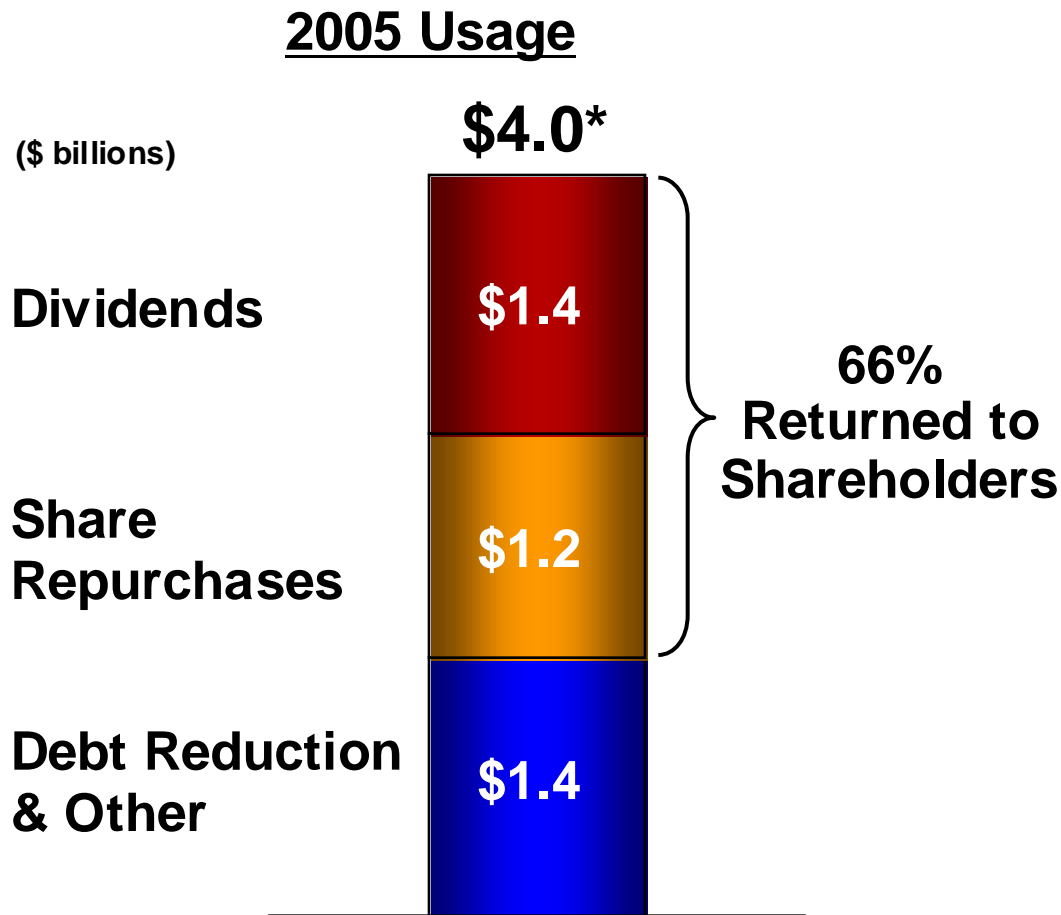
* Net cash provided by operating activities less capital expenditures

KRAFT

Momentum will build as 2006 progresses

- **Market shares will continue to improve**
- **Top-line growth will accelerate**
- **Cost savings will grow**
- **Earnings quality will improve**

Cash Flow being used to enhance shareholder value and accelerate growth



Priorities

1. Acquisitions

- Focused on core categories and adjacencies

- Disciplined financial approach

2. Return to shareholders

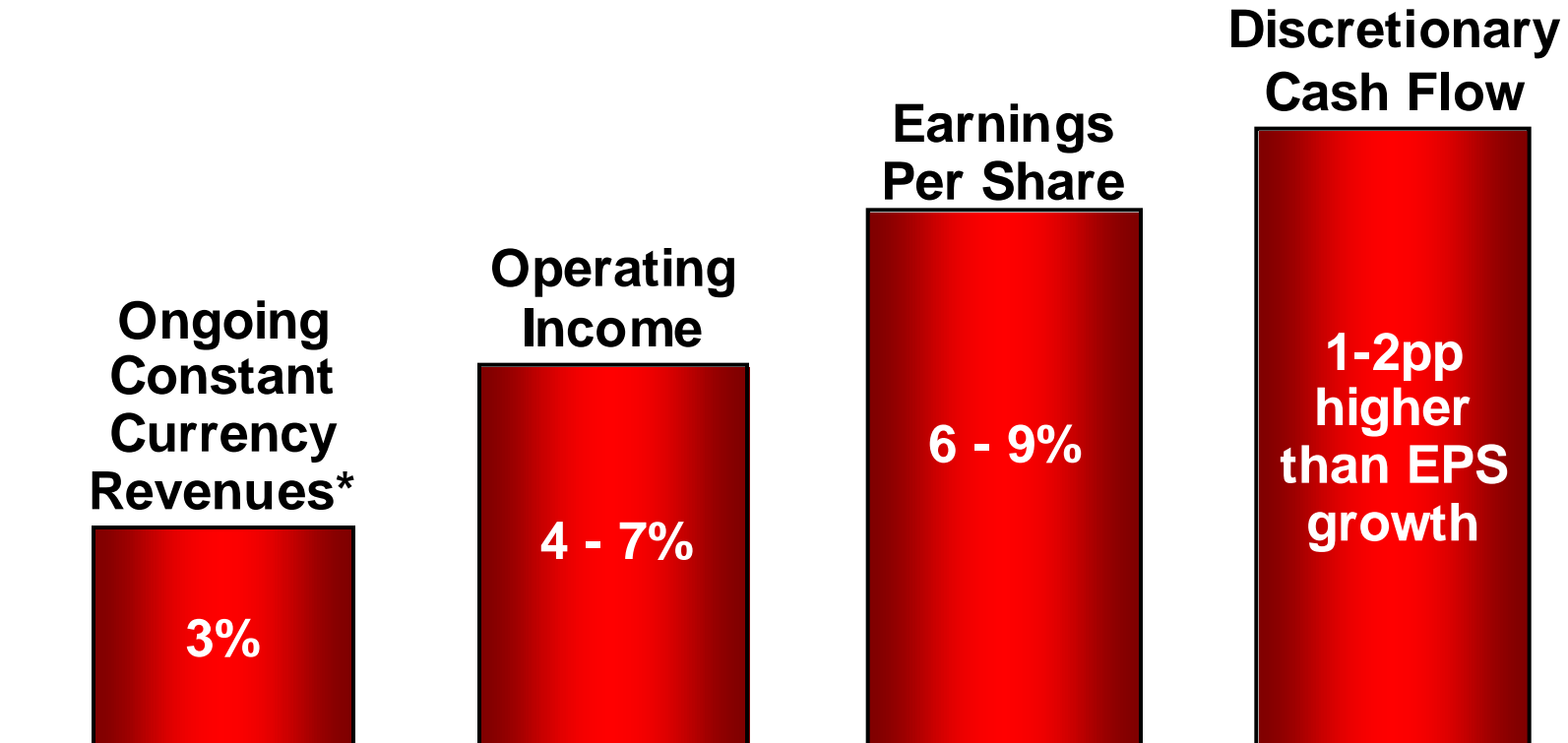
- Dividend increase

- Share repurchases

3. Debt reduction

*Net cash provided by operating activities less capital expenditures, including divestiture proceeds

Long-term Growth Targets



* Includes tack-on acquisitions and excludes divestitures

Sustainable Growth Plan is fixing the business

- **Organization better leveraging scale; more focused and flexible**
- **Consistent strategic direction with measurable progress**
- **World class execution against three Guiding Principles**
- **Better leveraging great brand portfolio**
- **Momentum will build as the year progresses**

