

KRAFT FOODS INC  
Form 424B3  
February 05, 2010  
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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-163483

**Offer to Exchange**  
**Each Outstanding Ordinary Share**  
**(Including Ordinary Shares Represented by American Depositary Shares)**  
**of**  
**Cadbury plc**  
**by**  
**Kraft Foods Inc.**

Kraft Foods Inc., a Virginia corporation, is offering to acquire all of the issued and outstanding ordinary shares of 10 pence each of Cadbury plc, including Cadbury ordinary shares represented by American Depositary Shares, or Cadbury ADSs. Each Cadbury ADS represents four Cadbury ordinary shares. In this prospectus/offer to exchange, we refer to holders of Cadbury ordinary shares as Cadbury shareholders, and we refer to Cadbury shareholders and holders of Cadbury ADSs together as Cadbury securityholders. References in this prospectus/offer to exchange to Cadbury ADSs include the underlying Cadbury ordinary shares.

This prospectus/offer to exchange sets forth the terms of our recommended increased and final\* offer for Cadbury, which we refer to as the offer. Cadbury securityholders who accept the offer are entitled to receive:

500 pence in cash and 0.1874 shares of Kraft Foods Class A common stock, without par value, which we refer to as Kraft Foods common stock, in exchange for each outstanding Cadbury ordinary share validly tendered and not withdrawn; and

2,000 pence in cash and 0.7496 shares of Kraft Foods common stock, in exchange for each outstanding Cadbury ADS validly tendered and not withdrawn.

**Based on the closing share price of \$28.04 per share of Kraft Foods common stock on the New York Stock Exchange, or NYSE, on January 28, 2010, and an exchange rate of \$1.6137 to £1.00 (as quoted by WM/Reuters on January 28, 2010), the offer has a value, in aggregate, of 825.63 pence per Cadbury ordinary share and \$53.29 per Cadbury ADS.**

If you accept the offer, you may request to vary the proportion of shares of Kraft Foods common stock and cash you will receive pursuant to a mix and match facility, including by electing to receive only cash or only shares of Kraft Foods common stock. However, your mix and match election will only be satisfied to the extent that other Cadbury securityholders make off-setting elections in the offer.

If you tender your Cadbury ordinary shares in the offer, you will receive the cash portion of the offer consideration for your Cadbury ordinary shares in pounds sterling, unless you specifically elect to receive U.S. dollars. If you tender your Cadbury ADSs in the offer, you will receive the cash portion of the offer consideration for your Cadbury ADSs in U.S. dollars, unless you specifically elect to receive pounds sterling. Please see the section of this prospectus/offer to exchange entitled "The Offer Payment of Cash and Stock Consideration Currency."

Our obligation to accept for exchange, and to exchange, shares of Kraft Foods common stock for Cadbury ordinary shares, including those represented by Cadbury ADSs, is subject to a number of conditions that are described in paragraph 1 (*Conditions of the Offer*) of Part A of

Appendix A to this prospectus/offer to exchange.

**This prospectus/offer to exchange amends and supersedes information included in the prospectus/offer to exchange we filed with the Securities and Exchange Commission on December 4, 2009, which we refer to as the original prospectus/offer to exchange, as amended on December 23, 2009 and January 19, 2010.**

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 8:00 A.M. NEW YORK CITY TIME (1:00 P.M. LONDON TIME) ON FEBRUARY 2, 2010, UNLESS THE INITIAL OFFER PERIOD IS EXTENDED. CADBURY ORDINARY SHARES AND CADBURY ADSs TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE INITIAL OFFER PERIOD, AS IT MAY BE EXTENDED.

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, as amended (the Exchange Act ), or residents of Canada, and all holders of Cadbury ADSs, wherever located, will receive this prospectus/offer to exchange. All holders of Cadbury ordinary shares who are not U.S. holders or residents of Canada will receive separate offer documents. Cadbury securityholders will only receive the relevant offer documents if they are permitted by law to receive them.

Kraft Foods common stock trades on the NYSE under the symbol KFT. Cadbury ordinary shares trade on the London Stock Exchange, or the LSE, under the symbol CBRY. Cadbury ADSs trade on the NYSE under the symbol CBY.

**FOR A DISCUSSION OF RISKS AND OTHER FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION OF THIS PROSPECTUS/OFFER TO EXCHANGE ENTITLED RISK FACTORS BEGINNING ON PAGE 19.**

**Kraft Foods has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained or incorporated by reference in this prospectus/offer to exchange, and if any person provides any of this information or makes any representation of this kind, you should not rely upon that information or representation as having been authorized by Kraft Foods.**

**None of the Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus/offer to exchange. Any representation to the contrary is a criminal offense.**

**THIS PROSPECTUS/OFFER TO EXCHANGE IS NOT AN OFFER TO SELL SECURITIES AND IT IS NOT A SOLICITATION OF AN OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES PURSUANT HERETO, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED OR WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE LAWS OF ANY SUCH JURISDICTION. IF YOU ARE IN ANY DOUBT AS TO YOUR ELIGIBILITY TO PARTICIPATE IN THE OFFER, YOU SHOULD CONTACT YOUR PROFESSIONAL ADVISOR IMMEDIATELY.**

\*The offer is final and will not be increased, except that we reserve the right to increase the offer if there is an announcement on or after January 19, 2010 of an offer or a possible offer for Cadbury by a third party offeror or potential offeror.

**The date of this prospectus/offer to exchange is January 29, 2010**

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**THIS PROSPECTUS/OFFER TO EXCHANGE INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT KRAFT FOODS AND CADBURY FROM DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, THAT HAVE NOT BEEN INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS/OFFER TO EXCHANGE. THIS INFORMATION IS AVAILABLE AT THE INTERNET WEB SITE THE SEC MAINTAINS AT [WWW.SEC.GOV](http://WWW.SEC.GOV), AS WELL AS FROM OTHER SOURCES. PLEASE SEE THE SECTION OF THIS PROSPECTUS/OFFER TO EXCHANGE ENTITLED WHERE YOU CAN FIND MORE INFORMATION. YOU ALSO MAY REQUEST COPIES OF THESE DOCUMENTS FROM KRAFT FOODS, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST TO KRAFT FOODS INFORMATION AGENT AT ITS ADDRESS OR TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROSPECTUS/OFFER TO EXCHANGE. IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS, YOU MUST MAKE YOUR REQUEST NO LATER THAN FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE OF THE INITIAL OFFER PERIOD, AS IT MAY BE EXTENDED.**

In making their decision whether or not to accept the offer, Cadbury securityholders who are South African residents will need to take into account the South African Exchange Control Regulations issued in terms of the Currency and Exchanges Act, 1933 (the Excon Regulations), and consider whether or not their acceptance of the offer and their subsequent receipt of consideration for their Cadbury ADSs from Kraft Foods, whether in the form of cash and/or shares of Kraft Foods common stock, will be in compliance with the Excon Regulations.

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**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 prospectus/offer to exchange from publicly available information. This information may be examined and copies may be obtained at the places and in the manner set forth in the section of this prospectus/offer to exchange entitled Where You Can Find More Information. We have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange. Therefore, non-public information concerning Cadbury's business and financial condition was not available to us for the purpose of preparing this prospectus/offer to exchange. Although we have no knowledge that would indicate that any information or statements relating to Cadbury contained or incorporated by reference in this prospectus/offer to exchange are inaccurate or incomplete, we were not involved in the preparation of the information or the statements.

We refer to Kraft Foods and its subsidiaries, including Cadbury and its subsidiaries, after completion of the offer, 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 offer.

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**CURRENCIES**

In this prospectus/offer to exchange, 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 prospectus/offer to exchange 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 subsidiary undertakings that do not have a functional currency of pounds sterling 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 prospectus/offer to exchange entitled "Exchange Rate Information" for additional information regarding the exchange rates between pounds sterling and the U.S. dollar.

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**IMPORTANT DATES AND TIMES**

*You should take note of the dates and times set forth in the table below in connection with the offer. These dates and times may change in accordance with the terms and conditions of the offer, as described in this prospectus/offer to exchange.*

<b>Event</b>	<b>Time and/or date</b>
Latest time and date for Cadbury securityholders to accept the offer and end of the initial offer period (unless extended)	8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010
Expected date on which the offer will become or be declared wholly unconditional	February 2, 2010
Payment of consideration to Cadbury securityholders who accept the offer during the initial offer period (the Settlement Date )	As soon as practicable after February 2, 2010 and by no later than February 16, 2010
Shares of Kraft Foods common stock to be issued in the offer begin trading on the NYSE	On or about the Settlement Date

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**QUESTIONS AND ANSWERS ABOUT THE OFFER**

*This section includes some of the questions that you, as a U.S. or Canadian Cadbury shareholder or as a holder of Cadbury ADSs, may have regarding the offer, along with answers to those questions. This section and the section of this prospectus/offer to exchange entitled Summary together provide a summary of the material terms of the offer. These sections highlight selected information from this prospectus/offer to exchange, but do not contain all of the information that may be important to you. To better understand the offer, you should read this entire prospectus/offer to exchange, including the appendices, carefully, as well as those additional documents incorporated by reference or referred to in this prospectus/offer to exchange. You may obtain the information incorporated by reference into this prospectus/offer to exchange by following the instructions in the section of this prospectus/offer to exchange entitled Incorporation by Reference.*

*Page numbers in parentheses refer to other places in this prospectus/offer to exchange that may contain more detailed information regarding the subject matter summarized, and we urge you to read carefully the remainder of this prospectus/offer to exchange and the accompanying Form of Acceptance or ADS Letter of Transmittal, as applicable.*

*References in this prospectus/offer to exchange to we, us and our refer to Kraft Foods Inc. and, where applicable, its subsidiaries. References in this prospectus/offer to exchange to numbers of days refer to calendar days, unless otherwise indicated.*

**1. What is Kraft Foods offering to acquire in the offer?**

In the offer, we are seeking to acquire all Cadbury ordinary shares, including those represented by Cadbury ADSs.

**2. How has Kraft Foods changed the offer since the mailing of the original prospectus/offer to exchange?**

Under the basic terms of the offer, if you accept the offer you will now receive for each Cadbury ordinary share:

500 pence in cash; and

0.1874 shares of Kraft Foods common stock.

As each Cadbury ADS represents four Cadbury ordinary shares, if you accept the offer and elect to receive the basic terms of the offer, you will receive for each Cadbury ADS:

2,000 pence in cash; and

0.7496 shares of Kraft Foods common stock.

We will not pay any interest on the payments to which you are entitled under the offer.

If you tender your Cadbury ordinary shares in the offer, you will receive the cash portion of the offer consideration for your Cadbury ordinary shares in pounds sterling, unless you specifically elect to receive U.S. dollars. If you tender your Cadbury ADSs in the offer, you will receive the cash portion of the offer consideration for your Cadbury ADSs in U.S. dollars, unless you specifically elect to receive pounds sterling. Please see Question 10 and the section of this prospectus/offer to exchange entitled The Offer Payment of Cash and Stock Consideration Currency.

On January 19, 2010, we announced that we reserved the right to reduce, and on January 27, 2010 we reduced, the number of acceptances required to fulfill the minimum acceptance condition from 90% to 50% plus one Cadbury ordinary share (i.e., a majority).





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Furthermore, the offer is subject to the condition that our shareholders shall have approved any proposals required under certain rules of the NYSE to approve the issuance of the Kraft Foods common stock in connection with the offer, as revised. However, the terms of the offer do *not* require the approval of our shareholders. Accordingly, the shareholder approval condition described in paragraph 1 (*Conditions of the Offer*) of Part A of Appendix A is treated as satisfied for the purposes of the offer.

### **3. Does the Cadbury board of directors support the offer?**

Yes. On January 19, 2010, the Cadbury board of directors made the following recommendation:

*The board of Cadbury, which has been so advised by Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank considers the terms of the Final Offer to be fair and reasonable. In providing their financial advice to the board of Cadbury, Goldman Sachs International, Morgan Stanley & Co. Limited and UBS Investment Bank have taken into account the board's commercial assessments. Accordingly, the board of Cadbury unanimously recommends Cadbury Securityholders to accept the terms of the Final Offer.*

Commenting on the offer, Roger Carr, Chairman of Cadbury, said:

*We believe the offer represents good value for Cadbury shareholders and are pleased with the commitment that Kraft Foods has made to our heritage, values and people throughout the world. We will now work with the Kraft Foods management to ensure the continued success and growth of the business for the benefit of our customers, consumers and employees.*

In addition, Cadbury has agreed to pay an inducement fee of £117.7 million, which is approximately 1% of the aggregate value of the offer subject to any adjustment for value added tax (VAT), in the circumstances where a competing offer is announced and either is recommended by Cadbury or that offer or another third party offer becomes unconditional and our offer lapses or is withdrawn, unless, prior to such announcement, Cadbury withdraws its recommendation for reasons demonstrably unrelated to such competing third party offer.

In addition, Cadbury has announced that Cadbury shareholders will be receiving 10 pence per Cadbury ordinary share by way of a special dividend. This will, in effect, enable Cadbury shareholders to receive 10 pence out of the planned final dividend of 12.3 pence per share previously announced by Cadbury, subject to board and shareholder approval, which would otherwise not become payable.

### **4. What is the value of the offer as of the date of this prospectus/offer to exchange?**

Based on the closing share price of \$28.04 per share of Kraft Foods common stock on the NYSE on January 28, 2010, and an exchange rate of \$1.6137 to £1.00 (as quoted by WM/Reuters on January 28, 2010), the offer has a value of approximately 825.63 pence per Cadbury ordinary share and \$53.29 per Cadbury ADS.

Because the value of the offer depends on the trading price of Kraft Foods common stock and the prevailing dollar to pound sterling currency exchange rate, it is subject to change. We urge you to obtain current market information regarding Kraft Foods common stock and current exchange rate information.

### **5. How does the offer compare to Cadbury ordinary share prices and Cadbury ADS prices prior to the announcement of the offer?**

Based on the closing share price of \$29.58 per share of Kraft Foods common stock on the NYSE on January 15, 2010 (the last trading day prior to our announcement of the revised terms of the offer) and an exchange rate of \$1.63 per £1.00 (as quoted by WM/Reuters on January 18, 2010, the day prior to our announcement of the revised terms of the offer) the offer represents a substantial premium to Cadbury's unaffected share price. This premium is approximately:

60.5% over the closing middle market price of 524 pence for Cadbury ordinary shares on the LSE on July 3, 2009, the last trading day prior to analyst suggestions regarding potential sector consolidation;



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58.0% over the closing share price of \$34.66 for Cadbury ADSs on the NYSE on July 2, 2009, the last trading day prior to analyst suggestions regarding potential sector consolidation;

51.3% over the average daily closing middle market price for Cadbury ordinary shares on the LSE during the 90-day period ended on September 4, 2009, the last full trading day before our first public announcement of a possible offer for Cadbury, which was 555 pence per Cadbury ordinary share;

49.1% over the average daily closing share price for Cadbury ADSs on the NYSE during the 90-day period ended on September 4, 2009, which was \$36.74 per Cadbury ADS;

47.9% over the closing middle market price of 568 pence for Cadbury ordinary shares on the LSE on September 4, 2009; and

46.2% over the closing share price of \$37.46 for Cadbury ADSs on the NYSE on September 4, 2009.

**6. Why is Kraft Foods making the offer? (See page 41)**

We are making the offer to acquire control of Cadbury. We believe the financial and strategic rationale for the offer is compelling and will provide short- and long-term benefits to Cadbury securityholders who accept the offer. In particular:

We believe that the offer represents a compelling opportunity for Cadbury securityholders, providing the ability to receive approximately 60% of their consideration in cash and long-term value creation potential through a continued shareholding in the combined company.

Kraft Foods believes a combination with Cadbury will provide the potential for meaningful cost savings and revenue synergies from which Cadbury securityholders will benefit.

The combination creates a global leader in the global foods and confectionery sector.

Kraft Foods believes a combination represents a strong and complementary strategic fit, creating a global confectionery leader with a portfolio of more than 40 confectionery brands each with annual sales in excess of \$100 million.

Kraft Foods and Cadbury have a highly complementary geographic footprint, providing the combined company with a leading presence in attractive global markets.

The combined company will have a leading position in developing markets, including in Brazil, Russia, India, China, and Mexico.

The company will benefit from important additional scale in the consolidating confectionery segments.

The combined company will have best-in-class infrastructure in both traditional and instant consumption routes to market.

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As with any investment decision, the anticipated benefits may not be realized. For a discussion of the risk factors that you should consider carefully, please see the section of this prospectus/offer to exchange entitled Risk Factors.

### **7. If I have already accepted the offer do I need to take any action?**

No. If you have already validly accepted the offer prior to the date of this prospectus/offer to exchange (and have not withdrawn that acceptance), you do not have to take any further action. Cadbury ordinary shares and Cadbury ADSs validly tendered prior to the date hereof that are not validly withdrawn will constitute valid acceptances of the offer on the terms and conditions set forth in this prospectus/offer to exchange.

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**8. Why is Kraft Foods communicating the offer to certain Cadbury securityholders under this prospectus/offer to exchange and to other Cadbury securityholders under separate offering documents?**

We are communicating the offer under separate offer documentation to satisfy regulatory requirements. All holders of Cadbury ordinary shares who are U.S. holders (within the meaning of Rule 14d-1(d) under the Exchange Act) or residents of Canada and all holders of Cadbury ADSs, wherever located, will receive this prospectus/offer to exchange. All holders of Cadbury ordinary shares who are not U.S. holders or residents of Canada will receive separate offer documents. Cadbury securityholders will only receive the relevant offer documents if they are permitted by law to receive them. The terms of the offer are the same regardless of the offer documentation used.

**9. May I request to receive more cash or more Kraft Foods common stock than the basic terms of the offer described above? (See page A-22)**

Yes. There is a mix and match facility available to Cadbury securityholders. Under this facility, you may elect to vary the proportions in which you receive Kraft Foods common stock and cash consideration, subject to off-setting elections being made by the other Cadbury securityholders. As such, it might not be possible to satisfy every election under the facility. To the extent that elections cannot be satisfied in full, they will be reduced on a *pro rata* basis.

To the extent that valid elections under the mix and match facility can be satisfied, Cadbury securityholders will receive Kraft Foods common stock instead of cash due under the offer or *vice versa* on the basis of a fixed rate of £15.94 in cash for each share of Kraft Foods common stock. The price has been set using \$26.50, the closing share price of Kraft Foods common stock on the NYSE on December 1, 2009, and an exchange rate of \$1.6627 to £1.00 (as quoted by WM/Reuters on December 1, 2009).

Valid elections under the mix and match facility received during the initial offer period will be off-set against each other in one off-setting pool. At the time we made the offer on December 4, 2009, we reserved the right to extend the mix and match facility during the subsequent offer period. We have since determined that we will in fact make the mix and match facility available during the subsequent offer period. Assuming the subsequent offer period extends beyond 14 days, there will be multiple settlement dates on which we will settle the consideration for Cadbury ordinary shares, including those represented by Cadbury ADSs, tendered in the subsequent offer period. As a result, there will be separate off-setting pools for Cadbury ordinary shares, including those represented by Cadbury ADSs, tendered in the subsequent offer period and settled together on a particular settlement date. Accordingly, all mix and match calculations in respect of Cadbury securityholders who accept the offer during the subsequent offer period will be made by reference to the number of valid acceptances and elections we receive that are to be settled on each settlement date.

The number of shares of Kraft Foods common stock we will issue and the total cash consideration we will pay in the offer will not change as a result of elections under the mix and match facility.

You are not required to make an election. If you accept the offer and you choose not to make a mix and match election, or if you do not make a valid mix and match election, you will receive the basic terms of the offer. The invalidity of an election under the mix and match facility will not affect the validity of an acceptance of the offer.

The mix and match election procedure is described more fully in paragraph 6 (*The Mix and Match Facility*) of Part B of Appendix A to this prospectus/offer to exchange and the accompanying Form of Acceptance and ADS Letter of Transmittal. If you wish to make a mix and match election, you should carefully read and comply with the instructions in the accompanying Form of Acceptance or ADS Letter of Transmittal, as applicable.

Please see the section of this prospectus/offer to exchange entitled **Risk Factors** Risk Factors Relating to the Offer. If you elect to use the mix and match facility, you may not receive the consideration in the proportion of Kraft Foods common stock and cash requested.

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**10. In what currency will I receive the cash portion of the offer consideration? (See page 54)**

If you tender Cadbury ordinary shares in the offer, you will receive the cash portion of the offer consideration for your Cadbury ordinary shares in pounds sterling, unless you specifically elect to receive it in U.S. dollars. If you tender your Cadbury ADSs in the offer, you will receive the cash portion of the offer consideration for your Cadbury ADSs in U.S. dollars, unless you specifically elect to receive it in pounds sterling.

If you specifically elect to receive the cash portion of your consideration in U.S. dollars, the cash amount payable in pounds sterling to which you would otherwise be entitled pursuant to the offer will be paid (net of all relevant fees and expenses) in U.S. dollars, based on the exchange rate obtainable on the spot market in London on the date the cash consideration is made available by Kraft Foods to Computershare Investor Services PLC (the Ordinary Share Exchange Agent ) or Computershare Trust Company, N.A. (the ADS Exchange Agent ) for delivery in respect of your Cadbury ordinary shares or Cadbury ADSs.

**11. How will I receive the share portion of the offer consideration?**

The manner in which you will receive any shares of Kraft Foods common stock that you are entitled to receive in the offer will vary depending on a number of factors, including whether you hold Cadbury ordinary shares or Cadbury ADSs, whether you possess physical certificates or hold your Cadbury ordinary shares, including those represented by Cadbury ADSs, in uncertificated or book-entry form and whether you hold them through an intermediary, such as a stockbroker, custodian bank or clearing system. We will not issue actual stock certificates.

If you hold Cadbury ordinary shares or Cadbury ADSs in certificated form, a book-entry account statement reflecting your ownership of shares of Kraft Foods common stock will be mailed to you.

If you hold your Cadbury ordinary shares in uncertificated form (that is, in CREST, the U.K. paperless settlement system) you will receive CREST Depository Interests, or CDIs, representing entitlements to your shares of Kraft Foods common stock, which will be credited to your CREST account. CDIs are depository interests in non-U.K. securities, in this case, shares of Kraft Foods common stock. The CDIs will be treated as shares of Kraft Foods common stock for the purposes of determining, for example, eligibility for any dividends. We intend to establish, in accordance with applicable law and to the extent possible, arrangements under which holders of CDIs will be able to receive notices of shareholder meetings, annual reports and any other documents we send to our shareholders. In addition, we intend to establish arrangements under which holders of CDIs will be able to give voting directions at meetings of our shareholders in a generally equivalent way to the holders of Kraft Foods common stock. Further details of the CDIs are set forth in the section of this prospectus/offer to exchange entitled Description of Kraft Foods Capital Stock Information on CREST Depository Interests. Except where the context otherwise requires, references in this prospectus/offer to exchange to Kraft Foods common stock include, where applicable, the CDIs.

If you hold your Cadbury ADSs through an intermediary in book-entry form (that is, you hold your Cadbury ADSs in a brokerage or custodian account and through a clearing system), your brokerage account will be credited for the shares of Kraft Foods common stock.

**12. How long will the offer remain open? (See page A-13)**

Unless we extend the offer, the offer will expire at 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010.

**13. What is the minimum acceptance condition ? (See page A-1)**

The minimum acceptance condition initially required that holders of at least 90% of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, validly accept the offer. On January 19, 2010, we

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announced that we reserved the right to reduce, and on January 27, 2010 we reduced, the number of acceptances required to fulfill the minimum acceptance condition from 90% to 50% plus one Cadbury ordinary share (i.e., a majority). We will further communicate this by placing an advertisement in the *Wall Street Journal*. If you have already accepted the offer, but your willingness to accept the offer would be affected by the reduction of the minimum acceptance condition, you may wish to consider withdrawing your acceptance with respect to such Cadbury ordinary shares, including those represented by Cadbury ADSs, from the offer.

**14. What does it mean for the offer to become or be declared wholly unconditional ?**

The offer will become or be declared wholly unconditional when all of the conditions of the offer described in paragraph 1 (*Conditions of the Offer*) of Part A of Appendix A to this prospectus/offer to exchange have been satisfied or waived by us. The minimum acceptance condition cannot become or be declared satisfied until all of the other conditions have been satisfied, fulfilled or to the extent permitted, waived. We cannot acquire your Cadbury ordinary shares, including those represented by Cadbury ADSs, pursuant to the offer until the offer becomes or is declared wholly unconditional. You will not have withdrawal rights after the offer becomes or is declared wholly unconditional except in certain limited circumstances (for example, if we have failed to make certain announcements required by the U.K. City Code on Takeovers and Mergers (the U.K. Takeover Code ) or if we withdraw an announcement that the offer will not be increased or further extended after a particular date). These circumstances are described in paragraph 4 (*Rights of Withdrawal*) of Part B of Appendix A to this prospectus/offer to exchange.

**15. What is the last day the offer could become or be declared wholly unconditional? (See page A-13)**

If the conditions of the offer have not been satisfied or waived by us by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010 (or such earlier time or date that we state), the offer will lapse. We may extend the offer beyond this time if:

a competing bid has been made for Cadbury; or

the U.K. Takeover Code permits; or

the U.K. Panel on Takeovers and Mergers (the U.K. Takeover Panel ) agrees, and we comply with the applicable U.S. tender offer rules. If we do not complete the offer, we will not purchase your Cadbury ordinary shares, including those represented by Cadbury ADSs, and we will return any Cadbury ordinary shares or Cadbury ADSs you tender.

**16. How will Kraft Foods let me know if it extends the initial offer period or if the offer has become or is declared wholly unconditional? (See page A-16)**

If we extend the initial offer period, we will issue a press release on, among others, PR Newswire, by 3:00 a.m. New York City time (8:00 a.m. London time) on the following U.S. business day or U.K. business day (whichever is earlier), or at such later time or date as the U.K. Takeover Panel agrees and in accordance with U.S. tender offer rules. This announcement will include the new expiration date and time of the initial offer period. It will also inform you that you may tender, or withdraw your tendered, Cadbury ordinary shares and Cadbury ADSs, at any time until this expiration time and date, unless the offer becomes or is declared wholly unconditional prior to this time and date.

If the offer becomes or is declared wholly unconditional prior to February 2, 2010, we will issue a press release on, among others, PR Newswire, by 3:00 a.m. New York City time (8:00 a.m. London time) on the



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following U.S. business day or U.K. business day (whichever is earlier), or at a later time or date that the U.K. Takeover Panel agrees and in accordance with U.S. tender offer rules. If the offer becomes or is declared wholly unconditional on February 2, 2010, we will issue a press release on, among others, PR Newswire, by 12:00 p.m. New York City time (5:00 p.m. London time) on that day or at a later time or date that the U.K. Takeover Panel agrees and in accordance with U.S. tender offer rules. This announcement will also state that the initial offer period has closed and that a subsequent offer period has commenced.

We will also post these announcements on our web site at [www.transactioninfo.com/kraftfoods](http://www.transactioninfo.com/kraftfoods).

### **17. Will there be a subsequent offer period?**

If the offer becomes or is declared wholly unconditional, a subsequent offer period will start immediately. The subsequent offer period will be open for at least 14 days. We may extend the subsequent offer period until a later specified date or until further notice.

### **18. What is the difference between the initial offer period and the subsequent offer period?**

The initial offer period is the period during which the offer remains conditional, which commenced on December 4, 2009 and expires on the earliest of (a) the offer lapsing, (b) the offer becoming or being declared wholly unconditional in accordance with its terms and (c) 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010 or such later time and date as agreed with the U.K. Takeover Panel and in accordance with U.S. tender offer rules. If the offer has not become or been declared wholly unconditional by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, or such later time and date as we may extend the initial offer period, and we do not further extend the initial offer period, the offer will lapse.

You will have withdrawal rights throughout the initial offer period. You will not have withdrawal rights in the subsequent offer period except in certain limited circumstances (for example, if we have failed to make certain announcements required by the U.K. Takeover Code or if we withdraw an announcement that the offer will not be increased or further extended after a particular date). These circumstances are described in paragraph 4 (*Rights of Withdrawal*) of Part B of Appendix A to this prospectus/offer to exchange.

### **19. Will I receive the same consideration if I accept the offer during the subsequent offer period?**

Yes. However, because the exchange ratio is fixed, the market value of each share of Kraft Foods common stock you receive in the subsequent offer period may be more or less than the market value at the time the initial offer period ends. Furthermore, as described in Question 9, there will be separate off-setting pools for Cadbury ordinary shares, including those represented by Cadbury ADSs, tendered in the subsequent offer period and settled together on a particular settlement date. Accordingly, all mix and match calculations in respect of Cadbury securityholders who accept the offer during the subsequent offer period will be made by reference to the number of valid acceptances and elections we receive that are to be settled on each settlement date. As a result, Cadbury securityholders who tender their Cadbury ordinary shares or Cadbury ADSs during the subsequent offer period and elect for more cash or more shares of Kraft Foods common stock under the mix and match facility may receive a different proportion of their preferred consideration than those who accept during the initial offer period or those who accept earlier or later during the subsequent offer period.

### **20. How do I accept the offer? (See page 47)**

You may accept the offer as follows:

***If you hold your Cadbury ordinary shares in certificated form.*** To accept the offer, you must complete the Form of Acceptance in accordance with the instructions on it as soon as possible. These

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documents must be received by the Ordinary Share Exchange Agent at the address listed in the Form of Acceptance or on the back cover of this prospectus/offer to exchange, by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, or such later time and date to which the offer may be extended.

***If you hold your Cadbury ordinary shares in uncertificated form.*** To accept the offer, you must take (or cause the taking of) the action set out below to transfer the Cadbury ordinary shares in respect of which you wish to accept the offer to the appropriate escrow balance(s), specifying the Ordinary Share Exchange Agent as the escrow agent as soon as possible. In any event, the TTE Instruction must settle by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, or such later time or date to which the offer may be extended. The input and settlement of a TTE Instruction will (subject to satisfying the requirements set out in Part B (*Further Terms of the Offer*) and Part D (*Electronic Acceptance for Cadbury ordinary shares in uncertificated form*) of Appendix A to this prospectus/offer to exchange) constitute an acceptance of the offer in respect of the number of Cadbury ordinary shares so transferred to escrow. If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the required TTE Instruction to Euroclear in relation to your Cadbury ordinary shares.

***If you hold your Cadbury ADSs in certificated form (that is, you hold one or more Cadbury American Depositary Receipts (ADRs)).*** To accept the offer, you should complete, sign and send the ADS Letter of Transmittal (or a manually signed facsimile thereof) with any required signature guarantees, together with your Cadbury ADRs and any other documents required by the ADS Letter of Transmittal, to the ADS Exchange Agent at the address listed on the back cover of this prospectus/offer to exchange as soon as possible. The ADS Exchange Agent must receive these documents by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, or such later time or date to which the offer may be extended.

***If you hold your Cadbury ADSs in direct registered (DRS) form.*** To accept the offer, you should convert your direct registration Cadbury ADSs into certificated Cadbury ADSs and follow the acceptance procedures for certificated Cadbury ADSs (or Cadbury ADRs) described above as soon as possible and, in any event, so as to be received by the ADS Exchange Agent at the address listed on the back cover of this prospectus/offer to exchange by 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, or such later time or date to which the offer may be extended. Alternatively, you should arrange for your direct registration Cadbury ADSs to be transferred to a brokerage or custodian account and follow the instructions for acceptance provided by your broker or other institution as soon as possible and, in any event, by the deadline set by your broker or other institution. The conversion of direct registration Cadbury ADSs into certificated Cadbury ADSs and the transfer of direct registration Cadbury ADSs to a brokerage or custodian account may be subject to processing delays. Cadbury ADS holders transferring DRS Cadbury ADSs to a brokerage or custodian account may also incur fees charged by JPMorgan Chase Bank, N.A. or its successor, as Depository for the Cadbury ADSs (the ADS Depository) pursuant to the ADS deposit agreement or by their broker or custodian. You are encouraged to inquire with the ADS Depository and your broker or custodian regarding the amount and applicability of any such fees. JPMorgan Chase Bank, N.A. can be reached directly at (800) 990-1135, or, from outside the United States at (651) 453-2128, or, by contacting Global Invest Direct at (800) 428-4237.

***If you hold your Cadbury ordinary shares or Cadbury ADSs through one or more intermediaries, such as a stockbroker, custodian bank or clearing system.*** You should accept the offer by following the instructions that your applicable intermediary has established to accept the offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from Cadbury securityholders in order to permit the custodian bank or stockbroker to communicate acceptances to the Ordinary Share Exchange Agent or the ADS Exchange Agent in a timely manner. In order for your acceptance to count toward the minimum acceptance condition, you may have to act prior to the announced deadline for acceptance.

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Please see the section of this prospectus/offer to exchange entitled "The Offer Procedures for Accepting the Offer" for a detailed description of the procedures for accepting the offer.

### **21. When will I receive the offer consideration for my tendered Cadbury ordinary shares or Cadbury ADSs? (See page 54)**

The timing of payment of the offer consideration will be consistent with U.K. practice, which differs from U.S. domestic tender offer procedures. If you accept the offer during the initial offer period and the offer becomes or is declared wholly unconditional, you will receive your consideration within 14 days after the end of the initial offer period. If you accept during the subsequent offer period, you will receive your consideration within 14 days after we receive your valid acceptance.

### **22. Will I receive fractional shares of Kraft Foods common stock?**

No. We will not allot or issue fractional shares of Kraft Foods common stock to Cadbury securityholders who accept the offer (including such holders who are deemed to accept the offer). To the extent that you would be entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of such sale (following conversion from U.S. dollars to pounds sterling, if applicable) distributed *pro rata* to the Cadbury securityholders entitled to them.

### **23. Will I have to pay any brokerage commissions or transaction fees?**

If you tender your Cadbury ADSs in the offer, and the offer becomes or is declared wholly unconditional, the ADS Exchange Agent, as your representative, will, upon the request of Kraft Foods, instruct the ADS Depository on your behalf to withdraw the Cadbury ordinary shares represented by your tendered Cadbury ADSs and to deliver those Cadbury ordinary shares to the account or accounts designated by the ADS Exchange Agent. At such time, the ADS Depository will assess you a withdrawal fee of \$0.05 per Cadbury ADS. This fee will be deducted from the cash consideration payable to you. If you elect to receive additional shares of Kraft Foods common stock under the mix and match facility and, as a result, the cash consideration otherwise payable to you is not sufficient to cover this fee, your mix and match election will be adjusted to the extent necessary such that the cash consideration payable to you is sufficient to cover the amount of the fee. If the offer lapses or does not become or is not declared wholly unconditional, you will not be assessed any such fee.

If you are the record owner of your Cadbury ordinary shares or Cadbury ADSs, you will not have to pay any brokerage fees or similar expenses (other than the withdrawal fee of \$0.05 per Cadbury ADS described above, if applicable) to accept the offer. If you hold your Cadbury ordinary shares or Cadbury ADSs through an intermediary such as a stockbroker, custodian bank or other nominee, and the intermediary accepts the offer on your behalf, the intermediary may charge you a fee for doing so. You should consult your stockbroker, custodian bank or nominee to determine whether any charges will apply. We will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

### **24. After I accept the offer, may I change my mind and withdraw my acceptance? (See page A-17)**

Yes. You may withdraw your acceptance of the offer at any time until 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010, unless we extend the initial offer period. If we extend the initial offer period, you may withdraw your acceptance of the offer at any time prior to the new expiration time and date or until the offer becomes or is declared wholly unconditional, whichever is earlier.

In order to withdraw your Cadbury ordinary shares or Cadbury ADSs once you have accepted the offer, you must generally provide a written notice of withdrawal and follow the procedures set forth in paragraph 4 (*Rights of Withdrawal*) of Part B of Appendix A to this prospectus/offer to exchange while you still have the right to withdraw your acceptance.

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You will generally not be able to withdraw previously tendered Cadbury ordinary shares, including those represented by Cadbury ADSs, during the subsequent offer period. For more information on the circumstances in which you will have withdrawal rights in the subsequent offer period, please see paragraph 4 (*Rights of Withdrawal*) of Part B of Appendix A to this prospectus/offer to exchange.

### **25. Will I be taxed on the Kraft Foods common stock and cash that I receive? (See page 55)**

Yes. Your receipt of Kraft Foods common stock and cash, whether paid in pounds sterling or U.S. dollars, will be a taxable exchange for U.S. federal income tax purposes. For more information on the material U.S. federal income tax consequences of the offer, please see the section of this prospectus/offer to exchange entitled *The Offer Certain Material U.S. Federal Income and Estate Tax Consequences*.

WE URGE YOU TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

### **26. May I accept the offer with respect to my Cadbury share options?**

If you hold exercisable Cadbury share options and you would like to participate in the offer, you must first exercise the options and then tender the underlying Cadbury ordinary shares in accordance with the terms of the offer. The Cadbury ordinary shares received as a result of exercising Cadbury share options will be subject to the offer (provided they are issued prior to the expiration of the offer, or such later date and/or time as we may, with the consent of the U.K. Takeover Panel, determine).

### **27. What will happen to my Cadbury share options if the offer becomes or is declared wholly unconditional?**

We will make appropriate proposals to holders of Cadbury ordinary share options in due course.

### **28. Will the offer be followed by a compulsory acquisition?**

If the offer becomes or is declared wholly unconditional and we acquire 90% or more of the Cadbury ordinary shares, including those represented by Cadbury ADSs, during the initial offer period and the subsequent offer period, we intend to acquire any outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, through a compulsory acquisition procedure under the United Kingdom Companies Act 2006, as amended (the U.K. Companies Act ). In a compulsory acquisition, Cadbury securityholders who do not accept the offer will receive the same consideration received by any accepting Cadbury securityholder in the offer, which includes the opportunity to elect, subject to availability, to participate in a mix and match facility. If we do not achieve the 90% threshold, the compulsory acquisition procedure will not be available. However, the Cadbury ordinary shares may still be delisted as described in Question 30 below. Please see the section of this prospectus/offer to exchange entitled *Risk Factors Risk Factors Relating to the Offer 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.

### **29. Will I have dissenters or appraisal rights in the offer? (See page 60)**

No dissenters or appraisal rights are available in connection with the offer. However, in the event that we implement the compulsory acquisition procedures described in Question 28, Cadbury shareholders who have not participated in the offer and whose Cadbury ordinary shares are to be compulsorily acquired will have certain rights under the U.K. Companies Act to object to the U.K. court to Kraft Foods compulsorily acquiring their Cadbury ordinary shares.

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**30. If I decide not to accept the offer, how will the offer affect my Cadbury ordinary shares or Cadbury ADSs? (See page 61)**

If we complete the offer, but we do not acquire your Cadbury ordinary shares, including those represented by your Cadbury ADSs, under the compulsory acquisition procedures described in Question 28, you will remain a Cadbury shareholder or a holder of Cadbury ADSs (unless we terminate Cadbury's ADS program, in which case you will be a Cadbury shareholder), and will, therefore, become a minority shareholder in a subsidiary of Kraft Foods. If we do not complete the offer, your status as a Cadbury shareholder or holder of Cadbury ADSs will not be affected.

If we acquire 75% of the voting rights of Cadbury, we intend to cause Cadbury to apply for cancellation of the listing of the Cadbury ordinary shares on the Official List maintained by the United Kingdom Financial Services Authority (the U.K. Official List) and the trading of the Cadbury ordinary shares on the LSE's main market for listed securities. If we complete the offer, we intend, subject to the rules of the NYSE, to cause Cadbury to apply for the delisting of the Cadbury ADSs from the NYSE and terminate Cadbury's ADS program. We may also seek to have Cadbury terminate the registration of the Cadbury ordinary shares and the Cadbury ADSs under the Exchange Act. This would substantially reduce the information Cadbury is required to furnish to shareholders and to the SEC and would also make certain provisions of the Exchange Act no longer applicable to Cadbury. Please see the section of this prospectus/offer to exchange entitled "The Offer - Certain Effects of the Offer."

**31. Does Kraft Foods have the financial resources to complete the transactions contemplated by the offer? (See page 62)**

Yes. We expect to use the borrowings from the bridge facility described in the section of this prospectus/offer to exchange entitled "The Offer - Financing of the Offer; Source and Amount of Funds," to finance the acquisition of Cadbury pursuant to the offer and to refinance certain indebtedness of Cadbury and its subsidiaries to the extent that the cash consideration under the offer is not funded from our own resources and/or alternative funding sources.

**32. Is Kraft Foods' financial condition relevant to my decision to accept the offer?**

Yes. Because we will issue shares of Kraft Foods common stock to Cadbury securityholders who accept the offer (subject to elections under the mix and match facility), you should consider our financial condition before you decide to accept the offer. You also should consider the possible effect that our acquisition of Cadbury will have on our financial condition. For a discussion of the possible impact of the offer and any compulsory acquisition on our financial condition, please see the sections of this prospectus/offer to exchange entitled "Risk Factors - Risk Factors Relating to the Offer."

**33. Does Kraft Foods or any of its respective directors or executive officers own any Cadbury ordinary shares or Cadbury ADSs?**

No, neither Kraft Foods nor any of our directors or executive officers beneficially own any Cadbury ordinary shares or Cadbury ADSs.

**34. Where can I find more information on Kraft Foods and Cadbury? (See page 99)**

You can find more information about Kraft Foods and Cadbury from various sources described in the section of this prospectus/offer to exchange entitled "Where You Can Find More Information."

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**35. Who can I talk to if I have questions about the offer?**

You can call the information agent for the offer Monday through Friday between 9:00 a.m. and 11:00 p.m. New York City time or between 10:00 a.m. and 4:00 p.m. New York City time on Saturday at the numbers listed below.

*The information agent for the offer is:*

199 Water Street, 26<sup>th</sup> Floor

New York, NY 10038-3560

Banks and Brokers Call (212) 440-9800

Toll-Free in the United States (800) 868-1391

Outside the United States (212) 806-6859

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**SUMMARY**

**The Companies (See page 32)**

***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 generated approximately half of its revenues from outside the United States in 2008 and sells its products to consumers in approximately 150 countries around the world. 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. Its telephone number is (847) 646-2000 and its Internet address is [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). Information contained on Kraft Foods' web site does not constitute a part of this prospectus/offer to exchange.

***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.

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](http://www.cadbury.com). Information contained on Cadbury's web site does not constitute a part of this prospectus/offer to exchange.

**Terms of the Offer (See page 46)**

The offer is a single offer for all of the issued and outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs, and is being communicated by separate offer documentation to satisfy regulatory requirements. All holders of Cadbury ordinary shares who are U.S. holders (within the meaning of Rule 14d-1(d) under the Exchange Act) or residents of Canada and all holders of Cadbury ADSs, wherever located, will receive this prospectus/offer to exchange and all holders of Cadbury ordinary shares who are not U.S. holders or residents of Canada will receive separate offer documents, in each case if, pursuant to the local laws and regulations applicable to such holders, they are permitted to receive the relevant documents. The terms of the offer are the same regardless of the offer documentation used.

Under the basic terms of the offer, Cadbury securityholders who accept the offer will be entitled to receive:

500 pence in cash and 0.1874 shares of Kraft Foods common stock for each outstanding Cadbury ordinary share validly tendered and not withdrawn; and

2,000 pence in cash and 0.7496 shares of Kraft Foods common stock for each outstanding Cadbury ADS validly tendered and not withdrawn.

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### **Initial Offer Period; Extension of the Initial Offer Period; Subsequent Offer Period (See page A-13)**

The initial offer period is the period during which the offer remains conditional, which commenced on December 4, 2009 and expires on the earliest of (a) the offer lapsing, (b) the offer becoming or being declared wholly unconditional in accordance with its terms and (c) 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010 or such later time and date as agreed with the U.K. Takeover Panel and in accordance with U.S. tender offer rules. We reserve the right at any time or from time to time to extend the offer beyond such time. If the offer has not become or been declared wholly unconditional by February 2, 2010 or such later time and date as we may extend the initial offer period and we do not further extend the initial offer period, the offer will lapse. The offer will become or be declared wholly unconditional when all of the conditions of the offer have been satisfied, fulfilled or waived by us.

If we make a material change in the terms of the offer or if we waive a material condition of the offer, we will disseminate additional offer materials and extend the offer to the extent required by Rules 14d-4(d), 14d-6(c) and 14e-1 under the Exchange Act. The minimum period during which an offer must remain open following material changes in the terms of the offer, other than a change in price, will depend upon the facts and circumstances then existing, including the materiality of the changes. With respect to a change in price, a minimum of ten U.S. business days is generally required to allow for adequate dissemination of information to Cadbury securityholders.

If we extend the initial offer period, we will issue a press release on, among others, PR Newswire, by 3:00 a.m. New York City time (8:00 a.m. London time) on the following U.S. business day or U.K. business day (whichever is earlier), or such later time or date as the U.K. Takeover Panel may agree and in accordance with U.S. tender offer rules. This announcement will include the new expiration date and time of the initial offer period. This announcement will also inform Cadbury securityholders that they may tender, or withdraw their tendered, Cadbury ordinary shares or Cadbury ADSs at any time until this expiration time and date, unless the offer becomes or is declared wholly unconditional prior to this time and date.

If the offer becomes or is declared wholly unconditional on or after February 2, 2010, a subsequent offer period will start immediately. The subsequent offer period will be open for at least 14 days from the expiration of the initial offer period. We may extend it beyond that time until a further specified date or until further notice.

### **Conditions of the Offer (See page A-1)**

The offer is subject to the fulfillment of the conditions described below and other conditions that are customary for a comparable offer for a U.K. company. The offer will lapse unless these conditions have been and remain satisfied, fulfilled or, if capable of waiver, waived prior to the expiration of the offer. We cannot waive the minimum acceptance condition, the shareholder approval condition or the NYSE listing condition described below. We reserve the right to waive, in whole or in part, any or all of the other conditions of the offer, subject to applicable laws and regulations.

*Minimum acceptance condition* On January 19, 2010, we reserved the right to reduce, and on January 27, 2010 we reduced, the number of acceptances required to fulfill the minimum acceptance condition to require that we shall have received valid acceptances prior to expiration of the offer in respect of not less than 50% plus one Cadbury ordinary share (i.e., a majority) of the Cadbury ordinary shares to which the offer relates, including those represented by Cadbury ADSs, and of the voting rights attached to those shares. The minimum acceptance condition cannot become or be declared satisfied until all of the other conditions have been satisfied, fulfilled or to the extent permitted, waived. If you have already accepted the offer, but your willingness to accept the offer would be affected by the reduction of the minimum acceptance condition, you may wish to consider withdrawing your acceptance with respect to such Cadbury ordinary shares, including those represented by Cadbury ADSs, from the offer.



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*Shareholder approval condition* The offer is subject to the condition that our shareholders shall have approved any proposals required under certain rules of the NYSE to approve the issuance of the Kraft Foods common stock in connection with the offer. However, the terms of the offer, as revised, do not require the approval of our shareholders. Accordingly, the shareholder approval condition described in paragraph 1 (*Conditions of the Offer*) of Part A of Appendix A is treated as satisfied for the purposes of the offer.

*NYSE listing condition* The shares of Kraft Foods common stock to be issued in connection with the offer shall have been approved for listing on the NYSE and the registration statement of which this prospectus/offer to exchange forms a part shall have been declared effective by the SEC and no stop order shall have been issued or proceedings for suspension of the effectiveness of the registration statement shall have been initiated by the SEC.

*Antitrust approval conditions* We shall have received all applicable competition and antitrust approvals, including those from the European Commission and all applicable waiting periods under applicable competition or antitrust laws, including under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act ), shall have expired or terminated. On December 14, 2009, the required waiting period under the HSR Act expired. On January 6, 2010, the European Commission announced that it had cleared the offer subject to the commitments that Kraft Foods has offered in relation to the divestiture of Cadbury's chocolate businesses in Poland and Romania. Accordingly, both the U.S. and European Commission antitrust approval conditions have been satisfied.

In addition, no antitrust regulator or body shall have instituted any action or proceeding that would or might:

make the offer void or illegal;

require, prevent or delay the divestiture by any of Kraft Foods, Cadbury or their respective subsidiaries of all or part of its business or impose any limitation on its ability to conduct its business; or

impose any limitation on the ability of any of Kraft Foods, Cadbury or their respective subsidiaries to conduct, integrate or coordinate its business.

***The U.K. Takeover Code requires us to obtain the consent of the U.K. Takeover Panel before we can invoke any condition to the offer (other than the minimum acceptance condition and conditions in respect of European Commission merger approval). In practice, even if a condition has not been satisfied by its terms, the U.K. Takeover Panel will only give such consent where the circumstances underlying the failure of the condition are of material significance to us in the context of the offer.***

If we amend or waive a condition that constitutes a material change to the offer, in accordance with U.S. tender offer rules, we will disseminate such material change in a manner reasonably calculated to inform you of such change and with sufficient time for you to consider such new information.

If the offer becomes or is declared wholly unconditional prior to February 2, 2010, we will issue a press release on, among others, PR Newswire, by 3:00 a.m. New York City time (8:00 a.m. London time) on the following U.S. business day or U.K. business day (whichever is earlier), or at a later time or date that the U.K. Takeover Panel agrees and in accordance with U.S. tender offer rules. If the offer becomes or is declared wholly unconditional on February 2, 2010, we will issue a press release on, among others, PR Newswire, by 12:00 p.m. New York City time (5:00 p.m. London time) on that day or at a later time or date that the U.K. Takeover Panel agrees and in accordance with U.S. tender offer rules. This announcement will also state that the initial offer period has closed and that a subsequent offer period has commenced.

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### **Ownership of Kraft Foods After Completion of the Offer (See page 55)**

We estimate that, if all Cadbury ordinary shares, including those represented by Cadbury ADSs, are exchanged pursuant to the offer and any compulsory acquisition, former Cadbury securityholders would own, in the aggregate, approximately 15.2% of the outstanding shares of Kraft Foods common stock at the date of the exchange. For a discussion of the assumptions on which this estimate is based, please see the section of this prospectus/offer to exchange entitled "The Offer - Ownership of Kraft Foods After Completion of the Offer."

### **Accounting Treatment (See page 66)**

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

### **Regulatory Approvals (See page 64)**

The offer is 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 HSR Act. On December 14, 2009, the required waiting period under the HSR Act expired. On January 6, 2010, the European Commission announced that it had cleared the offer subject to the commitments that Kraft Foods has offered in relation to the divestiture of Cadbury's chocolate businesses in Poland and Romania. Accordingly, both the U.S. and European Commission antitrust approval conditions have been satisfied.

### **Financing of the Offer (See page 62)**

We expect to use the borrowings from the bridge facility described in the section of this prospectus/offer to exchange entitled "The Offer - Financing of the Offer; Source and Amount of Funds" to finance the acquisition of Cadbury pursuant to the offer and to refinance certain indebtedness of Cadbury and its subsidiaries to the extent that the cash consideration under the offer is not funded from our own resources and/or alternative funding sources.

### **Listing of Kraft Foods Common Stock to be Issued in Connection with the Offer and any Compulsory Acquisition (See page 67)**

We have submitted the necessary application to cause the shares of Kraft Foods common stock to be issued in connection with the offer and any compulsory acquisition to be approved for listing on the NYSE. Approval of this listing is a condition of the offer.

### **Comparison of Shareholders' Rights (See page 71)**

Unless you successfully elect to receive all cash under the mix and match facility, you will receive shares of Kraft Foods common stock as part of the offer consideration in exchange for any Cadbury ordinary shares or Cadbury ADSs you tender. As Kraft Foods is incorporated under Virginia law and Cadbury is incorporated under the laws of England and Wales, there are a number of differences between the rights of a holder of Cadbury ordinary shares, including those represented by Cadbury ADSs, and the rights of a shareholder of Kraft Foods common stock. We urge you to review the section of this prospectus/offer to exchange entitled "Comparison of Shareholders' Rights" for a summary of these differences.

### **Risk Factors (See page 19)**

The offer is, and upon the consummation of the offer, the combined company will be, subject to a number of risks. In deciding whether to tender your Cadbury ordinary shares or your Cadbury ADSs, you should carefully read and consider the risk factors contained in the section of this prospectus/offer to exchange entitled "Risk Factors."

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**FORWARD-LOOKING STATEMENTS**

Certain statements contained or incorporated by reference in this prospectus/offer to exchange may constitute forward-looking statements. All statements in this prospectus/offer to exchange, 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 offer, adverse effects on the market price of the Kraft Foods 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 prospectus/offer to exchange 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 prospectus/offer to exchange except as required by applicable law or regulation.

**NOTICE REQUIRED UNDER THE U.K. TAKEOVER CODE**

Nothing in this prospectus/offer to exchange is intended to be a profit forecast, as defined by the U.K. Takeover Code. For purposes of the U.K. Takeover Code, no statement in this prospectus/offer to exchange should be interpreted to mean that earnings per share of Kraft Foods common stock for the current or future financial periods will necessarily be greater than those for the relevant preceding financial period.

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**RECENT DEVELOPMENTS**

On November 3, 2009, we released our third quarter results, in which we reported strong continued momentum in our underlying business. For the three months ended September 30, 2009, net revenues declined 5.7% and organic revenue grew 0.5%. For the nine months ended September 30, 2009, net revenues declined 6.0% and organic revenue grew 1.9%. This growth was driven by higher net pricing and continuing improvements in volume/mix, despite the dampening impact of several strategic decisions made to improve the long-term prospects of our business. Organic net revenues is a non-U.S. GAAP measure; see below for a discussion of limitations on the usefulness of non-U.S. GAAP measures. For the three months ended September 30, 2009, this volume/mix trend underpinned strong gains in margins and earnings per share, with a 470 basis point improvement in operating margins and a 62% rise in earnings per share from continuing operations, including a \$0.09, or 26%, gain from operational sources. For the nine months ended September 30, 2009, operating margin improved 320 basis points and earnings per share from continuing operations increased 36.8%.

On January 4, 2010, each of our subsidiaries, Kraft Foods Global, Inc., Kraft Foods Global Brands LLC, Kraft Pizza Company and Kraft Canada Inc., and Nestlé USA, Inc. ( Nestlé ), entered into an Asset Purchase Agreement. Pursuant to this agreement, we agreed to sell the assets of our frozen pizza products and certain related frozen food products businesses to Nestlé for \$3.7 billion in cash, subject to a post-closing adjustment for inventory of the business at closing.

On January 12, 2010, we increased our guidance for 2009 diluted earnings per share to at least \$2.00 versus our previous expectation of at least \$1.97. This increased guidance reflects strong operating gains as well as a significant increase in marketing investments versus the prior year. We expect to achieve this guidance while continuing to increase investment behind our brands, with advertising and consumer marketing spending expected to grow to approximately 7% of sales in 2009 from 6.7% of sales in 2008.

Since September 30, 2009, the end of the last financial period for which we have published interim financial information, based on the most recent available information, our overall trading and financial performance has continued in line with recent performance.

We use the non-U.S. GAAP financial measure organic net revenues and corresponding growth ratios. The difference between organic net revenues and net revenues, which is the most comparable U.S. GAAP financial measure, is that organic net revenues excludes the impact of acquisitions, divestitures and currency. Organic net revenues is used by our management to budget, make operating and strategic decisions and evaluate our performance. We have disclosed this measure so that you have the same financial data that management uses with the intention of assisting you in making comparisons to our historical operating results and analyzing our underlying performance. Our management believes that organic net revenues better reflect the underlying growth from the ongoing activities of our business and provide improved comparability of results because they exclude the impact of fluctuations in foreign currency exchange rates, which are not under our control, and also exclude the one-time impacts of acquisitions and divestitures on net revenues. The limitation of this measure is that it excludes items that have an impact on net revenues. The best way that this limitation can be addressed is by using organic net revenues in combination with our U.S. GAAP reported net revenues. Our management believes that the presentation of this non-U.S. GAAP financial measure, when considered together with our U.S. GAAP financial measures and the reconciliations to the corresponding U.S. GAAP financial measures, provides you with a more complete understanding of the factors and trends affecting Kraft Foods than could be obtained absent these disclosures. Because organic net revenues calculations may vary among other companies, the organic net revenues figures presented in this prospectus/offer to exchange may not be comparable with similarly titled measures of other companies. Organic net revenues are not meant to be considered in isolation or as a substitute for U.S. GAAP financial measures. You should carefully evaluate the following table reconciling U.S. GAAP reported net revenues to organic net revenues.

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The table below reconciles organic net revenues to reported net revenues for the periods stated.

	Three months ended September 30,			Nine months ended September 30,		
	2009 (in millions)	2008 (in millions)	% change	2009 (in millions)	2008 (in millions)	% change
Organic net revenues (non-U.S. GAAP)	\$ 10,380	\$ 10,333	0.5%	\$ 31,567	\$ 30,984	1.9%
Impact of divestitures	1	68	(0.6)%	29	267	(0.7)%
Unfavorable foreign currency	(578)		(5.6)%	(2,235)		(7.2)%
Reported net revenues (U.S. GAAP)	\$ 9,803	\$ 10,401	(5.7)%	\$ 29,361	\$ 31,251	(6.0)%

**Table of Contents****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 prospectus/offer to exchange 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 prospectus/offer to exchange, as described in the section of this prospectus/offer to exchange entitled "Incorporation by Reference."

	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)							
<b>Summary of Operations:</b>							
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
<b>Basic EPS attributable to Kraft Foods:</b>							
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
<b>Diluted EPS attributable to Kraft Foods:</b>							
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%

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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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**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF KRAFT FOODS (con t)**

	Nine months ended September 30,		Year ended December 31,				2004
	2009	2008	2008	2007	2006	2005	
	(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	26,554	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 have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange. 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.

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 filed with the SEC on January 29, 2010. 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 Report on Form 6-K filed with the SEC on January 29, 2010. All historical financial information presented with respect to Cadbury is prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). 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 prospectus/offer to exchange 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 prospectus/offer to exchange, as described in the section of this prospectus/offer to exchange entitled "Incorporation by Reference."

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	Six months ended June 30,		Year ended December 31,				2004
	2009	2008	2008	2007	2006	2005	
(in millions of pounds sterling, except for per share data)							
<b>Continuing Operations</b>							
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
<b>Earnings per share</b>							
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

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classified as discontinued operations and the 2004 to 2007 financial information has been re-presented accordingly.

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

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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 January 25, 2010, the latest practicable date for which such information was available prior to the date of this prospectus/offer to exchange, the noon buying rate was \$1.6236 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.

	<b>Period- end Rate</b>	<b>Average Rate</b>	<b>High</b>	<b>Low</b>
<b>Recent Monthly Data</b>				
December 2009	\$ 1.617	\$ 1.623	\$ 1.664	\$ 1.589
November 2009	1.641	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
<b>Interim Period Data</b>				
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
<b>Annual Data (Year ended December 31,)</b>				
2009	\$ 1.617	\$ 1.571	\$ 1.698	\$ 1.366
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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**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 (a) the disposal of the Kraft Foods pizza business as announced on January 5, 2010 and (b) the acquisition of Cadbury by Kraft Foods on Kraft Foods' results of operations as if both transactions had occurred on January 1, 2008. The following unaudited pro forma balance sheet data at June 30, 2009 show the effect of the disposal of the Kraft Foods pizza business and the acquisition of Cadbury by Kraft Foods on Kraft Foods' financial position as if both transactions had occurred on that date.

We have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange. 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.

The unaudited pro forma financial data included herein 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 prospectus/offer to exchange. 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 filed with the SEC on January 29, 2010 and the audited consolidated financial statements of Cadbury contained in Cadbury's Report on Form 6-K filed with the SEC on January 29, 2010.

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 prospectus/offer to exchange 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 prospectus/offer to exchange entitled Summary of Significant Differences Between IFRS and U.S. GAAP.

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

**Table of Contents****SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA (con t)**

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 offer 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 prospectus/offer to exchange, please see the section of this prospectus/offer to exchange 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)	
<b>Statement of Operations</b>		
Net revenues	\$ 22,858	\$ 50,591
Cost of sales	14,339	32,554
Operating income	2,859	4,200
Operating margin	12.5%	8.3%
Interest and other expense, net	832	1,497
Earnings from continuing operations before income taxes	2,027	2,703
Provision for income taxes	656	610
Earnings from continuing operations attributable to shareholders	1,367	2,080
Basic earnings per share from continuing operations	0.79	1.18
Diluted earnings per share from continuing operations	0.78	1.17
Weighted-average shares Basic	1,741	1,770
Weighted-average shares Diluted	1,749	1,780

	As of June 30, 2009 Pro Forma Combined (in millions, except per share data)
<b>Balance Sheet Data</b>	
Property, plant and equipment, net	\$ 12,794
Inventories, net	5,322
Total assets	91,505
Long-term debt	29,512
Total debt	32,325
Total long-term liabilities	43,191
Total Shareholders Equity	33,441
Total Equity	33,537
Book value per share outstanding	19.22
Number of shares outstanding at period end	1,740

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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 0.1874 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 offer, 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 prospectus/offer to exchange 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 prospectus/offer to exchange, please see the section of this prospectus/offer to exchange entitled *Unaudited U.S. GAAP Pro Forma Financial Information*.

We have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange. 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.

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 prospectus/offer to exchange entitled *Summary of Significant Differences Between IFRS and U.S. GAAP*.

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 prospectus/offer to exchange or incorporated herein by reference. 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 offer.

**Table of Contents****HISTORICAL AND PRO FORMA PER SHARE DATA (con t)**

	<b>For the six months ended June 30, 2009</b>	<b>Year ended December 31, 2008</b>
<b>Kraft Foods historical data</b>		
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	
<b>Cadbury historical data</b>		
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	
<b>Unaudited pro forma combined</b>		
Earnings per share from continuing operations		
Basic	\$ 0.79	\$ 1.18
Diluted	0.78	1.17
Cash dividends declared per share(1)	0.58	1.12
Book value per share	19.22	
<b>Equivalent basis unaudited pro forma combined</b>		
Earnings per share from continuing operations		
Basic	9.9p	11.7p
Diluted	9.9p	11.7p
Cash dividends declared per share(1)	7.3p	11.2p
Book value per share	219.1p	

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



**Table of Contents****COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION**

Kraft Foods common stock is traded on the NYSE under the symbol KFT. Cadbury ordinary shares are traded on the 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 Kraft Foods 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	
<b>2007, quarter ended</b>										
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	
<b>2008, quarter ended</b>										
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	
<b>2009, quarter ended</b>										
March 31	29.57	21.00	0.29	619.00	497.25	11.10	37.18	28.06	0.6394	
June 30	27.04	22.05	0.29	554.50	486.50	N/A	35.99	28.78	N/A	
September 30	28.81	25.70	0.29	805.00	520.00	5.70	52.53	33.91	0.376	
December 31	27.64	25.95	0.29	814.00	758.00	N/A	54.00	49.72	N/A	
<b>2010</b>										
January 1 January 28	29.58	27.18	N/A	836.50	772.00	N/A	55.09	49.60	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 January 28, 2010, the closing price per share of Kraft Foods 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 tendered into the offer

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(assuming no mix and match election is made). The implied equivalent value of a Cadbury ordinary share was calculated by multiplying the closing price per share of our common stock on the NYSE by 0.1874, 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 500 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 prices per share of Kraft Foods common stock by 0.7496, 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 2,000 pence payable for each Cadbury ADS tendered in the offer.

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 at the applicable exchange rate on each date 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 = \$1.6137, as quoted by WM/Reuters on January 28, 2010.

	Kraft Foods Common Stock (\$)	Cadbury Security		Implied Equivalent Value per Cadbury Security	
		Ordinary Shares (p)	ADSs \$(1)	Ordinary Share (p)(2)	ADS \$(2)
September 4, 2009	28.10	568.00	37.46	822.15	53.76
November 6, 2009	26.78	758.00	50.50	802.16	53.29
January 28, 2010	28.04	830.50	53.55	825.63	53.29

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

(2) Unless you elect to receive all cash or all shares under the mix and match facility, you will receive the offer consideration in a mixture of cash and shares of Kraft Foods common stock on the terms described in this prospectus/offer to exchange.

The market prices of Kraft Foods 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 Kraft Foods common stock, Cadbury ordinary shares and Cadbury ADSs.

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**RISK FACTORS**

*By accepting the offer, Cadbury securityholders will be choosing to invest in Kraft Foods common stock. In considering whether to accept the offer, you should consider carefully the following risk factors, and the other risks and information contained in this prospectus/offer to exchange and in documents incorporated herein by reference. Please see the section of this prospectus/offer to exchange entitled "Where You Can Find More Information" for information on where you can find additional risk factors and other information incorporated by reference in this prospectus/offer to exchange.*

**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 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.

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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 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, product recalls 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.

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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 offer 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,

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.



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### **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 other risks that relate to the offer, please see the section of this prospectus/offer to exchange entitled Risk Factors Relating to 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.

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We expect to report having made approximately \$620 million in contributions to our pension plans in 2009, which is approximately \$400 million more than we made in 2008. In addition, we expect to report that in 2009, our net pension cost increased by approximately \$150 million to approximately \$390 million. Volatile economic conditions increase the risk that for periods beyond 2009, we may be required to make additional cash contributions to the pension plans and recognize further increases in our net pension cost.

### **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 Report on Form 6-K filed with the SEC on January 29, 2010, which is incorporated by reference into this prospectus/offer to exchange, Cadbury expected 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 January 29, 2010 and Cadbury's audited consolidated financial statements for the year ended December 31, 2008 included in Cadbury's Report on Form 6-K filed with the SEC on January 29, 2010, both of which are incorporated by reference into this prospectus/offer to exchange.

Because we have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange, we do not have enough information to assess the extent to which Cadbury's defined benefit pension schemes are adequately funded in 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 have only had very limited 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 Report on Form 6-K filed with the SEC on January 29, 2010, which is incorporated by reference into this prospectus/offer to exchange, represents about 65% of Cadbury and its subsidiaries' post retirement liabilities. Its assets are held by trustees separate from the assets of



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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. The trust deed and rules of the Cadbury Pension Fund provide that each employer's liability to pay contributions is as decided by the trustees on advice of the actuary. However, statutory rules require such liability to be agreed between employer and trustees. 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 were to wind up, 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 were to wind up or otherwise require employer contributions equal to buy-out funding, 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 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.

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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 Kraft Foods Common Stock**

#### **There will be material differences between your current rights as a holder of Cadbury ordinary shares, including those represented by Cadbury ADSs, and the rights you can expect as a shareholder of Kraft Foods.**

Under the terms of the offer (subject to the mix and match facility), Cadbury securityholders will receive a combination of Kraft Foods common stock and cash consideration if the offer becomes or is declared unconditional, and will consequently become holders of Kraft Foods common stock. Kraft Foods is governed by the laws of the United States, the Commonwealth of Virginia, its articles of incorporation, and its by-laws. There will be material differences between the current rights of Cadbury securityholders and the rights they can expect to have as holders of Kraft Foods common stock. For example, holders of Kraft Foods common stock do not have the benefit of statutory pre-emption rights under the Virginia Stock Corporation Act. In addition, under Virginia law, the Kraft Foods board of directors may elect to adopt certain provisions that have the effect of discouraging a third party from acquiring control of Kraft Foods, which could limit the price that some investors might be willing to pay in the future for Kraft Foods common stock. Provisions of the Virginia Stock Corporation Act and Kraft Foods' articles of incorporation may also have the effect of discouraging or preventing certain types of transactions involving an actual or a threatened change in control of Kraft Foods, including unsolicited takeover attempts, even though such a transaction may offer Kraft Foods shareholders the opportunity to sell their Kraft Foods common stock at a price above the prevailing market price. For a detailed discussion of the material differences between the current rights of Cadbury shareholders, and the rights you can expect as a holder of Kraft Foods common stock, please see our discussion in the section of this prospectus/offer to exchange entitled "Comparison of Shareholders' Rights."

#### **Cadbury securityholders will own a smaller percentage of the combined company than they currently own of Cadbury.**

After completion of the offer, Cadbury securityholders will own a smaller percentage of the combined company than they currently own of Cadbury. Assuming exercise of all share options and vesting of all share awards held under the Cadbury share schemes over Cadbury ordinary shares and full acceptance of the offer, former Cadbury securityholders and existing Kraft Foods shareholders will own approximately 15.2% and 84.8%, respectively, of the outstanding shares of the combined company immediately after completion of the offer. Please see the section of this prospectus/offer to exchange entitled "The Offer: Ownership of Kraft Foods After Completion of the Offer" for a discussion of the assumptions on which these ownership percentages are based.

#### **Risks of executing the offer could cause the market price of Kraft Foods common stock to decline.**

The market price of Kraft Foods common stock may decline as a result of the offer, 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;

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the effect of our acquisition of Cadbury on our financial results is not consistent with the expectations of financial analysts or investors;

former Cadbury securityholders sell a significant number of shares of Kraft Foods common stock after completion of the offer; or

we fail to acquire 100% of the Cadbury ordinary shares, including those represented by Cadbury ADSs, in the offer or through the compulsory acquisition process.

Assuming exercise of all share options and vesting of all share awards held under the Cadbury share schemes over Cadbury ordinary shares and full acceptance of the offer, the number of shares of Kraft Foods common stock we will issue to Cadbury securityholders pursuant to the offer will be not more than approximately 265 million, representing approximately 15.2% of the issued and outstanding shares of Kraft Foods common stock, as increased as a result of the offer, calculated at January 15, 2010. If a significant proportion of Cadbury securityholders who receive Kraft Foods 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 Kraft Foods 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, Kraft Foods common stock.

**The market price of Kraft Foods common stock may be affected by factors different from those affecting the price of Cadbury ordinary shares and Cadbury ADSs.**

If the offer is successfully completed, Cadbury securityholders will become holders of Kraft Foods common stock. Our business differs from that of Cadbury, and our results of operations, as well as the price of Kraft Foods common stock, may be affected by factors different from those affecting Cadbury's results of operations and the price of Cadbury ordinary shares and Cadbury ADSs.

**The level of any dividend paid in respect of the Kraft Foods common stock is subject to a number of factors.**

The level of any dividend paid in respect of Kraft Foods common stock is within the discretion of our board of directors and is subject to a number of factors, including the business and financial conditions, earnings and cash flow of, and other factors affecting us and our subsidiaries (and following completion of the offer, the combined company), as well as the availability of funds from which dividends can be legally paid. The level of any dividend in respect of the Kraft Foods common stock is also subject to the extent to which we receive funds, directly or indirectly, from our operating subsidiaries and divisions in a manner which creates funds from which dividends can be legally paid. Any reduction in dividends paid on Kraft Foods common stock from those historically paid, or the failure to pay dividends in any financial year, could adversely affect the market price of Kraft Foods common stock.

### **Risk Factors Relating to the Offer**

**If you elect to use the mix and match facility, you may not receive the consideration in the proportion of Kraft Foods common stock and cash requested.**

There is a mix and match facility available to Cadbury securityholders. Under the mix and match facility, accepting Cadbury securityholders may elect to vary the proportions in which they receive shares of Kraft Foods common stock and cash consideration, subject to off-setting elections made by other Cadbury securityholders. Satisfaction of elections under the mix and match facility will be effected on the basis of £15.94 in cash (the closing price of \$26.50 per share of Kraft Foods common stock derived from the NYSE on December 1, 2009, converted to pounds sterling at an exchange rate of \$1.6627 per £1.00, as quoted by WM/Reuters on December 1, 2009) for each share of Kraft Foods common stock (and *vice versa*). To the extent that elections cannot be satisfied in full, they will be reduced on a *pro rata* basis. In addition, shares of Kraft Foods common stock may be trading at a higher or lower price than \$26.50 on the applicable settlement date.

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As a result, if you make an election under the mix and match facility, you may not have your election satisfied in full or at all, and you will not know the exact number of shares of Kraft Foods common stock or the amount of cash you will receive until settlement of the consideration under the offer.

Furthermore, during the subsequent offer period, there will be separate off-setting pools for Cadbury ordinary shares, including those represented by Cadbury ADSs, tendered in the subsequent offer period and settled together on a particular settlement date. As a result, Cadbury securityholders who tender their Cadbury ordinary shares or Cadbury ADSs during the subsequent offer period and elect for more cash or more shares of Kraft Foods common stock under the mix and match facility may receive a different proportion of their preferred consideration than those who accept during the initial offer period or those who accept earlier or later during the subsequent offer period.

We describe our procedures for election and proration in paragraph 6 (*The Mix and Match Facility*) of Part B of Appendix A to this prospectus/offer to exchange.

### **The offer may adversely affect the liquidity and value of non-tendered Cadbury ordinary shares and Cadbury ADSs.**

If the offer is successfully completed, the number of Cadbury securityholders and the number of non-tendered Cadbury ordinary shares and Cadbury ADSs held by individual holders may be greatly reduced. As a result, the successful completion of the offer could adversely affect the liquidity and may adversely affect the market value of the remaining non-tendered Cadbury ordinary shares and Cadbury ADSs held by the public. If the offer becomes or is declared wholly unconditional and we acquire 75% of the voting rights of Cadbury, we intend to cause Cadbury to apply for the cancellation of the listing of the Cadbury ordinary shares on the U.K. Official List and the cancellation of trading of the Cadbury ordinary shares on the LSE's main market for listed securities. If we complete the offer, we intend, subject to the rules of the NYSE, to cause Cadbury to apply for the delisting of the Cadbury ADSs from the NYSE and terminate Cadbury's ADS program. As a result of any delisting and cancellation of trading, Cadbury ordinary shares and Cadbury ADSs not acquired pursuant to the offer may become less liquid and may have a reduced value.

### **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 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 Kraft Foods to any percentage above 50%. On January 19, 2010, we announced that we reserved the right to reduce, and on January 27, 2010 we reduced, the number of acceptances required to fulfill the minimum acceptance condition from 90% to 50% plus one Cadbury ordinary share (i.e., a majority). Therefore, 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 of directors. However, depending on the level of acceptances received, we may not control sufficient voting rights to delist Cadbury from the U.K. Official List 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.

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**If we fail to acquire 100% of the Cadbury ordinary shares, including those represented by Cadbury ADSs, but we are able to effect any post-closing restructuring, the consideration that Cadbury securityholders who do not tender in the offer may receive in any post-closing restructuring may be substantially lower and/or different in form than the consideration they would have received had they tendered in the offer (and they may also be subject to different tax consequences).**

If we fail to acquire in the offer and in a compulsory acquisition 100% of the Cadbury ordinary shares, including those represented by Cadbury ADSs, but are able to complete any post-closing restructuring we may decide to undertake, the consideration that Cadbury securityholders who do not tender their Cadbury ordinary shares, including those represented by Cadbury ADSs, in the offer may receive in any post-closing restructuring may be lower and/or different in form than the consideration that they would have received had they tendered their Cadbury ordinary shares, including those represented by Cadbury ADSs, in the offer. Such differences could result from the fact that:

if any post-closing restructuring is the subject of litigation, we may be required to change the consideration offered to Cadbury securityholders in response to any court order;

the tax consequences to Cadbury securityholders of receiving payment in any post-closing restructuring may be different from what they would have been if they had tendered their Cadbury ordinary shares, including those represented by Cadbury ADSs, in the offer; and

any Kraft Foods common stock received as part of the consideration may have a different value at the time of completion of any post-closing restructuring than at the time of the completion of the offer.

Moreover, if any post-closing restructuring is the subject of litigation, a court could delay or prohibit the restructuring from occurring on its proposed terms, or at all. Accordingly, Cadbury securityholders who do not tender their Cadbury ordinary shares or Cadbury ADSs in the offer may not receive consideration for such shares promptly after the closing of the offer, or at all.

**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. On January 6, 2010, the European Commission announced that it had cleared the offer subject to the commitments that we have offered in relation to the divestiture of Cadbury's chocolate businesses in Poland and Romania. Accordingly, both the U.S. and European Commission antitrust conditions to the offer have been satisfied. The governmental agencies from which Kraft Foods seeks these approvals have discretion in administering the governing regulations. As a condition to their approval of the transactions contemplated by the offer, 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 acquisition of Cadbury 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 acquisition of Cadbury to the combined company. This could result in a delay in completion of, or a decision not to complete, the offer or have a material adverse effect on the business and results of operations of the combined

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company. Please see paragraph 1 (*Conditions of the Offer*) of Part A of Appendix A to this prospectus/offer to exchange for a discussion of the conditions of the offer and the section of this prospectus/offer to exchange 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 the Kraft Foods common stock we issue in the offer.**

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. 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 prospectus/offer to exchange 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. Takeover Panel is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to us in the context of the offer.

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 the Kraft Foods common stock may decline or our business or our financial condition may be materially adversely affected. As a result, the value of the Kraft Foods common stock received by Cadbury securityholders may be reduced.

**We have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange.**

We have not had due diligence access to Cadbury or its business or management for the purposes of preparing this prospectus/offer to exchange. Accordingly, we have prepared the information in, or incorporated by reference into, this prospectus/offer to exchange based only on publicly available information regarding Cadbury and such information has not been subject to comment or verification by Cadbury, Kraft Foods or their respective directors.

We have no knowledge that any information or statements relating to Cadbury contained in, or incorporated by reference into, this prospectus/offer to exchange 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 offer based only on publicly available information regarding Cadbury. Our assumptions relating to the forecast level of cost savings, synergies and associated costs of the offer may be inaccurate.

Further, the completion of the offer 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.

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**Whether or not the offer is completed, the announcement and prospect of the successful completion of the offer 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 offer is completed, the announcement and prospect of the successful completion of the offer could cause disruptions in the businesses of Kraft Foods and/or Cadbury. Specifically if the offer 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.

**We may incur higher than expected integration, transaction and offer-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 \$1.3 billion in the first three years following completion of the offer. 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 offer 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.

Please see the section of this prospectus/offer to exchange entitled "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."

### **Risk Factors Relating to Market and Currency Fluctuation**

**Market fluctuations may reduce the overall value of the consideration in the offer.**

Unless you make a successful mix and match election, each Cadbury ordinary share, including each Cadbury ordinary share represented by a Cadbury ADS, you tender in the offer will be exchanged for 500 pence in cash and 0.1874 shares of Kraft Foods common stock. As one Cadbury ADS represents four Cadbury ordinary shares, for each Cadbury ADS you tender in the offer you will receive 2,000 pence in cash and 0.7496 shares of Kraft Foods common stock. Any fluctuation in the market price of Kraft Foods common stock or the pound sterling/U.S. dollar exchange rate between now and the consummation of the offer will increase or decrease the cash value of the Kraft Foods common stock that you will receive.

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Kraft Foods common stock and any dividends to be paid in respect of it will be denominated in U.S. dollars. An investment in Kraft Foods common stock by an investor whose principal currency is not U.S. dollars exposes the investor to foreign exchange rate risk. Any depreciation of the U.S. dollar in relation to such other currency will reduce the value of the investment in Kraft Foods common stock, and any dividends to be paid in respect of it, in terms of such other currency, and any appreciation of the U.S. dollar will increase the value in terms of such other currency.

### **Cadbury securityholders who tender their Cadbury ordinary shares and Cadbury ADSs in the offer will be subject to exchange rate risk.**

The cash portion of the consideration that you will receive for your Cadbury ordinary shares is payable in pounds sterling, unless you elect to receive it in U.S. dollars. The cash portion of the consideration that you will receive for your Cadbury ADSs is payable in U.S. dollars, unless you elect to receive it in pounds sterling. As a result, the value of this consideration in any currency relevant to a Cadbury securityholder will vary depending on the exchange rate between that currency and pounds sterling or U.S. dollars, as applicable, which is likely to fluctuate between the date of this prospectus/offer to exchange and the date on which cash consideration is paid to Cadbury securityholders. Fluctuations in the exchange rate between other currencies and U.S. dollars, as applicable, will also affect the pound sterling equivalent of the price of the Kraft Foods common stock.

Furthermore, if you receive the cash portion of your consideration in U.S. dollars, the cash amount payable in pounds sterling to which you would otherwise be entitled pursuant to the terms of the offer will be paid (net of all relevant fees and expenses) in U.S. dollars, based on the exchange rate obtainable on the spot market in London on the date the cash consideration is made available by Kraft Foods to the Ordinary Share Exchange Agent or ADS Exchange Agent for delivery in respect of your Cadbury ordinary shares or Cadbury ADSs. In this case, the actual amount of U.S. dollars you receive will depend on this, so you will be subject to the risk that exchange rate fluctuations could change the amount of U.S. dollars you receive.

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

As a result of the successful completion of the offer, 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 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 offer) 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 prospectus/offer to exchange. Please see the section of this prospectus/offer to exchange entitled "Incorporation by Reference."



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**THE COMPANIES**

**Kraft Foods**

We are 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. We have approximately 100,000 employees worldwide and we manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We generated approximately half of our revenues from outside the United States in 2008 and sell our products to consumers in approximately 150 countries. At December 31, 2008, we had operations in more than 70 countries and made our products at 168 manufacturing and processing facilities worldwide. At September 30, 2009, we had net assets of \$25.2 billion and gross assets of \$66.7 billion. We are a member of the Dow Jones Industrial Average, Standard & Poor's 500, the Dow Jones Sustainability Index and the Ethibel Sustainability Index.

We have a proven track record of successfully completing and integrating strategic combinations to build and grow iconic brands and multi-national businesses. These acquisitions include *LU* Biscuit in 2007 and Nabisco in 2000.

Our portfolio includes nine brands with annual revenues exceeding \$1.0 billion each, including *Kraft* cheeses, dinners and dressings; *Oscar Mayer* meats; *Philadelphia* cream cheese; *Maxwell House* and *Jacobs* coffee; *Nabisco* cookies and crackers; *Oreo* cookies; *Milka* chocolates; and *LU* biscuits. Our portfolio also includes more than 50 brands which each generate annual revenues of more than \$100 million, including *Côte d'Or*, *Toblerone*, *Marabou* and *Alpen Gold* chocolates; *Royal* biscuits; and *Kenco*, *Carte Noire* and *Grand Mère* coffees.

Our strategy is centered on marketing and developing leading consumer brands and pursuing growth opportunities consistent with consumer trends in order to deliver shareholder value. Our increasing investment in snacks and quick meals and our portfolio of iconic brands aligns with growing consumer interest in convenience products and premium brands. Our focus on snacks and confectionery products fits well within our strategy of growth in instant consumption channels.

Four priorities have shaped our long-term strategy:

focusing on growth categories to transform into a leading snack, confectionery and quick meals company. This is being achieved through exiting lower growth and/or lower margin businesses and reinvigorating high cash flow businesses to fund growth;

expanding our footprint in rapidly growing developing markets to benefit from trading up by consumers and achieving the scale to establish cost-efficient infrastructure in key geographies;

increasing our presence in instant consumption channels as they continue to gain share versus grocery channels in the U.S. and European Union; and

enhancing margins by improving our portfolio mix and reducing costs while investing in quality.

We believe our key competitive strengths include:

our global scale;

our portfolio of leading brands;

a leading sales and distribution system;



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a proven track record of acquiring and integrating large-scale new businesses; and

an experienced management team.

We are 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](http://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.

Cadbury's major brands by segment include:

Chocolate *Cadbury Dairy Milk, Cadbury Creme Egg, Flake and Green & Black's*;

Gum *Trident, Hollywood, Stimorol, Dentyne, Clorets and Bubbaloos*; and

Candy *Halls, Maynards, The Natural Confectionery Co. and Cadbury Eclairs*.

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](http://www.cadbury.com).

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**BACKGROUND AND REASONS FOR THE OFFER**

**Background of the Offer**

We continually review our strategic alternatives. In the summer of 2009, we gave serious consideration to whether or not a business combination with Cadbury could be accomplished on favorable terms.

On August 20, 2009, our board of directors met with members of senior management and certain of our financial advisors. Our board of directors authorized Ms. Irene Rosenfeld, our Chairman and Chief Executive Officer, to approach Cadbury to ascertain its interest in a business combination.

On August 28, 2009, Ms. Rosenfeld met with Mr. Roger Carr, the Chairman of Cadbury, in London to express our interest in pursuing a business combination with Cadbury. Ms. Rosenfeld informed Mr. Carr that our board of directors had authorized her to make a proposal to acquire all of the outstanding Cadbury ordinary shares for 300 pence in cash and 0.2589 new shares of Kraft Foods common stock per Cadbury ordinary share. That same day, Ms. Rosenfeld sent Mr. Carr the following letter confirming their conversation and the proposal put forth by Ms. Rosenfeld at the meeting (footnotes omitted):

*28 August 2009*

*Mr. R. Carr*

*Cadbury plc*

*Cadbury House*

*Sanderson Road*

*Uxbridge*

*UB8 1DH*

*Dear Roger,*

*I very much enjoyed meeting you this morning. As I explained, we believe that the combination of our companies would provide a compelling value proposition for both our shareholders. As analysts and industry observers have long speculated, our two great companies are highly complementary and a combination makes a great deal of strategic and financial sense. We believe that now is the time to pursue a transaction as a result of the significant opportunities available to both of us. We look forward to engaging in constructive, friendly discussions and working toward a positive outcome on a recommended basis.*

*We have great respect and admiration for Cadbury plc ( Cadbury ), its employees, its leadership and its proud heritage. We have also taken note of your recent performance and the successful ongoing implementation of your Vision Into Action programme. However, we believe that Cadbury's prospects, ability to fully realise operational efficiencies and capacity to invest are necessarily constrained given its limited scale and scope relative to larger global competitors. We see few catalysts for sustained future value creation for Cadbury as a standalone entity. In contrast, we have concluded that we can strengthen both our companies by bringing them together, enhancing our worldwide scale and scope, and capitalising on significant opportunities to build a global leader in the food and snacking industry for the benefit of all of our respective stakeholders. In so doing, we are eager to build upon the success of your iconic brands and strong British heritage through increased investment and innovation.*

*Accordingly, I am writing to set out the details of a possible offer to combine Cadbury and Kraft Foods Inc. ( Kraft Foods ) (a Possible Offer ), as approved by the Board of Directors of Kraft Foods. Subject to the pre-conditions set out below, Kraft Foods is prepared to offer 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury share, which values each Cadbury share at 755 pence*

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*(based on yesterday's closing price of \$28.42 for a Kraft Foods share and an exchange rate of 1.617 \$/£). This price represents an attractive premium to any measure of the standalone value of Cadbury and fully reflects your recent performance and prospects. Specifically, this price represents a premium of:*

*44% over Cadbury's share price of 524 pence on 3 July 2009, prior to recent analyst suggestions regarding potential sector consolidation;*

*37% over Cadbury's 90-day average share price of 553 pence in the period up to 27 August 2009, the last business day preceding this letter; and*

*31% over Cadbury's share price of 578 pence at close yesterday.*

*We would also point out that this price is beyond any price at which Cadbury's shares have traded since the demerger.*

*The Possible Offer would provide your shareholders with both value certainty and the opportunity to enjoy the significant value upside in the combined entity's attractive growth prospects and considerable synergies. Kraft Foods would also offer a mix and match facility under which Cadbury shareholders could elect, subject to availability, to vary the proportions in which they would receive cash and new Kraft Foods shares.*

*I believe that the strategic and financial rationale for this transaction is compelling. The transaction would create:*

*a company with approximately \$50 billion in revenues, with leading shares in snacking and an exceptional portfolio of confectionery and biscuit brands around the world;*

*a geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China and Russia;*

*a strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business; and*

*the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development, as well as a significant opportunity to realise pre-tax cost savings of at least \$625 million annually through increased operational efficiencies.*

*Kraft Foods has a proven track record of successfully completing and integrating strategic combinations to build iconic brands and multi-national businesses, including the acquisitions of LU in 2007 and Nabisco in 2000.*

*A combination with Cadbury is consistent with Kraft Foods' stated strategic objective to build a high-performing global company by reframing our categories, capitalising on our established sales capabilities and driving down costs without compromising our commitment to high quality. Over the past three years, we have successfully positioned Kraft Foods for sustainable, profitable growth. A combination with Cadbury would mark a logical next step in our transformation as we shape the company into a more global, higher-growth and higher-margin entity.*

*Together, we would draw on the collective strengths of our two organisations and create a stronger, more competitive global company for the benefit of all stakeholders. We believe that the growth prospects and global scope of the enlarged entity should lead to increased opportunities for talented employees and managers of both companies. In addition, we confirm that the existing contractual employment rights, including pension rights, of all employees of Cadbury would be fully safeguarded.*



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*The consideration required for the Possible Offer would be provided from a combination of Kraft Foods' existing funds, new debt and the issuance of equity. Financing would be on the basis that Kraft Foods would maintain an investment-grade credit rating. The significant cash flow of the enlarged entity following a combination would allow for rapid debt paydown and the continued funding of growth initiatives.*

*We, together with our legal advisers, have undertaken an analysis in relation to anti-trust matters. The complementary nature of our two businesses means that any antitrust concerns will be few, and limited in scope: we are confident that any issues can be appropriately addressed within the envisaged implementation timeframe. In this regard, we would suggest that our respective legal advisers meet at your earliest convenience, in order for our advisers to explain their analysis, and for next steps to be identified.*

*We believe it is in all parties' interests to progress this transaction as swiftly as possible. Our senior management and advisers have already completed extensive analysis and due diligence based on publicly available information. Accordingly, our due diligence requirements are limited, confirmatory in nature and capable of being addressed within a compressed timeframe. Lazard is acting as our lead financial adviser. We have also retained Centerview Partners, Citigroup and Deutsche Bank as financial advisers. Our legal advisers are Clifford Chance; Cravath, Swaine & Moore; Gibson, Dunn & Crutcher; and Arnold & Porter.*

*It is Kraft Foods' preference to implement any offer by means of a scheme of arrangement but we reserve the right to change this to a general offer. Any offer, if made, would be subject to the terms and conditions usually attaching to a scheme of arrangement, or offer, involving a UK public company.*

*The making of any offer would be subject to the following pre-conditions:*

*satisfactory completion of a limited due diligence review by Kraft Foods, including access to Cadbury's internal plan and projections;*

*Kraft Foods obtaining satisfactory financing; and*

*a unanimous recommendation by the directors of Cadbury to vote in favour of the scheme, or if relevant, to accept the offer.*

*For the avoidance of doubt, this letter should not be construed in any regard as constituting an offer or evincing an intention to make an offer or inviting an offer or imposing an obligation to make an offer for Cadbury and any of its securities or otherwise giving rise to legal relations (save for the obligation to keep its terms confidential) and, in particular, does not constitute a firm intention to make an offer for the purposes of Rule 2.5 of The City Code on Takeovers and Mergers. This proposal is made on a strictly private and confidential basis. This letter shall be governed by and construed in accordance with English law.*

*We trust that our proposal makes clear our level of seriousness and enthusiasm for pursuing this opportunity. We are willing to commit substantial time and financial resources to do so. This matter has the highest priority for Kraft Foods and we are keen to have our advisers and executive team engage with yours so that we can progress this proposal in an expeditious manner.*

*Per our conversation, I look forward to hearing from you shortly.*

*Yours sincerely,*

*Irene B. Rosenfeld*

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On August 31, 2009, Ms. Rosenfeld received the following letter from Mr. Carr stating that the Cadbury board of directors was not interested in the proposed business combination with Kraft Foods:

*August 31, 2009*

*Ms. Irene B. Rosenfeld*

*Chairman & Chief Executive Officer Kraft Foods*

*Three Lakes Drive*

*Northfield, Illinois*

*60093*

*Dear Irene,*

*I have discussed your letter of 28 August with the Board of Directors of Cadbury plc.*

*The Board believes strongly in both the strategy and prospects of Cadbury as an independent company. The Cadbury business is unique in both category and geographical scope and we are confident in our standalone growth prospects.*

*As you will no doubt have seen, we are delivering against our Vision into Action plan as clearly demonstrated by our performance and we have the strength in our brands, together with the necessary scale in our categories and the management capacity to deliver substantial value to our shareholders.*

*Your proposal is unsolicited, unattractive and fundamentally undervalues Cadbury. Accordingly the Board, with the unqualified support of its advisers (Goldman Sachs, Morgan Stanley and UBS), unanimously rejects your proposal and confirms its commitment to its independent strategy.*

*Yours sincerely,*

*Roger Carr*

*Chairman, Cadbury plc*

On September 7, 2009, concurrently with our public announcement of our proposal to acquire Cadbury, Ms. Rosenfeld sent Mr. Carr the following letter:

*7 September 2009*

*Mr. R. Carr*

*Cadbury plc*

*Cadbury House*

*Sanderson Road*

*Uxbridge*

*UB8 1DH*



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*Dear Roger,*

*Thank you for your letter in response to our discussion on 28 August and the letter I sent to you as a follow-up outlining our possible offer (a Possible Offer ) for Cadbury plc ( Cadbury ). I have given careful consideration to your response.*

*Although I am disappointed that you rejected unequivocally our proposal, I remain committed to working toward a recommended offer and to maintaining a constructive dialogue. We are therefore disclosing publicly our Possible Offer as a means to encourage and further that process.*

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*I continue to believe strongly in the strategic rationale for combining our two companies and that our Possible Offer represents an attractive premium and a compelling value proposition for your shareholders.*

*As I outlined during our meeting, I believe we can strengthen both of our companies by bringing them together, enhancing their worldwide scale and scope, and capitalising on significant opportunities, building on the position of Kraft Foods Inc. ( Kraft Foods ) as a global powerhouse in snacks, confectionery and quick meals for the benefit of all of our respective stakeholders.*

*We understand the great sense of pride that you and your team have for Cadbury and its brands. We also have a long history of respecting and building iconic brands like Oreo, LU, Milka, Toblerone, Kenco, Philadelphia and DairyLea to name just a few. Kraft Foods is committed to building upon Cadbury's success and strong British heritage through increased investment and innovation.*

*Our extensive combined global business network would create opportunities for talented Cadbury employees and managers across all areas of the combined enterprise. We would augment Kraft Foods' and Cadbury's world-class capabilities by employing a best of both focus, from sales and marketing to distribution and manufacturing. For example, we believe we would be in a position to continue to operate the Somerdale facility, which is currently planned to be closed, and invest in Bournville, thereby preserving UK manufacturing jobs.*

*I also want to reiterate that our Possible Offer represents a compelling value proposition for your shareholders. Given the proposed consideration mix of cash and shares, they would enjoy both value certainty and significant potential upside in the combined entity's attractive growth prospects and meaningful synergies. As we discussed, and as I noted in my previous letter to you, we commend you on your successful ongoing implementation of Vision Into Action ( VIA ). I believe Cadbury's share price already reflects its prospects as a standalone entity and the benefits of VIA. Our Possible Offer therefore not only takes into account these factors, but also provides a significant premium and, I believe, significantly more value for your shareholders than Cadbury could create independently.*

*Together, we can draw on the collective strengths of our two organisations to create a stronger, more competitive global company for the benefit of all our stakeholders. I would ask you to reconsider your rejection of our Possible Offer and would welcome a constructive dialogue.*

*Yours sincerely,*

*Irene B. Rosenfeld*

*For the avoidance of doubt, this letter should not be construed in any regard as constituting an offer or evincing an intention to make an offer or inviting an offer or imposing an obligation to make an offer for Cadbury and any of its securities or otherwise giving rise to legal relations and, in particular, does not constitute a firm intention to make an offer for the purposes of Rule 2.5 of The City Code on Takeovers and Mergers. This letter shall be governed by and construed in accordance with English law.*

On September 7, 2009, we issued a press release setting forth the terms of this proposal, which we refer to as the September 7 proposal, and the text of our August 28, 2009 and September 7, 2009 letters.

On the same day, September 7, 2009, the Cadbury board of directors rejected the September 7 proposal in the following statement issued via press release:

*In response to the announcement by Kraft Foods Inc. ( Kraft Foods ), Cadbury plc ( Cadbury or the Group ) confirms that it recently received an unsolicited proposal from Kraft Foods regarding a possible share and cash offer for the Group which is conditional on, inter alia, financing and due diligence. The Board of Cadbury reviewed the proposal with its advisers and rejected it.*

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*The Board is confident in Cadbury's standalone strategy and growth prospects as a result of its strong brands, unique category and geographic scope and the continued successful delivery of its Vision into Action plan. The Board believes that the proposal fundamentally undervalues the Group and its prospects.*

On September 12, 2009, Ms. Rosenfeld received the following letter from Mr. Carr reiterating Cadbury's opposition to our proposal and Cadbury's commitment to remaining an independent company.

*Dear Irene,*

*In my letter of 31st August, I informed you that the Board had rejected your unsolicited proposal on the grounds that it is unattractive and fundamentally undervalues Cadbury. Under your proposal, Cadbury would be absorbed into Kraft Foods' low growth, conglomerate business model, an unappealing prospect which contrasts sharply with our strategy to be a pure play confectionery company. I also re-affirmed the Board's confidence in our future prospects as an independent company. There is nothing in your letter dated 7th September, or your various announcements on and since that date, to change our view.*

*I would like to take the opportunity to expand on some points I made in my letter.*

*Over the past few years, Cadbury has completed a major corporate transformation through the acquisition of Adams and the demerger and sale of our beverage businesses. The disposal of Beverages provides the clear business focus we believe essential to achieve outstanding performance.*

*We have created a pure play confectionery business with strong brands occupying leading market positions in both developed markets and high growth emerging economies – a business of considerable inherent value, impossible to replicate and with a unique position in the global confectionery market. We have a clear set of targets, a track record of delivery accepted by the market and value enhancing plans to further exploit our proven growth platforms.*

*We have demonstrated through our performance to date that we have the scale, capabilities and resource to deliver on our commitments to shareholders. Since the Adams acquisition, our confectionery business has delivered top line growth of over 6%, we have increased our global market share by over 100 bps and generated comparable margin growth of over 200 bps, all while materially increasing spend on marketing and science and technology to drive innovation.*

*We have been able to demonstrate both organic and inorganic growth. The acquisition of Adams, together with more recent acquisitions, including Intergum and Sansei, provided scale and new growth opportunities in attractive product areas of gum and candy together with exposure to emerging markets that complemented our powerful British Commonwealth heritage.*

*Our integration of Adams achieved combined cost and revenue synergies of 14% by the end of 2006. We achieved this performance by reinvigorating sales growth, re-stimulating the acquired brands through increased marketing investment and widening the product range through greater commitment to product innovation.*

*We understand the attraction of our business and fully appreciate the value and benefits it would offer to those looking for superior growth and exposure to our attractive product segments and markets. Equally, the quality of our management, the momentum of our business, the power of our brands, the strength of our market positions and the spread of our global footprint continue to underpin our belief in the business and its prospects as an independent entity.*

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*Finally, I would emphasise that the delivery of value to our shareholders remains at the top of our agenda. Your proposal is for Cadbury shareholders to exchange shares in a pure-play confectionery business for cash and shares in Kraft Foods, a company with a considerably less focused business mix and historically lower growth. In addition, the proposal is of uncertain value for Cadbury shareholders as underlined by the movement in the Cadbury share price since your announcement. Your proposal fundamentally fails to reflect the current value of Cadbury as a standalone business, its growth prospects and the potential synergies of a combined entity.*

*We are committed to the delivery of optimum value to our shareholders and our Board remains convinced that this is achieved through continuing to deliver our standalone pure play confectionery strategy.*

*Yours sincerely,*

*Roger Carr*

*Chairman, Cadbury plc*

During October 2009, our board of directors met on several occasions with management and certain of our financial advisors to discuss the due diligence investigation conducted to date with respect to Cadbury by certain of our legal and other advisors, to discuss the terms of the offer and to approve the bridge facility described in the section of the original prospectus/offer to exchange entitled "The Offer Financing of the Offer; Source and Amount of Funds."

On November 6, 2009, our board of directors met with management and certain of our financial advisors. At this meeting, our board of directors approved the offer on the financial terms set forth in the September 7 proposal, including issuing shares of Kraft Foods common stock in connection with the offer.

On November 9, 2009, we announced a firm intention to make an offer to acquire all of the outstanding Cadbury ordinary shares, including those represented by Cadbury ADSs.

On that same day, November 9, 2009, the Cadbury board of directors issued a statement recommending that Cadbury shareholders reject our offer.

Between November 9, 2009 and December 4, 2009, our board of directors met several times with management to discuss the terms of the offer and to approve the offer documentation.

On December 4, 2009, we commenced the offer on the financial terms set forth in the September 7 proposal by filing the registration statement of which this prospectus/offer to exchange forms a part with the SEC, issuing a press release and summary advertisement regarding the commencement of the offer and mailing the other offer documentation. On December 7, 2009, we published a further summary advertisement and a formal notice regarding the offer.

On December 14, 2009, Cadbury filed a Solicitation/Recommendation Statement on Schedule 14D-9 with the SEC and published a U.K. defense document, reporting that the Cadbury board of directors unanimously rejected the offer on the terms set forth in the original prospectus/offer to exchange, which we refer to as the December 4 offer, and recommended that Cadbury shareholders take no action in relation to the December 4 offer.

On December 15, 2009, we issued a response to Cadbury's defense document.

On January 5, 2010, we extended the offer until 8:00 a.m. New York City time (1:00 p.m. London time) on February 2, 2010.

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On January 12, 2010, Cadbury amended its Solicitation/Recommendation Statement on Schedule 14D-9 and published a U.K. defense document, reiterating its recommendation that Cadbury securityholders should reject the December 4 offer and take no action in relation to that offer.

On January 16, 2010, our board of directors met with members of senior management and certain of our financial advisors. Our board of directors authorized Ms. Rosenfeld to proceed with an increased offer within a range of valuations and to approach Cadbury regarding the possibility of a recommended offer.

On the morning of January 18, 2010, Ms. Rosenfeld met with Mr. Carr and certain of their respective advisors in London to discuss an increased offer. Ms. Rosenfeld and Mr. Carr and their advisors met several times throughout the day and negotiated the terms of our revised offer as set forth in this prospectus/offer to exchange.

On January 19, 2010, we publicly announced the terms of the revised offer and the unanimous recommendation by the Cadbury board of directors that Cadbury securityholders accept our revised offer on the terms set forth in this prospectus/offer to exchange.

On January 20, 2010, Cadbury amended its Solicitation/Recommendation Statement on Schedule 14D-9 to include the recommendation of Cadbury's board of directors that Cadbury securityholders accept our revised offer.

## **Reasons for the Offer**

### ***Creation of a Global Leader in the Food and Confectionery Industry***

We believe that a combination of Kraft Foods and Cadbury represents a strong and complementary strategic fit, creating a global confectionery leader, with a portfolio including more than 40 confectionery brands, each with annual sales in excess of \$100 million.

Globally, the combined Company would be number one in the chocolate and sugar confectionery segments and a strong number two in the high growth gum segment. Cadbury's leading brands, such as *Cadbury*, *Trident* and *Halls*, are highly complementary to our portfolio and would benefit from our global scope, scale and array of proprietary technologies and processes. In addition, the acquisition of Cadbury will significantly enhance the strength of our presence in the confectionery sector, enabling us to leverage Cadbury's product development capabilities.

We believe that confectionery markets are consolidating and scale is becoming increasingly important, in part due to retailers' increasing bargaining power, control of the supply chain and growing portfolio of their own retailer brands, which have benefited from the global economic climate. The combination of Kraft Foods and Cadbury provides the combined company with important additional scale to compete even more effectively in the confectionery sector.

Kraft Foods and Cadbury have highly complementary geographic footprints. Importantly, a combination would increase scale for both companies in developing markets such as Brazil, Russia and China, where Kraft Foods has a stronger presence, and India, Mexico and South Africa, where Cadbury holds leading positions. The company would also benefit from an improved position across Europe, including in France and Spain.

Kraft Foods' and Cadbury's routes to market are also highly complementary. Kraft Foods is particularly strong in the grocery channel in North America and Western Europe, while Cadbury is well positioned in instant consumption channels, which have become increasingly important in both developed and developing markets. A combination provides an enhanced platform for the Combined Group to distribute both Cadbury's and Kraft Foods' products through both channels, creating an attractive opportunity for higher growth and margins.

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***Attractive Investment Opportunity for Cadbury Securityholders***

The offer equates to an enterprise value multiple of 13.0 times Cadbury's underlying 2009 EBITDA based on the closing share price of \$29.58 per share of Kraft Foods common stock on January 15, 2010 (the last trading day prior to our announcement of the revised terms of the offer) and an exchange rate of \$1.63 per £1.00 (as quoted by WM/Reuters on January 18, 2010, the day prior to our announcement of the revised terms of the offer). The enterprise value multiple is calculated assuming the exercise of all share options and vesting of all share awards held under Cadbury's share schemes.

We have presented the offer by referring to a multiple of Cadbury's underlying EBITDA under IFRS. We believe that underlying EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of tangible assets (affecting relative depreciation expense). We have presented the offer by referring to an enterprise multiple of Cadbury's underlying EBITDA because we believe securities analysts, investors and other interested parties frequently use it to evaluate similar issuers. Underlying EBITDA is a non-U.S. GAAP measure for IFRS purposes. Underlying EBITDA has limitations as an analytical tool, including:

it does not reflect Cadbury's cash expenditures, or future requirements for, capital expenditures or contractual commitments;

it does not reflect changes in, or cash requirements for, Cadbury's working capital needs;

it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on Cadbury's debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and the underlying EBITDA measures do not reflect any cash requirements for such replacements;

it is not adjusted for all non-cash income or expense items that are reflected in Cadbury's statements of cash flows; and

other companies in the food industry may calculate this measure differently therefore limiting its usefulness as a comparative measure.

Because of these limitations, you should not consider underlying EBITDA as a measure of discretionary cash available to Cadbury, and you should not consider it in isolation from, or as a substitute for, analysis of Cadbury's results of operations, including its cash flows, as reported under IFRS. In addition, the criteria and accounting principles upon which underlying EBITDA is based can vary from company to company.

Underlying EBITDA and diluted underlying earnings per share are calculated based on Cadbury's definitions for those terms and include adjustments for restructuring costs, certain discrete items outside Cadbury's core trading activities (non-trading items), amortization and impairment of acquisition intangibles, and derivative accounting and any associated tax effect. Cadbury defines underlying to mean adjusted for restructuring costs, non-trading items, amortization and impairment of acquisition intangibles, and derivative accounting and any associated tax effect. The offer is presented as an enterprise multiple of Cadbury's underlying EBITDA as a supplemental measure that is not required by, or presented in accordance with, U.S. GAAP or IFRS. Underlying EBITDA is not a measure of Cadbury's financial performance or liquidity under IFRS and should not be considered as an alternative to gross profit, operating profit or any other performance measure derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of Cadbury's liquidity.

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We caution you that there can be no assurance about future results, including results considered or expected as described in this section, such as assumptions regarding potential synergies. The information presented in this section is forward looking in nature and, therefore, you should read it in light of the factors discussed in the section of this prospectus/offer to exchange entitled *Forward-Looking Statements*.

### ***Substantial Synergy Benefits***

Although no assurance can be given that any particular level of cost savings will be achieved, the Kraft Foods and Cadbury combination is expected to provide the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development. In addition, it is expected that pre-tax cost savings of at least \$675 million annually can be realized by the end of the third year following completion. Total one-off implementation cash costs of approximately \$1.3 billion are expected to be incurred in the first three years following completion.

Both we and Cadbury have implemented extensive cost saving and operating efficiency programs in recent years and have already delivered significant margin improvement and revenue growth improvements. These annual cost savings are still expected to be achieved over and above the current performance improvement plans at each of Kraft Foods and Cadbury (including Cadbury's updated Vision into Action program). While it is anticipated that these targeted savings will continue to be delivered, we believe that the combined company would be capable of achieving substantial further cost savings through economies of scale and procurement benefits, general and administrative cost savings and marketing and selling costs savings.

Following completion of the acquisition, Cadbury securityholders will be able to share in the synergies resulting from the combination of Kraft Foods and Cadbury through the share component of the offer.

The expected sources of the expected annual pre-tax cost savings of at least \$675 million are:

potential operational cost savings of \$300 million per annum resulting from efficiencies and economies of scale in the areas of procurement, manufacturing, customer service, logistics and research and development;

potential general and administrative cost savings of \$250 million resulting from efficiencies in the areas of central, regional and country level administrative expenses; and

potential marketing and selling cost