

KRAFT FOODS INC  
Form DEFM14A  
December 18, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |                                     |                                       |                          |  |
|-------------------------------------|---------------------------------------|--------------------------|--|
| <input type="checkbox"/>            | Preliminary Proxy Statement           | <input type="checkbox"/> | <b>Confidential, for Use of the Commission Only (as permitted by</b> |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement            | <input type="checkbox"/> | <b>Rule 14a-6(e)(2))</b>   |
| <input type="checkbox"/>            | Definitive Additional Materials       |                          |  |
| <input type="checkbox"/>            | Soliciting Material Under Rule 14a-12 |                          |  |

**KRAFT FOODS INC.**

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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1. Amount previously paid:

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2. Form, Schedule or Registration Statement No.:

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3. Filing party:

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4. Date filed:

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IRENE B. ROSENFELD  
CHAIRMAN OF THE BOARD AND  
CHIEF EXECUTIVE OFFICER

THREE LAKES DRIVE  
NORTHFIELD, ILLINOIS 60093

December 18, 2009

Dear Fellow Shareholder:

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

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

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

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

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

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

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

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

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

Sincerely,

Irene B. Rosenfeld  
Chairman of the Board and  
Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SPECIAL MEETING OF SHAREHOLDERS**

Kraft Foods Inc.'s Special Meeting Proxy Statement and Form of Proxy are available at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com)

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**KRAFT FOODS INC.**

**Three Lakes Drive**

**Northfield, Illinois 60093**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**OF KRAFT FOODS INC.**

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

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MATERIALS AVAILABLE ON

OUR WEB SITE:

This Notice of Special Meeting and the Proxy Statement are available at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com). Information included on our web site, other than these materials, is not part of the proxy soliciting materials.

Carol J. Ward

Vice President and Corporate Secretary

December 18, 2009

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**KRAFT FOODS INC.**

**Three Lakes Drive**

**Northfield, Illinois 60093**

**PROXY STATEMENT**

**FOR SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON FEBRUARY 1, 2010**

**QUESTIONS AND ANSWERS ABOUT**

**THE SPECIAL MEETING AND VOTING**

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

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

**1. When and where is the Special Meeting?**

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

**2. Why am I receiving these proxy materials?**

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

**3. What am I being asked to vote on?**

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

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

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

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

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

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

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

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

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

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

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

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

**7. When is this Proxy Statement being mailed?**

We are mailing this Proxy Statement and the proxy card to our shareholders on or near December 21, 2009. We also provide these materials on our web site at [www.kraftfoodscompany.com](http://www.kraftfoodscompany.com).

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

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

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

### **9. What is the quorum requirement?**

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

Via the Internet;

By telephone;

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

In person at the Special Meeting.

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

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

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

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

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

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

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

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

matters in their discretion.

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

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

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

### **14. How do I vote my shares?**

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

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

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

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

In person at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described below.

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

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

In person at the Special Meeting. To do so, you must request a legal proxy from your broker or bank and present it at the Special Meeting. Please pre-register to attend the Special Meeting by following the pre-registration directions described in Question 26.

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

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

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



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

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

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

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

### **18. May I change my vote?**

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

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

### **19. How are my shares voted by the proxies?**

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

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

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

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

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



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

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

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

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

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

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

**23. What is householding ?**

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

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

**24. Are my votes confidential?**

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

**25. Who counts the votes?**

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

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

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

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

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

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Following the prompts on the telephone voting site; or

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

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

By mail:	By fax:	By e-mail:
Kraft Foods Inc.	(877) 260-0406 (toll-free within the U.S.)	ccinek@georgeson.com
c/o Georgeson Inc.	(212) 440-9009 (from outside the U.S.)	
Attention: Christopher Cinek	Attention: Christopher Cinek	

199 Water Street, 26th Floor

New York, NY 10038

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

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

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

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

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

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

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

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**SUMMARY**

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

**The Companies (See page 43)**

***Kraft Foods***

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

Kraft Foods is a Virginia corporation with principal executive offices at Three Lakes Drive, Northfield, IL 60093. Our telephone number is (847) 646-2000 and our Internet address is [www.kraftfoodscompany.com](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 (in each case, excluding the revenues of Reading Scientific Services Limited).

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

**The Offer (See page 52)**

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

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

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

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

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

### **Possible Equity Financing (See page 39)**

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

### **Recommendation of our Board (See page 40)**

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

The share issuance will facilitate the Cadbury acquisition.

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

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

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

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

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



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

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

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

### **Conditions of the Offer (See page 52)**

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

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

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

### **Accounting Treatment (See page 53)**

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

### **Regulatory Approvals (See page 55)**

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

### **Risk Factors (See page 25)**

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

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