KRAFT FOODS INC
Form DEFM14A
December 18, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Under Rule 14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

KRAFT FOODS INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing party:

4. Date filed:

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IRENE B. ROSENFELD

CHAIRMAN OF THE BOARD AND

CHIEF EXECUTIVE OFFICER

THREE LAKES DRIVE

NORTHFIELD, ILLINOIS 60093

December 18, 2009

Dear Fellow Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Kraft Foods Inc. We will hold the Special Meeting at 9:00 a.m. CST on Monday, February 1, 2010, at the Hilton Chicago/Northbrook Hotel in Northbrook, Illinois. Registration at the Hilton Chicago/Northbrook Hotel will open at 8:00 a.m. CST.

At the Special Meeting, you will be asked to vote on a proposal to approve Kraft Foods issuing up to 370 million shares of our Class A common stock in connection with our proposed acquisition of Cadbury plc. We may use these shares to acquire all of the outstanding Cadbury share capital from Cadbury shareholders, to finance the Cadbury acquisition or for any other purposes related to the proposed acquisition. You will also be asked to vote on a proposal to approve any adjournment of the Special Meeting, including, if necessary, to solicit additional proxies in favor of the share issuance proposal if there are not sufficient votes for that proposal.

On December 4, 2009, we made an offer to acquire all of the outstanding Cadbury ordinary shares, including those represented by American Depositary Shares (ADSs). In this transaction, we will issue up to 370 million shares of our common stock and pay up to approximately £4.3 billion in cash in the aggregate in exchange for the Cadbury ordinary shares, including those represented by Cadbury ADSs.

In approving the new shares issuance, you are approving use of the shares in connection with the proposed Cadbury acquisition, regardless of the form of or procedures for the acquisition, and any related financing transaction.

The Board has unanimously determined that issuing shares of our common stock in connection with the proposed acquisition of Cadbury, including any related financing transaction, is in the best interest of Kraft Foods and its shareholders. The Board unanimously recommends that you vote *for* the share issuance proposal and the adjournment proposal.

Only shareholders of record at the close of business on December 14, 2009 are entitled to vote at the Special Meeting or any adjournments or postponements of the Special Meeting.

You may vote your shares via the Internet or by calling a toll-free number. If you received a paper copy of the proxy card or voting instruction form by mail, you may sign, date and mail your properly executed proxy card or voting instruction form. Or you may vote in person at the Special Meeting. We include instructions about each option in the attached Proxy Statement and on the enclosed proxy card or voting instruction form. Your vote is important to us. Whether or not you plan to attend the Special Meeting, I encourage you to vote promptly.

Please register in advance if you would like to attend the Special Meeting. The pre-registration directions are provided in the attached Proxy Statement.

On behalf of the Board, thank you for your continued interest and support.

Sincerely,

Irene B. Rosenfeld

Chairman of the Board and

Chief Executive Officer

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE SPECIAL MEETING OF SHAREHOLDERS

Kraft Foods Inc. s Special Meeting Proxy Statement and Form of Proxy are available at *www.kraftfoodscompany.com*

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KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

OF KRAFT FOODS INC.

TIME AND DATE:	9:00 a.m. CST on Monday, February 1, 2010.
PLACE:	Hilton Chicago/Northbrook Hotel 2855 N. Milwaukee Ave. Northbrook, IL 60062
ITEMS OF BUSINESS:	(1) To vote on a proposal to approve issuing up to 370 million shares of Kraft Foods Inc. Class A common stock in connection with our proposed acquisition of Cadbury plc, including any issuance of shares of Kraft Foods Inc. Class A common stock to finance the proposed acquisition. (2) To vote on a proposal to approve any adjournment of the Special Meeting, including, if necessary, to solicit additional proxies in favor of Item 1 if there are not sufficient votes for such proposal. (3) To transact other business properly presented at the Special Meeting.
BOARD RECOMMENDATION:	The Board has unanimously determined that issuing shares of our common stock in connection with the proposed acquisition of Cadbury, including any related financing transaction, is in the best interest of Kraft Foods and its shareholders. The Board recommends that shareholders vote ***for*** Items 1 and 2.
WHO MAY VOTE:	Shareholders of record at the close of business on December 14, 2009.
DATE OF DISTRIBUTION:	We are mailing the Proxy Statement on or near December 21, 2009.

MATERIALS AVAILABLE ON OUR WEB SITE:	This Notice of Special Meeting and the Proxy Statement are available at *www.kraftfoodscompany.com*. Information included on our web site, other than these materials, is not part of the proxy soliciting materials.

Carol J. Ward

Vice President and Corporate Secretary

December 18, 2009

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KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

PROXY STATEMENT

FOR SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON FEBRUARY 1, 2010

QUESTIONS AND ANSWERS ABOUT

THE SPECIAL MEETING AND VOTING

The following are some of the questions, and answers to those questions, that you, as a shareholder of Kraft Foods Inc. (Kraft Foods), may have regarding Kraft Foods proposed acquisition of Cadbury plc (Cadbury) and the matters being considered at the special meeting of shareholders to which this Proxy Statement relates. The information in this section does not provide all of the information that may be important to you with respect to the matters being considered at the meeting. Therefore, you should read this Proxy Statement carefully, as well as the full contents of the other documents to which this Proxy Statement refers or incorporates by reference. These documents contain information that may be important to you in determining how you will vote on the matters to be considered at the special meeting.

References in this Proxy Statement to we, us and our refer to Kraft Foods and, where applicable, its subsidiaries.

1. When and where is the Special Meeting?

Kraft Foods will hold a Special Meeting of Shareholders on Monday, February 1, 2010, at 9:00 a.m. CST at the Hilton Chicago/Northbrook Hotel in Northbrook, Illinois. Registration at the Hilton Chicago/Northbrook Hotel will open at 8:00 a.m. CST. Directions to the Hilton Chicago/Northbrook Hotel are included at the end of this Proxy Statement.

2. Why am I receiving these proxy materials?

We are providing you with these proxy materials in connection with our Board s solicitation of proxies to be voted at our Special Meeting of Shareholders to be held on Monday, February 1, 2010 or any adjournments or postponements of the meeting (the Special Meeting). These materials describe the voting procedures and the matters to be voted on at the Special Meeting.

3. What am I being asked to vote on?

You are being asked to consider and vote on a proposal to approve Kraft Foods issuing up to 370 million shares of our Class A common stock, which we refer to as our common stock, in connection with our proposed acquisition of Cadbury, which we refer to as the Cadbury acquisition, including any issuance of shares of our common stock to finance the Cadbury acquisition.

You are also being asked to consider and vote on a proposal to approve any adjournment of the Special Meeting, including, if necessary, to solicit additional proxies in favor of the share issuance proposal if there are not sufficient votes for that proposal.

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4. Why is shareholder approval of the share issuance required?

On December 4, 2009, we made an offer to acquire each outstanding Cadbury ordinary share, including each share represented by Cadbury American Depositary Shares (ADSs), in exchange for 0.2589 shares of our common stock and 300 pence in cash. As one Cadbury ADS represents four Cadbury ordinary shares, holders of Cadbury ADSs will be entitled to receive 1.0356 shares of our common stock and 1,200 pence in cash for each Cadbury ADS they tender in the offer.

Based upon publicly available information as of December 15, 2009, if we acquire, on the financial terms described in this Proxy Statement, 100% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, and assuming all outstanding options to acquire Cadbury ordinary shares and other share awards (as at December 9, 2009) are exercised, we expect to issue up to 370 million shares of our common stock. Because this number will be greater than 20% of the total number of shares of our common stock outstanding prior to the issuance, we are required to obtain shareholder approval for issuing these shares under the listing requirements of the New York Stock Exchange (NYSE).

It is also possible that we may decide to issue common stock or securities convertible into common stock in a public or private offering to finance the Cadbury acquisition. Under NYSE rules, such issuance might be considered part of the Cadbury acquisition for the purpose of the 20% threshold described above.

Your approval of the share issuance proposal will constitute approval of the share issuance in connection with the Cadbury acquisition, including any related financing transaction, regardless of the form of, procedures for or final terms of the acquisition or financing. Shareholders are not being asked to vote on the Cadbury acquisition and no vote of Kraft Foods shareholders is required on that matter.

If we decide to make any related public or private offering of our common stock, or if any term of the Cadbury acquisition described in this Proxy Statement changes, in each case in a manner that we believe is material to our shareholders, we will supplement this Proxy Statement to inform you of the change and, if legally required, resolicit proxies from our shareholders.

5. How will Kraft Foods effect the proposed acquisition of Cadbury?

We have made an offer to acquire all of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, directly from the Cadbury shareholders. The Cadbury Board has recommended that Cadbury shareholders reject this offer. However, if the Cadbury Board later decides to recommend our offer, it is possible that we will agree with Cadbury to acquire all of the outstanding share capital of Cadbury through a U.K. scheme of arrangement, which is a court-approved acquisition voted on by Cadbury shareholders. The share issuance proposal gives us the flexibility to make this change without another shareholder vote.

6. What will be the effect of the share issuance?

We estimate that, if we issued all 370 million of the shares we are seeking approval to issue, existing Kraft Foods shareholders would own approximately 80% of the shares of our common stock outstanding immediately after the Cadbury acquisition, including any related equity financing, is completed. For a discussion of the assumptions on which we based this estimate, please see the section of this Proxy Statement entitled The Offer Ownership of Kraft Foods After Completion of the Cadbury Acquisition.

7. When is this Proxy Statement being mailed?

We are mailing this Proxy Statement and the proxy card to our shareholders on or near December 21, 2009. We also provide these materials on our web site at *www.kraftfoodscompany.com*.

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8. Who is entitled to vote at the Special Meeting?

Our Board established December 14, 2009 as the record date (the Record Date) for the Special Meeting. Only shareholders of record owning our common stock at the close of business on the Record Date are entitled to (a) receive notice of the Special Meeting, (b) attend the Special Meeting and (c) vote on all matters that properly come before the Special Meeting.

At the close of business on the Record Date, 1,477,239,577 shares of our common stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter to be voted upon at the Special Meeting.

9. What is the quorum requirement?

A quorum of shareholders is necessary to validly hold the Special Meeting. A quorum will be present if a majority of the outstanding shares of our common stock on the Record Date are represented at the Special Meeting, either in person or by proxy. Your shares will be counted for purposes of determining a quorum if you vote:

Via the Internet;

By telephone;

By submitting a properly executed proxy card or voting instruction form by mail; or

In person at the Special Meeting.

Abstentions will be counted for determining whether a quorum is present for the Special Meeting.

10. What vote is needed to approve the share issuance proposal?

Under NYSE rules, the approval of the share issuance proposal requires an affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the total outstanding shares of our common stock (the Outstanding Votes). Votes FOR and AGAINST and abstentions count as votes cast (the NYSE Votes Cast). The NYSE Votes Cast must be greater than 50% of the total Outstanding Votes. Because the number of votes FOR the proposal must be greater than 50% of the NYSE Votes Cast, abstentions have the same effect as a vote AGAINST the proposal.

Approval of the adjournment proposal requires that the number of votes cast FOR exceed the number of votes cast AGAINST, whether or not a quorum is present. Abstentions are not considered as voting FOR or AGAINST the adjournment proposal and will have no effect on the outcome of the adjournment proposal.

11. What happens if the share issuance proposal is not approved?

If the share issuance proposal is not approved, we will not be able to issue in the Cadbury acquisition a number of shares of our common stock that is equal to 20% or more of the total number of shares of our common stock outstanding prior to the issuance.

12. What other matters may arise at the Special Meeting?

Other than Items 1 and 2 described in this Proxy Statement, we do not expect any other matters to be presented for a vote at the Special Meeting. If any other matter is properly brought before the Special Meeting, your proxy gives authority to the proxies described therein to vote on such matters in their discretion.

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13. What is the difference between holding shares as a registered shareholder and holding shares in street name?

If your shares are owned directly in your name with our transfer agent, Wells Fargo Bank, N.A., you are considered a registered shareholder of those shares.

If your shares are held in a brokerage account or by a bank or other nominee, you hold those shares in street name.

14. How do I vote my shares?

If you are a *registered shareholder*, you may vote:

- Via the Internet at *www.eproxy.com/kft*. The Internet voting system will be available 24 hours a day until 11:59 p.m. CST on Sunday, January 31, 2010;
- By telephone, if you are located within the U.S. or Canada. Call 1-800-560-1965 (toll-free) from a touch-tone telephone. The telephone voting system will be available 24 hours a day until 11:59 p.m. CST on Sunday, January 31, 2010;
- By returning a properly executed proxy card. Your proxy card must be received before the polls close at the Special Meeting on Monday, February 1, 2010; or
- In person at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described below.

If you hold your shares in *street name*, you may vote:

- Via the Internet at *www.proxyvote.com* (a 12-digit control number is required), by telephone or by returning a properly executed voting instruction form by mail, depending upon the method(s) your broker, bank or other nominee makes available; or
- In person at the Special Meeting. To do so, you must request a legal proxy from your broker or bank and present it at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described in Question 26.

15. I am a current/former Kraft Foods employee and have investments in the Kraft Foods Stock Fund(s) of the Kraft Foods Inc. Thrift/TIP 401(k) Plan(s) and/or the Kraft Foods Canada Optional Pension Plan(s)/Employee Savings Plan. Can I vote? If so, how do I vote?

Yes, you are entitled to vote. For voting purposes, your proxy card includes all shares allocated to your Kraft Foods Stock Fund account(s), shares you may hold at our transfer agent as a registered shareholder, and any shares of restricted stock you may hold. When you submit your proxy, you are directing the plan(s) trustee(s) how to vote the shares allocated to your Kraft Foods Stock Fund account(s) in addition to directing the voting of all other shares included on your proxy card.

In order to direct the plan(s) trustee(s) how to vote the shares held in your Kraft Foods Stock Fund account(s), you must vote the shares by 11:59 p.m. CST on Wednesday, January 27, 2010. If your voting instructions are not received by that time, the trustee(s) will vote the shares allocated to your account(s) in the same proportion as the respective plan shares for which voting instructions have been received, unless contrary to the Employee Retirement Income Security Act of 1974 (ERISA). Please follow the instructions for registered shareholders described above to cast your vote. Although you may attend the Special Meeting, you may not vote shares held in your Kraft Foods Stock Fund account(s) at the meeting.

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16. I am a current/former Kraft Foods employee and hold restricted stock. Can I vote my restricted stock holding? If so, how do I vote those shares?

Yes. If you hold shares of restricted stock, you should follow the instructions for registered shareholders described in Question 14 to vote your shares. If you do not vote your shares, they will not be voted, so please vote your shares. For voting purposes, your proxy card includes your shares of restricted stock, shares you may hold in a Kraft Foods Stock Fund account(s), and any shares you may hold at our transfer agent as a registered shareholder.

17. How do I vote if I participate in Kraft Foods Direct Purchase Plan?

If you hold shares in the Direct Purchase Plan, you should follow the instructions for registered shareholders described in Question 14 to vote your shares. When you vote those shares, you will be voting all the shares you hold at our transfer agent as a registered shareholder. If you do not vote your shares, they will not be voted, so please vote your shares.

18. May I change my vote?

Yes. If you are a registered shareholder and would like to change your vote after submitting your proxy but prior to the Special Meeting, you may do so by (a) signing and submitting another proxy with a later date, (b) voting again by telephone or the Internet or (c) voting in person at the Special Meeting. Alternatively, if you would like to revoke your proxy, you may submit a written revocation of your proxy to our Corporate Secretary at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093.

If your shares are held in street name, please contact your bank, broker or other nominee for specific instructions on how to change or revoke your vote. Please refer to Question 14 for additional details about voting your shares held in street name.

19. How are my shares voted by the proxies?

The persons named as proxies on the proxy card must vote your shares as you have instructed. If you do not give a specific instruction on any proposal scheduled for vote at the Special Meeting but you have authorized the proxies generally to vote, they will vote ***for*** each proposal in accordance with the Board s recommendation on each matter. Your authorization would exist, for example, if you merely sign, date and return your proxy card.

20. Will my shares be voted if I do not provide my proxy?

If you are a registered shareholder or if you hold restricted stock, your shares will not be voted unless you vote as instructed in Question 14, so please vote your shares.

If you hold your shares in street name, under NYSE rules, your brokerage firm may not vote on your behalf on non-routine matters if you do not furnish voting instructions. For the Special Meeting, the approval of the share issuance proposal and the adjournment proposal are considered non-routine matters. As a result, if you hold shares of our common stock in street name and do not provide voting instructions to your broker, your shares will not be voted on these proposals, so please vote your shares.

In addition, if you are a current or former employee and had investments in the Kraft Foods Stock Fund(s) of the Kraft Foods Inc. Thrift/TIP 401(k) Plan(s) and/or the Kraft Foods Canada Optional Pension Plan(s)/Employee Savings Plan on the Record Date, you can direct the plan(s) trustee(s) how to vote the shares allocated to your account(s). If your voting instructions are not received by 11:59 p.m. CST on Wednesday, January 27, 2010, the trustee(s) will vote the shares allocated to your account(s) in the same proportion as the respective plan shares for which voting instructions have been received. Please refer to Question 15 for additional details about voting shares held in the Kraft Foods Stock Fund(s).

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21. Is it safe to vote via the Internet or telephone?

Yes. The Internet and telephone voting procedures were designed to authenticate shareholders identities and to confirm that their instructions have been properly recorded.

22. Who will bear the cost of soliciting votes for the Special Meeting?

We bear the cost of soliciting your vote. In addition to mailing these proxy materials, our directors, officers or employees may solicit proxies or votes in person, by telephone or by electronic communication. They will not receive any additional compensation for these solicitation activities.

We will enlist the help of banks and brokerage firms in soliciting proxies from their customers and reimburse the banks and brokerage firms for related out-of-pocket expenses.

We retained Georgeson Inc. to aid in soliciting votes for the Special Meeting for a total fee of $75,000 plus reasonable expenses.

23. What is householding ?

Unless you advised us otherwise, if you hold your shares in street name and you and other residents at your mailing address share the same last name and own shares of our common stock in an account at the same brokerage firm or bank, we delivered a single set of proxy materials to your address. This method of delivery is known as householding. Householding reduces the number of mailings you receive, as well as our printing and postage costs. Shareholders who participate in householding will continue to receive separate voting instruction forms. If you would like to opt out of householding, please contact your broker or bank.

If you are a registered shareholder, we sent you and each registered shareholder at your address separate sets of proxy materials.

24. Are my votes confidential?

Yes. Your votes will not be disclosed to our directors, officers or employees, except (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against us, (b) in the case of a contested proxy solicitation, (c) if you provide a comment with your proxy or otherwise communicate your vote to us or (d) as necessary to allow the independent inspector of election to certify the results.

25. Who counts the votes?

Wells Fargo Bank, N.A. will receive and tabulate the proxies. IVS Associates, Inc. will act as the independent inspector of election and will certify the results.

26. What do I need to do if I would like to attend the Special Meeting?

If you would like to attend the Special Meeting, please pre-register by 11:59 p.m. CST on January 29, 2010. Due to space limitations, you may bring only one guest. If you wish to bring a guest, you must indicate that when you pre-register. **You and your guest, if any, must present valid government-issued photographic identification, such as a driver s license, to be admitted into the Special Meeting.**

If you are a registered shareholder, please indicate that you intend to attend the Special Meeting by:

Checking the appropriate box(es) on the Internet voting site;

Following the prompts on the telephone voting site; or

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Checking the appropriate box(es) on your proxy card.

If you hold your shares in street name, please notify us in writing that you will attend and whether you intend to bring a guest. In this written notification, please include a proof of ownership of our common stock (such as a letter from your bank or broker, a photocopy of your current account statement or a copy of your voting instruction form); please also provide a way for us to reach you if there is a problem with your notification. Send your notification as follows:

By mail:	By fax:	By e-mail:
Kraft Foods Inc.	(877) 260-0406 (toll-free within the U.S.)	ccinek@georgeson.com
c/o Georgeson Inc.	(212) 440-9009 (from outside the U.S.)	
Attention: Christopher Cinek	Attention: Christopher Cinek	
199 Water Street, 26th Floor		
New York, NY 10038		

For your comfort, security and safety, we will not allow any large bags, briefcases, packages or backpacks into the Special Meeting site. All bags will be subject to search. We also will not allow electronic devices into the Special Meeting. These include, but are not limited to, cellular and digital phones, cameras, audio and video recorders, laptops and pagers. We welcome assistance animals for the disabled, but do not allow pets.

27. Will I have dissenters rights if I do not support the issuance of shares in connection with the proposed Cadbury acquisition?

No. Kraft Foods shareholders will not be entitled to appraisal or similar dissenters rights in connection with the share issuance proposal or the Cadbury acquisition.

28. Where can I find more information on Kraft Foods and Cadbury?

You can find more information about Kraft Foods and Cadbury from various sources described under Where You Can Find More Information on page 75 of this Proxy Statement.

29. Who can I talk to if I have questions about the Special Meeting or the proposals to be voted on?

You can call Georgeson Inc. toll free at 1-800-509-1312, Monday through Friday between the hours of 8:00 a.m. and 10:00 p.m. CST with any questions.

SUMMARY

Below is a summary of the terms of our offer to acquire all outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs. This summary highlights selected information from this Proxy Statement, and may not contain all of the information that is important to you. To better understand the Cadbury acquisition or the offer described below, you should read this entire Proxy Statement carefully, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this Proxy Statement by following the instructions set forth in Incorporation by Reference on page 76 of this Proxy Statement.

The Companies (See page 43)

Kraft Foods

Kraft Foods is the world s second largest food company, with revenues of $41.9 billion and earnings from continuing operations before income taxes of $2.6 billion in 2008. Kraft Foods has approximately 100,000 employees worldwide and manufactures and markets packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. Kraft Foods sells its products to consumers in approximately 150 countries. At December 31, 2008, Kraft Foods had operations in more than 70 countries and made its products at 168 manufacturing and processing facilities worldwide. At September 30, 2009, Kraft Foods had net assets of $25.2 billion and gross assets of $66.7 billion. Kraft Foods is a member of the Dow Jones Industrial Average, the Standard & Poor s 500, the Dow Jones Sustainability Index and the Ethibel Sustainability Index.

Kraft Foods is a Virginia corporation with principal executive offices at Three Lakes Drive, Northfield, IL 60093. Our telephone number is (847) 646-2000 and our Internet address is *www.kraftfoodscompany.com*.

Cadbury

Cadbury is an international confectionery business that generated £5.4 billion in total revenue from its global operations in 2008. At December 31, 2008, Cadbury operated in over 60 countries and had over 45,000 employees. Cadbury s principal product segments are: chocolate, which contributed 46% of Cadbury s revenue in 2008; gum, which contributed 33% of Cadbury s revenue in 2008; and candy, which contributed 21% of Cadbury s revenue in 2008 (in each case, excluding the revenues of Reading Scientific Services Limited).

Cadbury is registered under the laws of England and Wales as a public limited company with its registered office (principal executive office) at Cadbury House, Sanderson Road, Uxbridge, England, UB8 1DH. Its telephone number is +44 1895 615000 and its Internet address is *www.cadbury.com*. Information contained on Cadbury s web site does not constitute a part of this Proxy Statement.

The Offer (See page 52)

On December 4, 2009, we made an offer to acquire each outstanding Cadbury ordinary share, including each share represented by a Cadbury ADS, in exchange for 0.2589 shares of our common stock and 300 pence in cash. As one Cadbury ADS represents four Cadbury ordinary shares, holders of Cadbury ADSs will be entitled to receive 1.0356 shares of our common stock and 1,200 pence in cash for each Cadbury ADS they tender in the offer. We are making the offer for all outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, as follows:

- all holders of Cadbury ordinary shares who are U.S. holders (within the meaning of Rule 14d-1(d) under the Securities Exchange Act of 1934 (the Exchange Act)) or residents of Canada and all holders of Cadbury ADSs, wherever located, are receiving the prospectus/offer to exchange and related transmittal materials that we filed with the SEC on December 4, 2009 as part of a registration statement on Form S-4; and

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all holders of Cadbury ordinary shares who are not U.S. holders or residents of Canada are receiving other offer documents, in each case if, pursuant to the law and regulations applicable to such holders, they are permitted to receive the relevant documents. In this Proxy Statement, we refer to these documents as the December 4 offer documents.

Based on an exchange rate of $1.6263 to £1.00 (as quoted by WM/Reuters on December 15, 2009), if the cash portion of the consideration payable in the offer were converted into U.S. dollars on December 15, 2009, the value of the cash consideration would equal $4.88 per Cadbury ordinary share and $19.52 per Cadbury ADS. The value of this consideration in U.S. dollar terms will vary depending on the exchange rate between U.S. dollars and pounds sterling, which is expected to fluctuate. For more information on historical currency exchange rates, please see the section of this Proxy Statement entitled Exchange Rate Information.

The Cadbury Board has recommended that Cadbury shareholders reject our offer. However, if the Cadbury Board later decides to recommend our offer, it is possible that we will agree with Cadbury to acquire all of the outstanding share capital of Cadbury through a U.K. scheme of arrangement rather than a direct offer to the Cadbury shareholders. The share issuance proposal gives us the flexibility to make this change without another shareholder vote.

Possible Equity Financing (See page 39)

It is possible that we will decide to issue common stock, or securities convertible into common stock, in a public or private offering to finance the Cadbury acquisition. Under NYSE rules, any such issuance may be considered part of the Cadbury acquisition for the purpose of the NYSE shareholder approval requirement described in Question 4 under Questions and Answers About the Special Meeting and Voting. Your approval of the share issuance proposal will constitute approval of the use of shares for such a financing.

Recommendation of our Board (See page 40)

Our Board has unanimously determined that issuing shares of our common stock in connection with the proposed acquisition of Cadbury, including any related financing transaction, is in the best interest of Kraft Foods and its shareholders. Our Board unanimously recommends that you vote ***for*** the share issuance proposal and ***for*** the adjournment proposal. In reaching its decision to recommend the share issuance proposal, our Board considered a number of factors, including:

The share issuance will facilitate the Cadbury acquisition.

We believe the financial rationale for the share issuance and the Cadbury acquisition is compelling and will provide short- and long-term benefits to our shareholders. Additionally, we believe that the Cadbury acquisition will be accretive to earnings, is supported by our balance sheet and will deliver a return on investment in excess of our cost of capital.

We believe the Cadbury acquisition would build on a global powerhouse in snacks, confectionery and quick meals, with an exceptional portfolio of leading brands around the world.

We believe the Cadbury acquisition would create a combined company that will be a global confectionery leader.

We believe that Cadbury s leading brands are highly complementary to our portfolio.

We believe the Cadbury acquisition will allow us to act as a stronger partner to our customers, create efficiencies for both partners and maintain balance as our customers increase their scale.

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The Cadbury acquisition would increase scale in developing markets for both Kraft Foods and Cadbury.

We believe that Cadbury s routes to market are highly complementary to ours and that the Cadbury acquisition will provide an enhanced platform for the combined company to distribute both Cadbury s and Kraft Foods products.

We believe the Cadbury acquisition will provide the potential for meaningful revenue synergies and a significant opportunity to realize cost savings over time.

Conditions of the Offer (See page 52)

In addition to shareholder approval of the share issuance proposal, the offer for Cadbury ordinary shares, including those represented by Cadbury ADSs, is subject to a number of conditions. We may waive, in whole or in part, many of these conditions prior to the expiration of the offer.

Interests of Kraft Foods and Our Executive Officers and Directors in the Share Issuance (See page 57)

Neither Kraft Foods nor any of our executive officers or directors beneficially own any Cadbury ordinary shares or Cadbury ADSs.

Accounting Treatment (See page 53)

In accordance with accounting principles generally accepted in the United States (U.S. GAAP), we will account for the Cadbury acquisition using the acquisition method of accounting for business combinations.

Regulatory Approvals (See page 55)

The offer for Cadbury ordinary shares, including those represented by Cadbury ADSs, is, and any related equity financing may be, conditioned on, among other things, the receipt of regulatory approvals from the European Commission and the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act). On December 14, 2009, the required waiting period under the HSR Act expired.

Risk Factors (See page 25)

The proposed Cadbury acquisition involves several risks that you should carefully consider when deciding how to vote at the Special Meeting. For further information regarding these risks, please see the section of this Proxy Statement entitled Risk Factors.

NOTE ON CADBURY INFORMATION

We have taken all information (other than certain information concerning Cadbury share options) concerning Cadbury, its business, management and operations presented or incorporated by reference in this Proxy Statement from publicly available information. This information may be examined and copies may be obtained at the places and in the manner set forth in Where You Can Find More Information on page 75 of this Proxy Statement. We are not affiliated with Cadbury, and we have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement. Therefore, non-public information concerning Cadbury s business and financial condition was not available to us for the purpose of preparing this Proxy Statement. Although we have no knowledge that would indicate that any information or statements relating to Cadbury contained or incorporated by reference in this Proxy Statement are inaccurate or incomplete, we were not involved in the preparation of the information or the statements and cannot verify them.

We refer to Kraft Foods and its subsidiaries, including Cadbury and its subsidiaries, after completion of the Cadbury acquisition, as the combined company. Any financial information regarding Cadbury that may be detrimental to the combined company and that has not been publicly disclosed by Cadbury, or errors in our estimates due to the lack of cooperation from Cadbury, may have an adverse effect on the benefits we expect to achieve through the consummation of the Cadbury acquisition.

Pursuant to Rule 409 under the Securities Act of 1933, as amended, and Rule 12b-21 under the Exchange Act, we have requested that Cadbury provide us with information required for complete disclosure regarding Cadbury s businesses, operations, financial condition and management. Our legal advisors received a letter dated December 15, 2009 in which Cadbury rejected our request. However, if we receive the information before the Special Meeting and we consider it to be material, reliable and appropriate, then we will amend or supplement this Proxy Statement to provide this information.

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CURRENCIES

In this Proxy Statement, unless otherwise specified or the context otherwise requires:

- pounds sterling, pounds, sterling, U.K. pounds, £, pence or p each refer to the lawful currency of the United Kingdom;
- U.S. dollars, dollars or $ each refer to the lawful currency of the United States; and
- euro or each refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

We publish our financial statements in U.S. dollars and Cadbury publishes its financial statements in pounds sterling. Certain Kraft Foods and Cadbury financial information included in this Proxy Statement was translated using company specific exchange rates. In preparing our financial statements, we translated the results of operations of our foreign subsidiaries into U.S. dollars using average exchange rates during each period indicated. We translated balance sheet accounts into U.S. dollars using exchange rates at the end of each period indicated. According to Cadbury s public filings, in preparing its financial statements, Cadbury translated the balance sheets of its non-U.K. subsidiaries into pounds sterling using exchange rates at the end of each period indicated. Cadbury translated the results of its non-U.K. subsidiary undertakings into pounds sterling at an average rate, calculated using the exchange rates prevailing at the end of each month during the applicable period presented. We are not making any representation to you regarding those translated amounts.

Please see the section of this Proxy Statement entitled Exchange Rate Information for additional information regarding the exchange rates between pounds sterling and the U.S. dollar.

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EXCHANGE RATE INFORMATION

The following table shows, for the periods indicated, information concerning the exchange rate between U.S. dollars and pounds sterling. The information in the following table is expressed in U.S. dollars per pound sterling and is based on the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York. The average rates for the monthly periods presented in these tables were calculated by taking the simple average of the daily noon buying rates. The average rates for the interim periods and annual periods presented in these tables were calculated by taking the simple average of the noon buying rates on the last day of each month during the relevant period.

On December 14, 2009, the latest practicable date for which such information was available prior to the printing of this Proxy Statement, the noon buying rate was $1.624 per £1.00. These translations should not be construed as a representation that the U.S. dollar amounts actually represent, or could be converted into, pounds sterling at the rates indicated.

	Period-end Rate	Average Rate	High	Low
Recent Monthly Data				
November 2009	$ 1.648	$ 1.660	$ 1.680	$ 1.638
October 2009	1.648	1.621	1.661	1.588
September 2009	1.600	1.632	1.670	1.591
August 2009	1.631	1.653	1.698	1.621
July 2009	1.671	1.638	1.671	1.603
June 2009	1.645	1.637	1.655	1.598
May 2009	1.616	1.542	1.616	1.488
April 2009	1.480	1.471	1.499	1.440
March 2009	1.430	1.417	1.473	1.376
February 2009	1.428	1.442	1.494	1.422
January 2009	1.441	1.446	1.525	1.366
December 2008	1.462	1.485	1.546	1.440
November 2008	1.535	1.533	1.616	1.479
Interim Period Data				
Nine months ended September 30, 2009	$ 1.600	$ 1.544	$ 1.698	$ 1.366
Six months ended June 30, 2009	1.645	1.494	1.655	1.366
Nine months ended September 30, 2008	1.780	1.947	2.031	1.750
Six months ended June 30, 2008	1.991	1.975	2.031	1.941
Annual Data (Year ended December 31,)				
2008	$ 1.462	$ 1.854	$ 2.031	$ 1.440
2007	1.984	2.002	2.110	1.924
2006	1.959	1.843	1.979	1.726
2005	1.719	1.815	1.929	1.714
2004	1.916	1.836	1.948	1.754

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FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this Proxy Statement may constitute forward-looking statements. All statements in this Proxy Statement, other than those relating to historical information or current condition, are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those indicated in any such 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 retailer brands, unanticipated expenses in connection with litigation, settlement of legal disputes, regulatory investigations or enforcement actions, our indebtedness and ability to pay our indebtedness, the shift in consumer preference to lower priced products, risks from operating outside the United States, tax law changes, failure to obtain necessary regulatory approvals or required financing or to satisfy any of the other conditions of the proposed acquisition of Cadbury, adverse effects on the market price of our common stock and on our operating results because of a failure to complete the proposed acquisition, failure to realize the expected benefits of the proposed acquisition, significant transaction costs and/or unknown liabilities and general economic and business conditions that affect the combined company following the completion of the proposed acquisition. For more information on these and other factors that could affect our forward-looking statements, please also see the section of this Proxy Statement entitled Risk Factors and the risk factors in 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 incorporated by reference herein. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this Proxy Statement except as required by applicable law or regulation.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF KRAFT FOODS

The following table sets forth the selected historical consolidated financial and operating data of Kraft Foods for the nine-month periods ended September 30, 2009 and 2008 and for each of the years in the five-year period ended December 31, 2008. The following data have been derived from the annual audited consolidated financial statements, including the consolidated balance sheets at December 31, 2008 and 2007 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2008 and notes thereto; and the unaudited Selected Financial Data Summary contained in Kraft Foods Current Report on Form 8-K filed with the SEC on November 3, 2009. The data for the nine months ended September 30, 2009 and 2008 have been derived from unaudited consolidated financial statements of Kraft Foods contained in Kraft Foods Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods. All historical financial information presented with respect to Kraft Foods is prepared in accordance with U.S. GAAP, which differs from International Financial Reporting Standards (IFRS) in a number of significant respects. For a general discussion of the significant differences between IFRS and U.S. GAAP, please see the section of this Proxy Statement entitled Summary of Significant Differences Between IFRS and U.S. GAAP. Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year.

This summary information is derived from and should be read in conjunction with the financial statements and related notes incorporated by reference into this Proxy Statement, as described in Incorporation by Reference on page 76 of this Proxy Statement.

	Nine months ended September 30,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(in millions, except for per share and employee data)						
Summary of Operations:							
Net revenues	$ 29,361	$ 31,251	$ 41,932	$ 35,858	$ 33,018	$ 32,779	$ 30,859
Cost of sales	18,890	20,777	28,088	23,656	21,190	21,115	19,474
Operating income	4,218	3,513	3,843	4,176	4,158	4,373	4,327
Operating margin	14.4%	11.2%	9.2%	11.6%	12.6%	13.3%	14.0%
Interest and other expense, net	915	934	1,240	604	510	635	666
Earnings from continuing operations before income taxes	3,303	2,579	2,603	3,572	3,648	3,738	3,661
Provision for income taxes	986	834	755	1,080	816	1,066	1,165
Earnings / (loss) from discontinued operations, net of income taxes		968	1,045	232	233	(33)	219
Net earnings	2,317	2,713	2,893	2,724	3,065	2,639	2,715
Noncontrolling interest	6	7	9	3	5	3	3
Net earnings attributable to Kraft Foods	2,311	2,706	2,884	2,721	3,060	2,636	2,712
Basic EPS attributable to Kraft Foods:							
Continuing operations	1.56	1.15	1.22	1.56	1.70	1.57	1.45
Discontinued operations		0.63	0.70	0.15	0.14	(0.02)	0.13
Net earnings attributable to Kraft Foods	1.56	1.78	1.92	1.71	1.84	1.55	1.58
Diluted EPS attributable to Kraft Foods:							
Continuing operations	1.56	1.14	1.21	1.56	1.70	1.57	1.45
Discontinued operations		0.63	0.69	0.14	0.14	(0.02)	0.13
Net earnings attributable to Kraft Foods	1.56	1.77	1.90	1.70	1.84	1.55	1.58
Dividends declared per share	0.87	0.83	1.12	1.04	0.96	0.87	0.77
Dividends declared as a % of Basic EPS	55.8%	46.6%	58.3%	60.8%	52.2%	56.1%	48.7%
Dividends declared as a % of Diluted EPS	55.8%	46.9%	58.9%	61.2%	52.2%	56.1%	48.7%

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF KRAFT FOODS (con t)

	Nine months ended September 30, 2009	2008	Year ended December 31, 2008	2007	2006	2005	2004
	(in millions, except for per share and employee data)						
Weighted-average shares Basic	1,477	1,516	1,505	1,591	1,659	1,699	1,720
Weighted-average shares Diluted	1,485	1,527	1,515	1,600	1,661	1,699	1,720
Net cash provided by operating activities	3,269	2,529	4,141	3,571	3,720	3,464	4,008
Capital expenditures	749	901	1,367	1,241	1,169	1,171	1,006
Depreciation	644	734	963	873	884	869	868
Property, plant and equipment, net	10,409	10,638	9,917	10,778	9,693	9,817	9,985
Inventories, net	4,073	4,792	3,881	4,238	3,436	3,272	3,365
Total assets	66,669	67,029	63,173	68,132	55,548	57,597	59,905
Long-term debt	18,108	18,874	18,589	12,902	7,081	8,475	9,723
Total debt	20,725	20,593	20,251	21,009	10,821	11,200	12,518
Total long-term liabilities	29,402	30,176	29,773	23,574	16,520	19,285	20,903
Total Kraft Foods Shareholders Equity	25,125		22,295	27,407	28,536	29,574	29,888
Total Equity	25,211	26,554	22,356	27,445	28,562	29,600	29,924
Book value per common share outstanding	17.02	18.08	15.18	17.87	17.44	17.71	17.53
Market price per common share high / low	29.84/20.81	34.97/28.04	34.97/24.75	37.20/29.95	36.67/27.44	35.65/27.88	36.06/29.45
Closing price of common share at period end	26.27	32.75	26.85	32.63	35.70	28.17	35.61
Price / earnings ratio at period end Basic	17	18	14	19	19	18	23
Price / earnings ratio at period end Diluted	17	19	14	19	19	18	23
Number of common shares outstanding at period end	1,476	1,469	1,469	1,534	1,636	1,670	1,705
Number of employees	N/A	N/A	98,000	103,000	90,000	94,000	98,000

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CADBURY

The following table sets forth the selected historical consolidated financial and operating data of Cadbury for the six-month periods ended June 30, 2009 and 2008 and for each of the years in the five-year period ended December 31, 2008.

We are not affiliated with Cadbury, and we have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement. Therefore, non-public information concerning Cadbury s business and financial condition was not available to us for the purpose of including selected historical consolidated financial data of Cadbury for the nine-month period ended September 30, 2009. We have requested current financial information from Cadbury, including financial information for the nine-month period ended September 30, 2009. Our legal advisors received a letter dated December 15, 2009 in which Cadbury rejected our request. However, if we do receive such information in a timely manner, we would include selected historical consolidated financial data of Cadbury for the nine-month period ended September 30, 2009 in this Proxy Statement.

The information with respect to the six months ended June 30, 2009 and 2008 has been derived from the unaudited consolidated financial statements of Cadbury contained in Cadbury s Report on Form 6-K furnished to the SEC on July 29, 2009. The following data, insofar as it relates to each of the years 2004 through 2008, have been derived from annual consolidated financial statements, including the consolidated balance sheets at December 31, 2008 and 2007 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2008 and notes thereto contained in Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008. All historical financial information presented with respect to Cadbury is prepared in accordance with IFRS. Cadbury s consolidated financial statements were prepared in pounds sterling and in accordance with IFRS, which differs from U.S. GAAP in a number of significant respects. For a general discussion of the significant differences between IFRS and U.S. GAAP, please see the section of this Proxy Statement entitled Summary of Significant Differences Between IFRS and U.S. GAAP. Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CADBURY (con t)

This summary information is derived from and should be read in conjunction with the financial statements and related notes incorporated by reference into this Proxy Statement, as described in Incorporation by Reference on page 76 of this Proxy Statement.

	Six months ended June 30,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(in millions of pounds sterling, except for per share data)						
Continuing Operations							
Revenue	2,767	2,440	5,384	4,699	4,483	4,295	3,990
Trading costs	(2,462)	(2,226)	(4,803)	(4,258)	(4,071)	(3,799)	(3,576)
Restructuring costs	(105)	(70)	(194)	(165)	(107)	(62)	(110)
Non-trading items	1	(6)	1	2	23	5	17
Profit from Operations	201	138	388	278	328	439	321
Share of result in associates	3	4	10	8	(15)	13	11
Profit before financing and taxation	204	142	398	286	313	452	332
Investment revenue	18	28	52	56	50	45	51
Finance costs	(110)	(36)	(50)	(88)	(119)	(174)	(196)
Profit before taxation	112	134	400	254	244	323	187
Taxation	(33)	26	(30)	(105)	(68)	24	11
Profit for the period from continuing operations	79	160	370	149	176	347	198
Discontinued operations(1)							
(Loss)/profit for the period from discontinued operations	234	(47)	(4)	258	989	429	349
Profit for the period	313	113	366	407	1,165	776	547
Attributable to:							
Equity holders of the parent	313	113	364	405	1,169	765	525
Minority interests			2	2	(4)	11	22
	313	113	366	407	1,165	776	547
Earnings per share							
From continuing and discontinued operations							
Basic	23.1p	6.0p	22.6p	19.4p	56.4p	37.3p	25.9p
Diluted	23.1p	6.0p	22.6p	19.2p	55.9p	36.9p	25.7p
From continuing operations							
Basic	5.8p	8.5p	22.8p	7.0p	8.7p	16.4p	8.7p
Diluted	5.8p	8.5p	22.8p	7.0p	8.6p	16.2p	8.6p
Earnings per ADR(2)							
From continuing and discontinued operations							
Basic	92.4p	24.0p	90.4p	77.6p	225.6p	149.2p	103.6p
Diluted	92.4p	24.0p	90.4p	76.8p	223.6p	147.6p	102.8p
From continuing operations							
Basic	23.2p	34.0p	91.2p	28.0p	34.8p	65.6p	34.8p
Diluted	23.2p	34.0p	91.2p	28.0p	34.4p	64.8p	34.4p

(1) Cadbury s beverage businesses in Europe and South Africa were sold in 2006. In 2008, Cadbury completed the demerger of its Americas Beverages business and announced it had entered into a conditional agreement to sell the Australia Beverages business. On March 12, 2009, Cadbury entered into a definitive sale and purchase agreement for the sale of Australia Beverages. All of these businesses have been classified as discontinued operations and the 2004 to 2007 financial information has been re-presented accordingly.

(2) Each Cadbury ADR (i.e., ADS) represents four ordinary shares.

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SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA

The following selected unaudited pro forma financial data for the year ended December 31, 2008 and for the six-month period ended June 30, 2009, the date of the latest publicly available financial information of Cadbury, show the effect of the Cadbury acquisition on Kraft Foods results of operations as if it had occurred on January 1, 2008. The following unaudited pro forma balance sheet data at June 30, 2009 show the effect of the Cadbury acquisition on Kraft Foods financial position as if it had occurred on that date.

We are not affiliated with Cadbury, and we have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement. Therefore, non-public information concerning Cadbury s business and financial condition was not available to us for the purpose of presenting pro forma combined financial data for the nine-month period ended September 30, 2009. We have requested current financial information from Cadbury, including financial information for the nine-month period ended September 30, 2009. Our legal advisors received a letter dated December 15, 2009 in which Cadbury rejected our request. However, if we do receive such information in a timely manner, we would compile pro forma combined financial data for the nine-month period ended September 30, 2009 and include it in this Proxy Statement.

The unaudited pro forma financial data included in this Proxy Statement are based on the historical financial statements of Kraft Foods and Cadbury, and on publicly available information and certain assumptions that we believe are reasonable, which are described in the notes to the Unaudited U.S. GAAP Pro Forma Financial Information included in this Proxy Statement. Significantly, we have not performed any due diligence or detailed valuation analysis necessary to determine the fair market values of the Cadbury assets to be acquired and liabilities to be assumed. Accordingly, the pro forma financial statements do not include an allocation of the purchase price, unless specified otherwise.

The information in the following table has been derived from the unaudited consolidated financial statements of Kraft Foods contained in Kraft Foods Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, the audited consolidated financial statements of Kraft Foods contained in Kraft Foods Current Report on Form 8-K filed with the SEC on November 3, 2009, the unaudited consolidated financial statements of Cadbury contained in Cadbury s Report on Form 6-K furnished to the SEC on July 29, 2009 and the audited consolidated financial statements of Cadbury contained in Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008.

We have translated the Cadbury figures in this section from pounds sterling into U.S. dollars using average exchange rates applicable during the periods presented for the unaudited pro forma consolidated statements of earnings and the period end exchange rate for the unaudited pro forma consolidated balance sheet, as described in the section of this Proxy Statement entitled Unaudited U.S. GAAP Pro Forma Financial Information.

Cadbury s consolidated financial statements are prepared in accordance with IFRS, which differs in a number of significant respects from U.S. GAAP. For a general discussion of the significant differences between IFRS and U.S. GAAP, please see the section of this Proxy Statement entitled Summary of Significant Differences Between IFRS and U.S. GAAP.

The following should be read in connection with the section of this Proxy Statement entitled Unaudited U.S. GAAP Pro Forma Financial Information, and other information included in or incorporated by reference into this Proxy Statement.

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SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA (con t)

The following pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations and financial position that would have been achieved had the consummation of the acquisition taken place on the date indicated or of the future operations of the combined company. The following table should be relied on only for the limited purpose of presenting what the results of operations and financial position of the combined businesses of Kraft Foods and Cadbury might have looked like had the acquisition been consummated at an earlier date. For a discussion of the assumptions and adjustments made in the preparation of the pro forma financial information presented in this Proxy Statement, please see the section of this Proxy Statement entitled Unaudited U.S. GAAP Pro Forma Financial Information.

	For the six months ended June 30, 2009	For the year ended December 31, 2008
	Pro Forma Combined (in millions, except percentages and per share data)	
Statement of Operations		
Net revenues	$ 23,656	$ 52,031
Cost of sales	14,819	33,478
Operating income	3,027	4,467
Operating margin	12.8%	8.6%
Interest and other expense, net	806	1,443
Earnings from continuing operations before income taxes	2,221	3,024
Provision for income taxes	722	717
Earnings from continuing operations attributable to shareholders	1,495	2,294
Basic earnings per share from continuing operations	0.81	1.23
Diluted earnings per share from continuing operations	0.81	1.22
Weighted-average shares Basic	1,842	1,871
Weighted-average shares Diluted	1,850	1,881

	As of June 30, 2009 Pro forma combined (in millions, except per share data)
Balance Sheet Data	
Property, plant and equipment, net	$ 13,057
Inventories, net	5,407
Total assets	89,875
Long-term debt	27,521
Total debt	30,334
Total long-term liabilities	41,354
Total Shareholders Equity	33,675
Total Equity	33,771
Book value per share outstanding	18.29
Number of shares outstanding at period end	1,841

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HISTORICAL AND PRO FORMA PER SHARE DATA

The table set forth below depicts the basic and diluted earnings per share, cash dividends declared per share and book value per share for (a) Kraft Foods and Cadbury on a historical basis, (b) the combination of Kraft Foods and Cadbury on a pro forma combined basis and (c) Cadbury in comparison with the equivalent pro forma net income and book value per share attributable to 0.2589 of a share of Kraft Foods common stock that will be received for each Cadbury ordinary share, including each share represented by a Cadbury ADS, exchanged in the Cadbury acquisition, based on the average exchange rate for the period. The pro forma data of the combined company were derived by combining the historical consolidated financial information of Kraft Foods and using the acquisition method of accounting for business combinations as described in the section of this Proxy Statement entitled, The Offer Accounting Treatment. For a discussion of the assumptions and adjustments made in the preparation of the pro forma financial information presented in this Proxy Statement, see the section of this Proxy Statement entitled Unaudited U.S. GAAP Pro Forma Financial Information.

We are not affiliated with Cadbury, and we have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement. Therefore, non-public information concerning Cadbury s business and financial condition was not available to us for the purpose of presenting historical and pro forma per share data for the nine-month period ended September 30, 2009. We have requested current financial information from Cadbury, including financial information for the nine-month period ended September 30, 2009. Our legal advisors received a letter dated December 15, 2009 in which Cadbury rejected our request. However, if we do receive such information in a timely manner, we would compile historical and pro forma per share data for the nine-month period ended September 30, 2009 and include it in this Proxy Statement.

Cadbury s consolidated financial statements are prepared in accordance with IFRS, which differs in a number of significant respects from U.S. GAAP. For a general discussion of the significant differences between IFRS and U.S. GAAP, please see the section of this Proxy Statement entitled Summary of Significant Differences Between IFRS and U.S. GAAP.

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You should read the information presented in the table below together with the historical financial statements of Kraft Foods and Cadbury and the related notes and the Unaudited U.S. GAAP Pro Forma Financial Information appearing elsewhere in this Proxy Statement or incorporated herein by reference. The pro forma data are unaudited and for illustrative purposes only. The companies may have performed differently had they always been combined. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will achieve after the consummation of the Cadbury acquisition.

	For the six months ended June 30, 2009	Year ended December 31, 2008
Kraft Foods historical data		
Earnings per share from continuing operations		
Basic	$ 1.01	$ 1.22
Diluted	1.00	1.21
Cash dividends declared per share	0.58	1.12
Book value per share	16.47	
Cadbury historical data		
Earnings per share from continuing operations		
Basic	5.8p	22.8p
Diluted	5.8p	22.8p
Cash dividends declared per share	5.7p	16.4p
Book value per share	227.0p	
Unaudited pro forma combined		
Earnings per share		
Basic	$ 0.81	$ 1.23
Diluted	0.81	1.22
Cash dividends declared per share(1)	0.58	1.12
Book value per share	18.29	
Equivalent basis unaudited pro forma combined		
Earnings per share		
Basic	14.2p	16.9p
Diluted	14.1p	16.8p
Cash dividends declared per share(1)	10.1p	15.5p
Book value per share	288.1p	

(1) Same as historical since no change in dividend policy is expected as a result of the Cadbury acquisition.

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COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION

Our common stock is traded on the NYSE under the symbol KFT. Cadbury ordinary shares are traded on the London Stock Exchange (LSE) under the symbol CBRY, and Cadbury ADSs are traded on the NYSE under the symbol CBY.

The following table sets forth, for the periods indicated, the per share high and low sales prices of our common stock and Cadbury ADSs on the NYSE and Cadbury ordinary shares on the LSE, as well as the dividends declared thereon. The share prices in the table have been obtained from FactSet. Cadbury ordinary share and Cadbury ADS dividend numbers have been obtained from publicly available information published by Cadbury.

	Kraft Foods common stock ($)			Cadbury ordinary shares (p)			Cadbury ADSs ($)		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
2007, quarter ended									
March 31	35.91	30.20	0.25	656.50	529.00	9.90	51.41	40.74	0.772
June 30	36.74	30.33	0.25	723.50	652.00	5.00	57.30	51.37	N/A
September 30	36.33	31.15	0.27	680.00	534.50	N/A	54.30	42.78	0.406
December 31	35.20	32.30	0.27	641.00	570.00	N/A	53.24	46.90	N/A
2008, quarter ended									
March 31	32.70	28.81	0.27	625.00	539.50	10.50	49.56	43.43	N/A
June 30(1)	32.82	28.39	0.27	N/A	N/A	N/A	N/A	N/A	N/A
April 1 May 1	N/A	N/A	N/A	586.50	556.50	N/A	46.61	43.86	0.844
May 2 June 30	N/A	N/A	N/A	704.50	609.50	N/A	56.01	48.55	N/A
September 30	34.97	28.40	0.29	661.50	565.50	5.30	50.94	40.32	0.4195
December 31	33.54	24.87	0.29	605.50	453.25	N/A	40.09	29.65	N/A
2009									
January 1 March 31	29.57	21.00	0.29	619.00	497.25	11.10	37.18	28.06	0.6394
April 1 June 30	27.04	22.05	0.29	554.50	486.50	N/A	35.99	28.78	N/A
July 1 September 30	28.81	25.70	0.29	805.00	520.00	5.70	52.53	33.91	0.376
October 1 December 1	27.64	25.95	N/A	814.00	758.00	N/A	54.00	49.72	N/A

(1) On May 2, 2008, Cadbury plc was inserted as a new holding company above Cadbury Schweppes plc, trading on the LSE with a secondary listing on the NYSE via an American Depositary Receipt program and began trading as a stand-alone confectionery company. On May 7, 2008, Cadbury completed the demerger of its Americas Beverages business as Dr. Pepper Snapple Group. The market prices for Cadbury in the table above include the value of the Americas Beverages business through such date. On May 1, 2008, the last trading day prior to Cadbury trading as a stand-alone confectionery company, the closing price per Cadbury Schweppes ordinary share was 574.50p and the closing price per Cadbury Schweppes ADS was $45.46. On May 2, 2008, the first day that Cadbury traded as a stand-alone company, the closing price per Cadbury ordinary share was 640.00p and the closing price per Cadbury ADS was $51.60.

The following table shows, as of September 4, 2009, the last full trading day before we publicly announced a possible offer for a combination with Cadbury, November 6, 2009, the last full trading day before we publicly announced a firm intention to make an offer to acquire Cadbury, and December 1, 2009, the last practicable day before we made the offer, the closing price per share of our common stock and Cadbury ADS on the NYSE and the closing price per Cadbury ordinary share on the LSE. This table also presents the implied equivalent value per security. The implied equivalent value of a Cadbury ordinary share was calculated by multiplying the closing market price per share of our common stock on the NYSE by 0.2589, the exchange ratio for each Cadbury ordinary share tendered in the offer, and then adding to that amount the cash portion of the exchange consideration of 300 pence payable for each Cadbury ordinary share tendered in the offer. The implied equivalent value of a Cadbury ADS was calculated by multiplying the closing market prices per share of our common stock by 1.0356, the implied exchange ratio for each Cadbury ADS tendered in the offer, and then adding to that amount an amount in U.S. dollars equal to the cash portion of the exchange consideration of 1,200 pence payable for each Cadbury ADS tendered in the offer. Unless Cadbury shareholders elect to receive all cash or all shares of Kraft Foods common stock under the mix and match facility (as described in the section of this Proxy Statement entitled The Offer Terms of the Offer), they will receive the offer consideration in a mixture of cash and shares of Kraft Foods common stock on the terms set forth in the December 4 offer documents and described in this Proxy Statement.

In calculating the implied equivalent values below, amounts in U.S. dollars have been translated into pounds sterling, in the case of Cadbury ordinary shares, and amounts in pounds sterling have been translated into U.S. dollars, in the case of Cadbury ADSs, in each case as follows:

at a rate of £1.00 = $1.6346, as quoted by WM/Reuters on September 4, 2009;

at a rate of £1.00 = $1.6609, as quoted by WM/Reuters on November 6, 2009; and

at a rate of £1.00 = $1.6627, as quoted by WM/Reuters on December 1, 2009.

		Cadbury Security		Implied Equivalent Value per Cadbury Security	
	Kraft Foods common stock ($)	ordinary shares (p)	ADSs ($)(1)	ordinary shares (p)(2)	ADSs ($)(2)
September 4, 2009	28.10	568.00	37.46	745.07	48.72
November 6, 2009	26.78	758.00	50.50	717.44	47.66
December 1, 2009	26.50	806.00	53.24	712.63	47.40

(1) Each Cadbury ADS represents four Cadbury ordinary shares.

(2) Unless Cadbury shareholders elect to receive all cash or all shares under the mix and match facility, they will receive the offer consideration in a mixture of cash and shares of Kraft Foods common stock on the terms set forth in the December 4 offer documents and described in this Proxy Statement.

The market prices of our common stock, Cadbury ordinary shares and Cadbury ADSs are likely to fluctuate prior to the expiration date of the offer and cannot be predicted. We urge you to obtain current market information regarding our common stock, Cadbury ordinary shares and Cadbury ADSs.

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RISK FACTORS

Before deciding how to vote your shares at the Special Meeting, you should consider carefully the following risk factors, and the other risks and information contained in this Proxy Statement and in the documents incorporated herein by reference. Please see Where You Can Find More Information on page 75 of this Proxy Statement for information on where you can find additional risk factors and other information incorporated by reference in this Proxy Statement.

Risk Factors Relating to the Proposed Cadbury Acquisition and the Offer

Our existing shareholders will be diluted as a consequence of the issuance of our common stock pursuant to the proposed Cadbury acquisition and they will have reduced ownership and voting interests in Kraft Foods following completion of the Cadbury acquisition.

Existing Kraft Foods shareholders will own a smaller percentage of our common stock than they currently own. We estimate that, if we issued all 370 million of the shares we are seeking approval to issue, existing Kraft Foods shareholders will own approximately 80% of the shares of our common stock outstanding immediately after the Cadbury acquisition, including any related equity financing, is completed.

Risks of executing the proposed Cadbury acquisition could cause the market price of our common stock to decline.

The market price of our common stock may decline as a result of the Cadbury acquisition, among other reasons, if:

- the integration of Cadbury s business is delayed or unsuccessful;
- we do not achieve the expected benefits of our acquisition of Cadbury as rapidly or to the extent anticipated by us, financial analysts or investors or at all;
- the effect of the Cadbury acquisition on our financial results is not consistent with the expectations of financial analysts or investors;
- former Cadbury shareholders sell a significant number of shares of our common stock after completion of the Cadbury acquisition; or
- we fail to acquire 100% of the Cadbury ordinary shares, including those represented by Cadbury ADSs, in the Cadbury acquisition or through the compulsory acquisition process.

The number of shares of our common stock that will be issued to Cadbury shareholders pursuant to the Cadbury acquisition will be not more than 370 million, representing approximately 20% of the issued and outstanding shares of our common stock, as increased as a result of the Cadbury acquisition, calculated at December 15, 2009. If a significant proportion of Cadbury shareholders who receive our common stock in the offer seek to sell those shares within a short period after completion of the offer, this could create selling pressure in the market for our common stock or a perception that such selling pressure may develop, either of which may adversely affect the market for, and the market price of, our common stock.

Failure to acquire 100% of the Cadbury ordinary shares, including Cadbury ADSs, may affect our ability to complete any post-closing restructuring of Cadbury and its subsidiaries. This could reduce or delay the cost savings or revenue benefits to the combined company.

To effect a compulsory acquisition of the remaining Cadbury ordinary shares, including those represented by Cadbury ADSs, we will need to first obtain at least 90% of the Cadbury ordinary shares to which the offer

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relates, including those represented by Cadbury ADSs. Unlike domestic U.S. corporations, English corporations cannot merge with another corporation with the approval of a majority shareholder vote. The offer is conditional upon valid acceptances being received (and not, where permitted, withdrawn) in respect of not less than 90% of Cadbury ordinary shares, including those represented by Cadbury ADSs, but this percentage may be reduced by us to any percentage above 50%. Were this condition to be reduced, we could complete the offer without being able to acquire compulsorily the remaining Cadbury ordinary shares, including those represented by Cadbury ADSs, we do not own. We would then be entitled to exercise control of Cadbury and affect the composition of the Cadbury Board. However, depending on the level of acceptances received, we may not control sufficient voting rights to delist Cadbury from the Official List maintained by the United Kingdom Financial Services Authority and from trading on the LSE; it may take longer and be more difficult to effect any post-closing restructuring; and the full amount of the cost synergies and revenue benefits identified for the combined company may not be obtained or may only be obtained over a longer period of time. In addition, if we own less than 100% of Cadbury after completion of the offer, we may not be able to carry out joint cash pooling or other intra-company transactions with Cadbury and its subsidiaries on favorable terms or at all. This may adversely affect our ability to achieve the expected amount of cost synergies and revenue benefits after the offer is completed.

We must obtain governmental and regulatory consents to complete the offer, which, if delayed, not granted or granted with onerous conditions, may jeopardize or delay the offer, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the acquisition.

The offer is conditional on, among other things, the receipt of regulatory approvals from regulators with jurisdiction over the operations of Kraft Foods and Cadbury. On December 14, 2009, the required waiting period under the HSR Act expired. The governmental agencies from which we seek these approvals have discretion in administering the governing regulations. As a condition to their approval of the Cadbury acquisition, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company s business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the offer or may reduce the anticipated benefits of the Cadbury acquisition to the combined company. Furthermore, we may not be able to obtain the required consents and approvals and, if so, the required conditions of the offer may not be satisfied. Even if all of the required consents and approvals are obtained and the conditions to the consummation of the offer are satisfied, we will not necessarily be able to control the terms, conditions and timing of the approvals. If we agree to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any approvals required to consummate the offer, these requirements, limitations, additional costs or restrictions could adversely affect the two companies ability to integrate their operations or reduce the anticipated benefits of the proposed Cadbury acquisition. This could result in a delay in completion of, or a decision not to complete, the Cadbury acquisition, or have a material adverse effect on the business and results of operations of the combined company. Please see the section of this Proxy Statement entitled The Offer Conditions of the Offer for a discussion of certain conditions of the offer and the section of this Proxy Statement entitled The Offer Regulatory Approvals for a description of the material regulatory approvals necessary in connection with the offer.

Even if a material adverse change to Cadbury s business or prospects were to occur, in certain circumstances, we may not be able to invoke the offer conditions and terminate the offer, which could reduce the value of our common stock.

Completion of the offer is subject to a number of conditions, including that there is no material adverse change affecting Cadbury before the offer becomes, or is declared, wholly unconditional. Under the U.K. City Code on Takeovers and Mergers (the U.K. Takeover Code), and except for the minimum acceptance condition and the conditions relating to the European Commission antitrust approval (as described in the section of this Proxy Statement entitled The Offer Regulatory Approvals), we may invoke a condition to the offer to cause the offer not to proceed only if the U.K. Panel on Takeovers and Mergers (the U.K. Takeover Panel) is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to Kraft Foods in the context of the offer. Because of this consent requirement, the conditions may provide us less protection than the customary conditions in an offer for a U.S. domestic company.

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If a material adverse change affecting Cadbury were to occur and the U.K. Takeover Panel does not allow us to invoke a condition to cause the offer not to proceed, the market price of our common stock may decline or our business or our financial condition may be materially adversely affected.

We have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement.

We have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement. Accordingly, we have prepared the information in, or incorporated by reference into, this Proxy Statement based only on publicly available information regarding Cadbury and such information has not been subject to comment or verification by Cadbury, us or their or our directors.

We have no knowledge that any information or statements relating to Cadbury contained in, or incorporated by reference into, this Proxy Statement are inaccurate or incomplete. However, we were not involved in the preparation of such information and statements and, therefore, cannot verify the accuracy, completeness or truth of such information or any failure by Cadbury to disclose events that may have occurred, but that are unknown to us, that may affect the significance or accuracy of any such information.

In addition, we have made certain assumptions relating to the forecast level of cost savings, synergies and associated costs of the Cadbury acquisition based only on publicly available information regarding Cadbury. Our assumptions relating to the forecast level of cost savings, synergies and associated costs of the Cadbury acquisition may be inaccurate.

Further, the completion of the Cadbury acquisition may give rise to the right of contractual counterparties to terminate material supply and other contracts with Cadbury or result in other consequences as a result of matters unknown to us. As such, there may be other matters relating to Cadbury that are unknown by us and that may have an adverse effect on the combined company s financial condition and results of operations and/or result in substantial additional costs or liabilities.

Whether or not the Cadbury acquisition is completed, the announcement and prospect of the successful completion of the Cadbury acquisition could cause disruptions in the businesses of Kraft Foods and/or Cadbury, which could have material adverse effects on their businesses and financial results, as well as on the business prospects and financial results of the combined company.

Whether or not the Cadbury acquisition is completed, the announcement and prospect of the successful completion of the Cadbury acquisition could cause disruptions in the businesses of Kraft Foods and/or Cadbury. Specifically, if the Cadbury acquisition succeeds, some current and prospective employees may experience uncertainty about their future roles within the combined company, which may adversely affect Kraft Foods and Cadbury s abilities to retain or recruit key managers and other employees. If Kraft Foods and Cadbury fail to manage these risks effectively, the business and financial results of Kraft Foods, Cadbury and the combined company could be adversely affected.

If there are significant, unforeseen difficulties integrating the business operations of Kraft Foods and Cadbury, they could adversely affect the business of the combined company.

We intend, to the extent possible, to integrate our operations with those of Cadbury. Our goal in integrating these operations is to increase revenues through enhanced growth opportunities and achieve cost savings by taking advantage of the significant anticipated synergies of consolidation. However, we may encounter difficulties integrating our operations with Cadbury s operations, resulting in a delay or the failure to achieve the anticipated synergies, including the expected increases in earnings and cost savings. If such difficulties are significant, this could adversely affect the business of the combined company.

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We may incur higher than expected integration, transaction and acquisition-related costs.

We expect to incur a number of non-recurring costs associated with combining the operations of the two companies, including implementation cash costs estimated to be approximately $1.2 billion in the first three years following completion of the Cadbury acquisition. In addition, we will incur legal, accounting and transaction fees and other costs related to the offer. Some of these costs are payable regardless of whether the offer is completed and such costs may be higher than anticipated.

Although we believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset these implementation and acquisition costs over time, this net benefit may not be achieved within the expected timetable. In addition, some of these costs could be higher than we anticipate, which could reduce the net benefits of the transaction and impact our results of operations.

The terms of the offer are subject to change.

We have reserved the right to, in our sole discretion, increase the value of our offer to Cadbury shareholders, which could result in us paying additional cash consideration or issuing additional shares of our common stock. If any term of the Cadbury acquisition described in this Proxy Statement changes in a manner that we believe is material to our shareholders, we will supplement this Proxy Statement to inform you of such change and, if legally required, resolicit proxies from our shareholders.

Shareholders in the combined company will be more exposed to currency exchange rate fluctuations as, following completion of the Cadbury acquisition, there will be an increased proportion of assets, liabilities and earnings denominated in foreign currencies.

As a result of the successful completion of the Cadbury acquisition, the financial results of the combined company will be more exposed to currency exchange rate fluctuations and an increased proportion of assets, liabilities and earnings will be denominated in non-U.S. dollar currencies.

The combined company will present its financial statements in U.S. dollars and will have a significant proportion of net assets and income in non-U.S. dollar currencies, primarily pounds sterling and the euro, as well as a range of emerging market currencies. The combined company s financial results and capital ratios will therefore be sensitive to movements in foreign exchange rates. A depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have an adverse impact on the combined company s financial results.

Risk Factors Relating to Our Business and the Business of the Combined Company

We operate in a highly competitive industry, which may affect our profitability.

The food industry is highly competitive. We compete based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing, promotional activity and the ability to identify and satisfy consumer preferences.

From time to time, we may need to reduce our prices in response to competitive and customer pressures and to maintain our market share. Competition and customer pressures may also restrict our ability to increase prices in response to commodity and other input cost increases. Our results of operations will suffer if profit margins decrease, as a result of a reduction in prices, increased input costs or other factors, and if we are unable to increase sales volumes to offset those profit margin decreases.

Retailers are increasingly offering retailer brands that compete with some of our products. It is important that our products provide higher value and/or quality to our consumers than less expensive alternatives. If the difference in value or quality between our products and those of retailer brands narrows, or if such difference in

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quality is perceived to have narrowed, then consumers may not buy our products. Furthermore, during periods of economic uncertainty, such as have been experienced in the recent past and may be experienced in the future, consumers tend to purchase more retailer brands or other economy brands, which could reduce sales volumes of our products or shift our product mix to our lower margin offerings. If we are not able to maintain or improve our brand image or value proposition, it could have a material effect on our market share and our profitability.

We may also need to increase spending on marketing, advertising and new product innovation to protect existing market share or increase market share. The success of our investments is subject to risks, including uncertainties about trade and consumer acceptance. As a result, our increased expenditures may not maintain or enhance market share and could result in lower profitability.

The consolidation of retail customers, the loss of a significant customer or a material reduction in sales to a significant customer could affect our operating margins, our profitability, our sales and our results of operations.

Retail customers, such as supermarkets, warehouse clubs and food distributors in the United States, the European Union and our other major markets, continue to consolidate. These consolidations have produced large, sophisticated customers with increased buying power. These larger retailers, capable of operating with reduced inventories, can resist price increases and demand lower pricing, increased promotional programs and specifically tailored products. They also may use shelf space currently used for our products for their own retailer brands. The consolidation of retail customers also increases the risk that a severe adverse impact on their business operations could have a corresponding material adverse effect on us. Also, our retail customers may be affected by recent economic conditions. For example, they may not have access to funds or financing and that could cause them to delay, decrease or cancel purchases of our products, or to not pay us or to delay paying us for previous purchases.

During 2008, our five largest customers accounted for approximately 27% of our net revenues, with our largest customer, Wal-Mart Stores, Inc., accounting for approximately 16% of our net revenues. There can be no assurance that all significant customers will continue to purchase our products in the same quantities that they have in the past. The loss of any one of our significant customers or a material reduction in sales to a significant customer could have a material adverse effect on our sales and results of operations.

Increased price volatility for commodities we purchase may affect our profitability.

We are a major purchaser of commodities, including dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. We also use significant quantities of plastic, glass and cardboard to package our products, and natural gas for our factories and warehouses. Price volatility for commodities we purchase has increased due to conditions outside of our control, including recent economic conditions, currency fluctuations, availability of supply, weather, consumer demand and changes in governmental agricultural programs. Although we monitor our exposure to commodity prices as an integral part of our overall risk management program, continued volatility in the prices of commodities we purchase could increase the costs of our products and services, and our profitability could suffer.

Our product sales depend on our ability to predict, identify and interpret changes in consumer preferences and demand, and on our ability to develop and offer new products rapidly enough to meet those changes.

Consumer preferences for food products change continually. Our success depends on our ability to predict, identify and interpret the tastes and dietary habits of consumers and to offer products that appeal to those preferences.

If we do not succeed in offering products that appeal to consumers, our sales and market share will decrease, and our profitability could suffer. We must be able to distinguish among short-term fads, mid-term

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trends and long-term changes in consumer preferences. If we are unable accurately to predict which shifts in consumer preferences will be long-term, or if we fail to introduce new and improved products to satisfy those preferences, our sales could decline. In addition, because of our varied consumer base, we must offer a sufficient array of products to satisfy the broad spectrum of consumer preferences. If we fail to expand our product offerings successfully across product categories or if we do not rapidly develop products in faster growing and more profitable categories, demand for our products will decrease and our profitability could suffer.

Prolonged negative perceptions concerning the health implications of certain food products could influence consumer preferences and acceptance of some of our products and marketing programs. For example, recently, consumers have been increasingly focused on health and wellness, including weight management and sodium consumption. Although we strive to respond to consumer preferences and social expectations, we may not be successful in these efforts. Continued negative perceptions and failure to satisfy consumer preferences could decrease demand for our products and adversely affect our profitability.

Legal claims or other regulatory enforcement actions could affect our sales, reputation and profitability.

As a large food company that operates in a highly regulated, highly competitive environment with growing retailer power and a constantly evolving legal and regulatory framework around the world, we are subject to heightened risk of legal claims or other regulatory enforcement actions. Legal claims or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could adversely affect our sales, reputation and profitability.

Further, selling products for human consumption involves inherent risks. We could be required to recall products due to product contamination, spoilage or other adulteration, product misbranding or product tampering. We may also suffer losses if our products or operations violate applicable laws or regulations, or if our products cause injury, illness or death. In addition, our marketing could be the target of claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against us, or a widespread product recall, may adversely affect our profitability. Moreover, even if a product liability or consumer fraud claim is unsuccessful, has no merit or is not pursued, the negative publicity surrounding assertions against our products or processes could adversely affect our sales, reputation and profitability.

Increased regulation could increase our costs and affect our profitability.

Food production and marketing are highly regulated by a variety of federal, state, local and foreign agencies. New regulations and changes to existing regulations are issued regularly. Increased governmental regulation of the food industry, such as proposed requirements designed to enhance food safety or to regulate imported ingredients, could increase our costs and adversely affect our profitability.

As a multinational corporation, our operations are subject to additional risks.

We generated approximately half of our 2008 sales, 43% of our 2007 sales and 40% of our 2006 sales outside the United States. If the Cadbury acquisition is successful, the percentage of the combined company s sales generated outside of the United States will increase. With operations in over 70 countries, our operations are subject to risks inherent in multinational operations, including:

- fluctuations in currency values,
- unpredictability of foreign currency exchange controls,
- discriminatory fiscal policies,
- compliance with a variety of local regulations and laws,

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- changes in tax laws and the interpretation of such laws,
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions, and
- greater risk of uncollectible accounts and longer collection cycles.

In addition, certain jurisdictions could impose tariffs, quotas, trade barriers and other similar restrictions on our sales. Moreover, our business operations could be interrupted and negatively affected by economic changes, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, and other economic or political uncertainties. All of these risks could result in increased costs or decreased revenues, either of which could adversely affect our profitability.

If we are unable to expand our operations in certain emerging markets, our growth rate could be negatively affected.

In 2007, we unveiled our strategies to grow our operations with increased focus on emerging markets, especially Brazil, Russia, China and other regions of Southeast Asia. The success of our operations depends in part on our ability to grow our business in these and other emerging markets. In some cases, emerging markets have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions. In addition, emerging markets are becoming more competitive as other companies grow globally and local, low cost manufacturers expand their production capacities. If we are unable to increase our business in emerging markets, our market share and profitability could be adversely affected.

We may not be able to consummate proposed acquisitions or divestitures successfully or integrate acquired businesses successfully.

From time to time, we may evaluate additional acquisition candidates in the future that would strategically fit our business objectives. If we are unable to complete acquisitions, or integrate successfully and develop these businesses to realize revenue growth and cost savings, our financial results could be adversely affected. In addition, from time to time, we divest businesses that do not meet our strategic objectives, or do not meet our growth or profitability targets. Our profitability may be affected by either gains or losses on the sales of, or lost operating income from, those businesses. Also, we may not be able to complete desired or proposed divestitures on terms favorable to us. Moreover, we may incur asset impairment charges related to acquisitions or divestitures, which may reduce our profitability. Finally, our acquisition or divestiture activities may present financial, managerial and operational risks, including diversion of management attention from existing core businesses, difficulties integrating or separating personnel and financial and other systems, adverse effects on existing business relationships with suppliers and customers, inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings, potential loss of customers or key employees of acquired businesses, and indemnities and potential disputes with the buyers or sellers. Any of these activities could affect our product sales, financial condition and results of operations.

For information on the risks that relate to the Cadbury acquisition, please see the section of this Proxy Statement entitled Risk Factors Relating to the Proposed Cadbury Acquisition and the Offer.

Business process improvement initiatives to harmonize our systems and processes may fail to operate as designed and intended.

We regularly implement business process improvement initiatives to harmonize our systems and processes and to optimize our performance. Our current business process initiatives include, but are not limited to, our reorganization of our European operations, the delivery of a SAP enterprise resource planning application, and the outsourcing of certain administrative functions. If our business process improvement initiatives fail, our ability to improve existing operations, achieve anticipated cost savings and support future growth could be delayed.

Changes in our credit ratings and the effects of volatile economic conditions on the credit market could adversely affect our borrowing costs and liquidity.

Our credit ratings depend generally on the amount of our debt and our ability to service our debt. A downgrade in our credit ratings, including as a result of incurring additional debt, would, and disruptions in the commercial paper market or the effects of other volatile economic conditions on the credit market could, reduce the amount of commercial paper that we could issue, and could raise our borrowing costs for both short-term and long-term debt offerings.

Volatility in the equity markets or interest rates could substantially increase our pension costs and have a negative impact on our operating results and profitability.

At the end of 2008, the projected benefit obligation of our defined benefit pension plans was $9.3 billion and assets were $7.0 billion. The difference between plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of our pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, investment returns and the market value of plan assets can (a) affect the level of plan funding, (b) cause volatility in the net periodic pension cost and (c) increase our future funding requirements. In addition, if we divest certain businesses, we may be required to increase future contributions to the benefit plans and the related net periodic pension cost could increase.

We expect to make approximately $410 million in contributions to our pension plans in 2009, which is approximately $190 million more than we made in 2008. We also expect that our net pension cost will increase by approximately $175 million to approximately $415 million in 2009. Volatile economic conditions increase the risk that we may be required to make additional cash contributions to the pension plans and recognize further increases in our net pension cost beyond 2009.

Cadbury operates occupational defined benefit pension schemes and the combined company may be required to fund an increase in the cost of future benefits and/or meet funding shortfalls in respect of these schemes.

According to its publicly available information, Cadbury has various pension schemes throughout the world and these cover a significant proportion of its current employees. The principal schemes are of the funded defined benefit type, with benefits accruing based on salary and length of service. The net retirement benefit obligation, recognized in the balance sheet at June 30, 2009 was £482 million versus £258 million at December 31, 2008. The actuarial loss on post retirement benefit obligations for the six months ended June 30, 2009 was £254 million (£190 million net of tax) and £388 million (£291 million net of tax) for the 12 months ended December 31, 2008. Regular assessments are carried out by independent actuaries and the long-term contribution rates decided on the basis of their guidance after discussions with trustees and the plan sponsor. According to Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008, which has been filed by Cadbury with the SEC and which is also incorporated by reference into this Proxy Statement, Cadbury expects to contribute approximately £56 million to its defined benefit schemes in 2009, with additional scheduled recovery contributions of approximately £4 million in 2009 to further fund its defined benefit obligation in the United Kingdom. For more information on the funding status of these plans, please refer to Cadbury s unaudited financial statements for the six months ended June 30, 2009 included in Cadbury s Report on Form 6-K filed with the SEC on July 29, 2009 and note 25 in Cadbury s audited consolidated financial statements for the year ended December 31, 2008 included in Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008, both of which are incorporated by reference into this Proxy Statement.

Because we have not had the cooperation of Cadbury s management or due diligence access to Cadbury or its business or management for the purposes of preparing this Proxy Statement, we do not have enough information to assess the extent to which Cadbury s defined benefit pension schemes are adequately funded in

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relation to benefits accrued to date, or whether costs for benefits accruing in the future are likely to increase materially from previous experience. Increases in the value of the liabilities of the defined benefit pension schemes and/or a reduction in the value of the assets supporting funded schemes can lead to a need to record increased deficits in the balance sheet. An increase in the value of the net liabilities of such schemes may negatively affect the combined company s balance sheet and distributable reserves, which could have a material adverse effect on the combined company s business, operating or financial results or financial position. Further demands for materially increased contributions from Cadbury employers to meet past service deficits or future service costs would impact the cash flows of the combined company.

There may also be pension arrangements or pension-like programs in relation to Cadbury s non-U.K. employees that are not reflected in Cadbury s financial statements, such as mandatory termination indemnities in favor of Cadbury employees or U.S. industry based multi-employer pension programs in which Cadbury employees participate. Because we do not have access to Cadbury s non-public business or financial information, we do not have the information to assess whether any such programs or arrangements exist, and, if so, whether the combined company could have significant obligations under these programs or arrangements.

In relation to Cadbury s U.K. pension arrangements, the Cadbury Pension Fund is a funded defined benefit pension scheme, which according to Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008, which has been filed by Cadbury with the SEC and which is also incorporated by reference into this Proxy Statement, represents about 65% of Cadbury and its subsidiaries post retirement liabilities. Its assets are held by trustees separate from the assets of Cadbury. U.K. pension law requires employers to pay periodic contributions and lump sums to these types of pension schemes.

While the Cadbury Pension Fund is ongoing (as opposed to if the Cadbury Pension Fund is wound up, which is described below) contributions are paid by employers over time to meet the cost of future service benefits and any past service deficits. Because we do not have access to the trust deed and rules of the Cadbury Pension Fund, we do not know whether the contributions to be paid are set by agreement between the employer and trustees or by the trustees alone. U.K. law requires a degree of prudence in the calculation process used to set the level of contributions and depending on the situation, at the next valuation date, there could be a material increase in the cash demands placed on Cadbury and its subsidiaries who are employers for the purposes of the Cadbury Pension Fund, which may have a material adverse effect on the combined company s business, operating or financial results or financial position.

If the Cadbury Pension Fund trustees have the power to wind up the Cadbury Pension Fund and elect to exercise this power, Cadbury and its subsidiaries who are employers for the purposes of the Cadbury Pension Fund would be required to pay an amount equal to the shortfall or deficit at that time between the Cadbury Pension Fund s assets and its liabilities assessed on the so called buy out basis. This is the cost of purchasing annuities to cover all the Cadbury Pension Fund benefits with a buy out provider. We estimate that such an amount may be significant and could be in excess of £1.0 billion. Buy out deficits are volatile and depend on, among other things, market conditions and the appetite of buy-out providers from time to time. In the event the Cadbury Pension Fund trustees were to wind up the fund, the amount of the deficit may be greater or less than this amount and the requirement to meet this deficit in very short order may have a material adverse effect on the combined company s business, operating or financial results or financial position.

Cadbury s pension liabilities are calculated using the accounting valuation basis for the purposes of determining the provision to be included in the balance sheet in its financial statements. According to Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008, the Cadbury Pension Fund was broadly in balance on an accounting basis at December 31, 2008. The level of the deficit calculated using the accounting valuation basis is volatile and depends on, among other things, market conditions from time to time. We estimate that, as at August 31, 2009, the accounting deficit would have been approximately £400 million. Following completion of the offer, depending on the circumstances at the time the next balance sheet is prepared for the

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combined company, Cadbury s pension liabilities may have a material adverse effect on the combined company s business, operating or financial results or financial position.

Upon completion of the offer, the U.K. Pensions Regulator will have power in certain circumstances to require us and our subsidiaries (including those subsidiaries outside the U.K.) to make substantial payments into or otherwise provide financial support to the Cadbury Pension Fund, for amounts up to the buy-out deficit from time to time. Thus, upon completion of the offer, liability to support the Cadbury Pension Fund will not necessarily be limited to Cadbury and its subsidiaries.

Cadbury s Vision into Action initiative to deliver improvements in business performance may fail and the implementation of the plan may disrupt the combined company s business.

On June 19, 2007, Cadbury announced a new strategy for its confectionery business called Vision into Action, which includes a plan to improve its margin performance to achieve a mid-teens operating margin by 2011. According to publicly available information published by Cadbury, this plan includes reductions in the number of factories and employees, material changes to Cadbury s supply chain configuration and to the structure and operation of Cadbury s business.

To the extent that we continue to implement the Vision into Action plan following completion of the offer, these reductions and changes increase the risk of disruption to the combined company s business, which may occur, for example, through a failure to successfully implement the Vision into Action plan, unforeseen events or workforce actions.

Cadbury has publicly indicated that it expects to incur a restructuring charge of £550 million (of which around £50 million is non-cash) and invest £200 million of capital expenditure behind the Vision into Action plan. If we continue to implement this plan following completion of the offer, there can be no guarantee that this plan, or any of Cadbury s other plans or investments, will deliver the anticipated improvements in business performance, which could adversely affect the business of the combined company. In addition, the implementation of the plan may not give rise to a sustained improvement in Cadbury s revenues or profitability or reach the level of projected improvement.

Risk Factors Relating to Cadbury s Business

Additionally, we encourage you to read and consider other risk factors specific to Cadbury s businesses (that may also affect the combined company after consummation of the Cadbury acquisition) described in the section entitled Risk Factors in Cadbury s Annual Report on Form 20-F for the year ended December 31, 2008, which Cadbury has filed with the SEC and which we have also incorporated by reference into this Proxy Statement. Please see Incorporation by Reference on page 76 of this Proxy Statement.

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THE SPECIAL MEETING

Time, Date, Place and Purpose

We will hold a Special Meeting of Shareholders on Monday, February 1, 2010, at 9:00 a.m. CST at the Hilton Chicago/Northbrook Hotel in Northbrook, Illinois. Registration at the Hilton Chicago/Northbrook Hotel will open at 8:00 a.m. CST. Directions to the Hilton Chicago/Northbrook Hotel are included at the end of this Proxy Statement.

Shareholders are being asked to consider a proposal to approve Kraft Foods issuing up to 370 million shares of our common stock in connection with the Cadbury acquisition, including any issuance of shares of our common stock to finance the Cadbury acquisition.

Shareholders are also being asked to consider and vote on a proposal to approve any adjournment of the Special Meeting, including, if necessary, to solicit additional proxies in favor of the share issuance proposal if there are not sufficient votes for the proposal.

Other than Items 1 and 2 described in this Proxy Statement, we do not expect any other matters to be presented for a vote at the Special Meeting. If any other matter is properly brought before the Special Meeting, your proxy gives authority to the proxies described therein to vote on such matters in their discretion.

Record Date and Shares Entitled to Vote

Only shareholders owning our common stock at the close of business on the Record Date are entitled to (a) receive notice of the Special Meeting, (b) attend the Special Meeting and (c) vote on all matters that properly come before the Special Meeting.

At the close of business on the Record Date, 1,477,239,577 shares of our common stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter to be voted upon at the Special Meeting.

Voting Procedures

If your shares are owned directly in your name with our transfer agent, Wells Fargo Bank, N.A., you are considered a registered shareholder with respect to those shares. If your shares are held in a brokerage account or by a bank or other nominee, you hold the shares in street name.

If you are a *registered shareholder*, you may vote:

- Via the Internet at *www.eproxy.com/kft*. The Internet voting system will be available 24 hours a day until 11:59 p.m. CST on Sunday, January 31, 2010;

- By telephone, if you are located within the U.S. or Canada. Call 1-800-560-1965 (toll-free) from a touch-tone telephone. The telephone voting system will be available 24 hours a day until 11:59 p.m. CST on Sunday, January 31, 2010;

- By returning a properly executed proxy card. Your proxy card must be received before the polls close at the Special Meeting on Monday, February 1, 2010; or

- In person at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described in Question 26 of the section of this Proxy Statement entitled Questions and Answers About the Special Meeting and Voting.

If you hold your shares in *street name*, you may vote:

Via the Internet at *www.proxyvote.com* (a 12-digit control number is required), by telephone or by returning a properly executed voting instruction form by mail, depending upon the method(s) your broker, bank or other nominee makes available; or

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In person at the Special Meeting. To do so, you must request a legal proxy from your broker or bank and present it at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described in Question 26 of the section of this Proxy Statement entitled Questions and Answers About the Special Meeting and Voting.

The persons named as proxies on the proxy card must vote your shares as you have instructed. If you do not give a specific instruction on any proposal scheduled for vote at the Special Meeting but you have authorized the proxies generally to vote, they will vote ***for*** each proposal in accordance with the Board s recommendation on each matter. Your authorization would exist, for example, if you merely sign, date and return your proxy card.

You may vote your shares via the Internet or by calling a toll-free number. If you received a paper copy of the proxy card or voting instruction form by mail, you may sign, date and mail your properly executed proxy card or voting instruction form. Or you may vote in person at the Special Meeting. We include instructions about each option in this Proxy Statement and on the enclosed proxy card or voting instruction form. Your vote is important to us. Whether or not you plan to attend the Special Meeting, we encourage you to vote promptly.

Quorum

A quorum of shareholders is necessary to validly hold the Special Meeting. A quorum will be present if a majority of the outstanding shares of our common stock on the Record Date are represented at the Special Meeting, either in person or by proxy. Your shares will be counted for purposes of determining a quorum if you vote via the Internet, by telephone or by submitting a properly executed proxy card or voting instruction form by mail, or if you vote in person at the Special Meeting. Abstentions will be counted for determining whether a quorum is present for the Special Meeting. A quorum is only needed to approve the share issuance proposal and not to approve the adjournment proposal.

Vote Required

Under NYSE rules, the approval of the share issuance proposal requires an affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the total outstanding shares of our common stock (the Outstanding Votes). Votes FOR and AGAINST and abstentions count as votes cast (the NYSE Votes Cast). The NYSE Votes Cast must be greater than 50% of the total Outstanding Votes. Further, the number of votes FOR the proposal must be greater than 50% of the NYSE Votes Cast. Therefore, abstentions have the same effect as a vote AGAINST the proposal.

NYSE rules do not permit brokers discretionary authority to vote on the approval of the share issuance proposal or the adjournment proposal. Therefore, if you hold shares of our common stock in street name (see Question 13 of the section of this Proxy Statement entitled Questions and Answers About the Special Meeting and Voting) and do not provide voting instructions to your broker, your shares will not be voted on the proposals.

Approval of the adjournment proposal requires that the number of votes cast FOR exceed the number of votes cast AGAINST, whether or not a quorum is present. Abstentions are not considered as voting FOR or AGAINST the adjournment proposal and will have no effect on the outcome of the adjournment proposal.

Proxy Solicitation

We bear the cost of soliciting your vote. In addition to mailing these proxy materials, our directors, officers or employees may solicit proxies or votes in person, by telephone or by electronic communication. They will not receive any additional compensation for these solicitation activities.

We will enlist the help of banks and brokerage firms in soliciting proxies from their customers and reimburse the banks and brokerage firms for related out-of-pocket expenses.

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We retained Georgeson Inc. to aid in soliciting votes for the Special Meeting for a total fee of $75,000 plus reasonable expenses.

Change of Vote and Revocation of Proxies

If you are a registered shareholder and would like to change your vote after submitting your proxy but prior to the Special Meeting, you may do so by (a) signing and submitting another proxy with a later date, (b) voting again by telephone or the Internet or (c) voting at the Special Meeting. Alternatively, if you would like to revoke your proxy, you may submit a written revocation of your proxy to our Corporate Secretary at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093.

If your shares are held in street name, contact your bank, broker or other nominee for specific instructions on how to change or revoke your vote. Please refer to Question 14 of the section of this Proxy Statement entitled Questions and Answers About the Special Meeting and Voting for additional details about voting.

Kraft Foods Auditors

Representatives of PricewaterhouseCoopers LLP are not expected to be present at the Special Meeting and accordingly will not make any statement or be available to respond to any questions.

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ITEM 1

ISSUANCE OF SHARES OF OUR COMMON STOCK

IN CONNECTION WITH OUR PROPOSED ACQUISITION OF CADBURY

General

You are being asked to consider and vote on a proposal to approve Kraft Foods issuing up to 370 million shares of our common stock in connection with the proposed Cadbury acquisition, including any issuance of shares of our common stock to finance the Cadbury acquisition.

On December 4, 2009, we made an offer to acquire each outstanding Cadbury ordinary share, including each share represented by Cadbury ADSs, in exchange for 0.2589 shares of our common stock and 300 pence in cash. As one Cadbury ADS represents four Cadbury ordinary shares, holders of Cadbury ADSs will be entitled to receive 1.0356 shares of our common stock and 1,200 pence in cash for each Cadbury ADS they tender in the offer. We are making this offer on the terms set forth in the December 4 offer documents and described in this Proxy Statement. The Cadbury Board has recommended that Cadbury shareholders reject this offer. However, if the Cadbury Board later decides to recommend our offer, it is possible that we will agree with Cadbury to acquire all of the outstanding share capital of Cadbury through a U.K. scheme of arrangement, which is a court-approved acquisition voted on by Cadbury shareholders. The share issuance proposal gives us the flexibility to make this change without another shareholder vote.

Subject to certain limited exceptions, Section 312.03(c) of the NYSE listed company manual requires that our shareholders approve any issuance of shares of common stock in any transaction or series of related transactions if (a) the common stock will have upon issuance voting power equal to or in excess of 20% of the voting power outstanding before the issuance or (b) the number of shares of common stock to be issued is equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock.

Based upon publicly available information as of December 15, 2009, if we acquire 100% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, and assuming all outstanding options to purchase Cadbury ordinary shares are exercised, on the financial terms described in this Proxy Statement, we expect to issue up to 370 million shares of our common stock. Because this number will be greater than 20% of the total number of shares of our common stock outstanding prior to the issuance, we are required to obtain shareholder approval for issuing these shares under the listing requirements of the NYSE.

These estimates are based on information currently available to us and assume that:

- all of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, the total number of which is 1,372,841