

KRAFT FOODS INC
Form 11-K
July 06, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

☒

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004

OR

☐

**TRANSACTION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file numbers:

Altria Group, Inc. 1-8940

Kraft Foods Inc. 1-16483

Kraft Foods Global, Inc. TIP Plan

(Full title of the plan)

ALTRIA GROUP, INC.

120 Park Avenue

New York, New York 10017

KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

(Name of issuers of the securities held pursuant to the plan

and addresses of their principal executive offices.)

KRAFT FOODS GLOBAL, INC. TIP PLAN
ANNUAL REPORT ON FORM 11-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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Exhibit:	
23. Consent of Independent Registered Public Accounting Firm.	

* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Benefits Investment Committee of Kraft Foods Global, Inc., the Management Committee for Employee Benefits of Kraft Foods Global, Inc., the Administrative Committee and the Participants of the Kraft Foods Global, Inc. TIP Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Kraft Foods Global, Inc. TIP Plan (the Plan) at December 31, 2004 and 2003 and the changes in net assets available for benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois

June 24, 2005

KRAFT FOODS GLOBAL, INC. TIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

at December 31, 2004 and 2003

(in thousands of dollars)

	2004	2003
Investments:		
Investment in Master Trust	\$ 443,707	\$ 406,205
Participant loans	17,833	17,104
Total investments	461,540	423,309
Receivables:		
Employer's contributions		22
Participants' contributions		131
Total receivables		153
Liabilities:		
General and administrative expenses payable	(288)	(221)
Total liabilities	(288)	(221)
Net assets available for benefits	\$ 461,252	\$ 423,241

The accompanying notes are an integral part of these financial statements.

KRAFT FOODS GLOBAL, INC. TIP PLAN
STATEMENT OF CHANGES IN NET ASSETS

AVAILABLE FOR BENEFITS

for the Year Ended December 31, 2004

(in thousands of dollars)

	2004
Investment income:	
Investment income from Master Trust	\$ 44,124
Interest from participant loans	759
Total investment income	44,883
Contributions to the Plan:	
By employer	5,938
By participants	25,898
Total contributions	31,836
Total additions	76,719
Deductions from net assets attributed to:	
Distributions and withdrawals	(37,406)
General and administrative expenses	(1,302)
Total deductions	(38,708)
Net increase	38,011
Net assets available for benefits:	
Beginning of year	423,241
End of year	\$ 461,252

The accompanying notes are an integral part of these financial statements.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan:

General:

The Kraft Foods Global, Inc. TIP Plan (the **Plan**) is a defined contribution plan designed to encourage employees to save for retirement by providing eligible employees with an opportunity to invest a portion of their compensation and to share in a matching contribution by Kraft Foods Global, Inc. (**Kraft**) by making such investment. Kraft is a wholly-owned subsidiary of Kraft Foods Inc., which, in turn, is a subsidiary of Altria Group, Inc. Participants should refer to the official Plan document that legally governs the operation of the Plan for a complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (**ERISA**).

The Plan is administered by the Management Committee for Employee Benefits of Kraft Foods Global, Inc. (the **Committee**). The Committee allocated to the Kraft Foods Global, Inc. Administrative Committee (the **Administrative Committee**) and the Plan administrator certain Plan administrative matters. The Benefit Investment Committee is responsible for the selection of the investment options in which participants elect to invest their Plan accounts, the appointment of investment managers to manage one or more of the investment options and the monitoring of the performance of the investment options. The Administrative Committee and the Benefit Investment Committee are hereinafter collectively referred to as the **Fiduciaries**.

Contributions:

Hourly and certain salaried employees of Kraft who are represented by designated collective bargaining units are eligible to participate in the Plan, provided they meet eligibility requirements. The benefits offered under the Plan may vary, depending upon the job location of the employee and the collective bargaining unit of which he or she is a member. After completing one year of service, eligible employees may make tax-deferred and/or after-tax contributions. Eligible employees who make tax-deferred and/or after-tax contributions are eligible to receive matching contributions from Kraft (the **Kraft Matching Contributions**). Participants can direct all contributions among nine investment options.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

(continued)

Employee Stock Ownership Plan:

The employee stock ownership plan (ESOP) portion of the Plan permits each participant who has an investment in the Altria Stock Fund to elect, no later than the business day immediately preceding an ex-dividend date with respect to a dividend payable on shares of the common stock of Altria Group, Inc. (Altria Common Stock), to have the dividend paid to them in cash or have the dividend reinvested in additional shares of Altria Common Stock; and permits each participant who has an investment in the Kraft Stock Fund to elect, no later than the business day immediately preceding an ex-dividend date with respect to a dividend payable on shares of the Class A common stock of Kraft Foods Inc. (Kraft Common Stock), to have the dividend paid to them in cash or have the dividend reinvested in additional shares of Kraft Common Stock.

Master Trust:

Assets of the Plan are co-invested with the assets of other defined contribution plans sponsored by Kraft in a commingled investment fund known as the Kraft Foods North America, Inc. Master Defined Contribution Trust (the Master Trust) for which State Street Bank and Trust Company serves as the trustee.

Participant Accounts:

Each participant's Plan accounts, which may include a Kraft matching contributions account and tax-deferred contributions, after-tax contributions, rollover and prior plan accounts, are credited with the participant's contributions, the Kraft Matching Contributions and the allocated share of the investment activities of each investment option in which he or she participates.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

(continued)

Vesting:

Each participant is at all times fully vested (1) in the balance held in his or her tax-deferred contributions, after-tax contributions, rollover and prior plan accounts, (2) in the balance held in his or her Kraft matching contributions account attributable to amounts contributed before January 1, 1986 or transferred from the General Foods Employee Stock Ownership Plan and (3) in his or her share of any dividends paid with respect to that portion of his or her Plan accounts (including the Kraft matching contributions account) that is invested in the Altria Stock Fund and/or the Kraft Stock Fund. A participant shall be fully vested in the remaining balance in his or her Kraft matching contributions account upon attainment of age 65; permanent and total disability or death while employed by Kraft, Altria Group, Inc., or any of their affiliates; upon a change in control of Altria Group, Inc. (see Note 3); or upon a termination of the Plan (see Note 6). Otherwise, a participant who is employed by Kraft, Altria Group, Inc., or any of their affiliates shall become vested in the remaining portion of his or her Kraft matching contributions account based on the number of years of vesting service determined in accordance with the following schedule:

Years of Service	Vested Percentage
Less than 2	0%
2 but less than 3	25%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

Kraft Matching Contributions forfeited by terminated participants are used to reduce future Kraft Matching Contributions to the Plan.

Distributions and Withdrawals:

Distributions are made only when a participant has a separation from service or attains age 59½. Upon termination of employment, including retirement, a participant has numerous options available, as described in the Plan, with respect to the distribution of his or her Plan accounts.

Participants may make in-service withdrawals in accordance with the provisions outlined in the Plan.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

(continued)

Participants Loans:

The loan program permits participants to borrow from their Plan accounts in accordance with the provisions outlined in the Plan. Interest on participant loans is charged at rates based on the Citibank prime rate, with terms from one to five years. The minimum loan amount is \$1,000 and the maximum loan amount is the lesser of \$50,000 minus the participant's highest loan balance in the preceding twelve months or the combined value in the participant's tax-deferred contributions and after-tax contributions accounts.

A participant's loan account equals the original principal amount less principal repayments. The principal amounts of loan repayments reduce the loan account and are added back to the participant's Plan accounts originally used as the source of the loan. The repaid amount (including interest) is reinvested in the investment options according to the participant's investment authorization in effect at the time of repayment.

2. Summary of Significant Accounting Policies:

Basis of Presentation:

The financial statements are prepared using the accrual basis of accounting.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fiduciaries to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Actual results could differ from those estimates.

Risks and Uncertainties:

The Plan provides for various investment options in investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts

reported in the financial statements.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

(continued)

At December 31, 2004 and 2003, 25% of the Master Trust net assets were invested in Altria Common Stock and 3% of the Master Trust net assets were invested in Kraft Common Stock which could be subject to significant market fluctuations.

Valuation of Investment in Master Trust:

The Plan's allocated share of the Master Trusts' net assets and investment activities is based upon the total of each individual participant's share of the Master Trust.

Valuation of the Master Trust's Investments:

Investments in common collective trusts and registered investment companies are valued on the basis of the relative interest of each participating investor (including each participant) in the fair value of the underlying assets of each of the respective common collective trusts and registered investment companies.

Investment contracts and the related pools of mortgage-backed and asset-backed securities and other investments are recorded at their contract values, which represent contributions and reinvested income, less any withdrawals plus accrued interest, because these investments have fully benefit-responsive features.

Securities listed on an exchange are valued at the closing price on the last business day of the year; listed securities for which no sale was reported on that date are recorded at the last reported bid price. Securities that are not listed on an exchange are generally traded in active markets and valued from quoted market prices.

Short-term temporary investments are generally carried at cost, which approximates fair value.

Investment Transactions and Investment Income of the Master Trust:

An investment transaction is accounted for on the date the purchase or sale is executed. Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on an accrual basis.

In accordance with the policy of stating investments at fair value, the net appreciation (depreciation) in the fair value of investments reflects both realized gains or losses and the change in the unrealized appreciation (depreciation) of investments held at year-end. Realized gains or losses from security transactions are reported on the average cost method.

Contributions:

Participants' contributions are recorded in the period in which they are withheld by Kraft. Kraft Matching Contributions are recorded in the same period that participants' contributions are recorded.

KRAFT FOODS GLOBAL, INC. TIP PLAN

NOTES TO FINANCIAL STATEMENTS

(continued)

Distributions and Withdrawals:

Distributions and withdrawals are recorded when paid.

Expenses: