



OUR PROGRESS IN 2011

Creating
a more
delicious
world

Baker's

GEVALIA

Flake

PRINCE

KRAFT DRESSINGS

DAIRY MILK

MIKADO

Kool-Aid

Oscar Mayer LUNCHABLES

Nutter Butter

Nilla wafers

Cool Whip

A1 STEAK SAUCE

KRAFT Velveeta

PLANTERS

GREY POUPON

SOUR PATCH Soft & Chewy Candy

NABISCO 100 cal

Bubbaloos

KRAFT MAYO

Dentyne

CARTE NOIRE Un café rommé d'ivoire

KRAFT NATURAL CHEESE

GREEN & BLACK'S ORGANIC

HOLLYWOOD Chewing Gum

JELL-O

HALLS

OREO

Miracle Whip

DENTAL V6

KRAFT PHILADELPHIA

Oscar Mayer

Cadbury

RITZ

Cracker Barrel

MIO

Triscuit

Trident

KRAFT

Maxwell House

KRAFT Singles

TIGER

STIMOROL

KRAFT Stove Top

LU

TANG

Maxwell House

KRAFT

belVita

TACO BELL Home Originals

Tostitos

Chips! Ahoy!

Swedish

Milka

NABISCO

Wheat Thins

TASSIMO

CÔTE D'OR

Petit DÉJEUNER

Newtons

Poulain

Picnic

Malabar

Royal

ONKO

Bassetts

CLUB SOCIAL

back to NATURE

CAPRISUN NO ARTIFICIAL COLORS OR FLAVORS

Suchard

CERTS

Breakstone's

THE NATURAL CONFECTIONERY CO. NO ARTIFICIAL COLOURS NO ARTIFICIAL FLAVOURS TASTY

TUC

Kenco Since 1923

LACTA

Crystal Light

Cadbury creme egg

KRAFT macaroni & cheese

Chiclets

Clorets

TOBLERONE

Stride

Message from Our Chairman and Chief Executive Officer

2011 was another challenging year. Economic turmoil. Political upheaval. Natural disasters. The world as we knew it has surely changed. But despite the challenges, Kraft Foods not only survived but thrived—as evidenced by our top-tier financial performance and our growing reputation as one of the world's leading companies. We did that by staying focused on what matters most—to our business and to our stakeholders—and by raising the bar across the company. Improved performance doesn't happen by accident. It takes hard work (lots of it) and commitment.

I'm proud to lead the team who made 2011 such a success for our company. And I'm equally proud that our success benefited not only our shareholders but also our employees, their communities, those we buy from, those we sell to and those who enjoy our delicious products around the world.



Irene Rosenfeld volunteering during Delicious Difference Week.

From investing in sustainable agriculture to eliminating waste and promoting healthy lifestyles, we continue to evolve the way we do business to reduce our environmental impact and enhance our contributions to society while delivering outstanding financial performance.

This report provides a snapshot about what we do, why we do it and how we're getting on. It highlights key facts about the five areas that matter most to society and to our business.

Building and sustaining brands people love and trust takes dedication. And our progress and success in 2011 prove that we can do well *and* do good at the same time. As we look forward to launching two new companies by the end of 2012, we will carry that knowledge and know-how with us into these new organizations.

Meanwhile, take a look here. And if you want to know even more, you can also check out our website at kraftfoodscompany.com under the "Delicious" tab.

A handwritten signature in black ink that reads "Irene B. Rosenfeld".

Irene B. Rosenfeld
Chairman and
Chief Executive Officer
Kraft Foods Inc.
March 2012

Eat delicious, live well

Today, the world faces the dual challenge of simultaneously addressing hunger and obesity. As the world's second-largest food company, we have an important role to play in tackling both of these issues by helping people eat and live better. Our broad portfolio and global presence give us many ways to help, and we're making good progress through an approach we call the three Ps: products, policies and partnerships.

Products. We make products that offer appealing nutritional profiles, including less fat, sugar and sodium, as well as products that contain beneficial ingredients, such as whole grains. Foods that have few artificial ingredients are likewise an important part of our portfolio, as is choice in portion size. In short, we offer a wide range of options from which consumers can choose, including a variety of flavorful, better-for-you foods.

Policies. How we "talk" to consumers about our products is just as important as the products themselves. In 2005, we introduced an innovative policy that limits what we advertise to children under age 12. For children ages 6 through 11, we only advertise those products that meet specific nutrition

criteria. We do not advertise to children under age 6 at all. And advertising in primary or secondary schools is also out.

When it comes to product packaging, all of our packaging has clear nutrition labeling, even where the law doesn't require it. Beyond our own policies, we work with other companies and organizations to advance public policy efforts to help consumers achieve healthier lifestyles.

Partnerships. The third element in our approach is collaboration. We can and are doing a lot, but we can do more with others. That's where our many strategic partnerships come into play—from community investments with leading nongovernmental organizations to public-private partnerships with governments and multilateral organizations. We know that only by working together can we truly tackle these issues in ways that are both sustainable and scalable.

Tackling hunger and obesity is not easy. But by addressing consumers' health and well-being through our products, policies and partnerships, we're seeing good progress. And we'll keep working to achieve real results until everyone can eat delicious and live well.



Removing salt

Since 2010, we've removed more than 6,125 metric tons (more than 13.5 million pounds) of salt from nearly 1,000 North American products. We're on track to reduce sodium an average of 10% by the end of 2012.



25 million meals delivered between 2009–2011 with our mobile pantry partner *Feeding America*

\$100 million

In 2011 we donated \$100 million in cash, food and time to nonprofit organizations around the world.



30%

The percentage of our product portfolio that offers consumers better-for-you choices

Now and for future generations

As a food company, we're dependent on the earth for the ingredients we use to make our products. Unfortunately, the world's natural resources are limited and increasingly in demand by an ever-growing population. So, it's critical that we run our business in ways that are environmentally, socially and economically sound and sustainable over the longer term.

We've made great progress, but the dynamics are ever-changing. That's why we regularly step back and take a look at how we source, produce and transport our products to find opportunities for continued improvement. To maximize our efforts, we focus on the areas that are most important to our business and where we can make the biggest impact: agricultural commodities, packaging, energy, water, waste and transportation/distribution. We set goals for each area, track our progress and hold ourselves accountable.

As much as we can do on our own, we can do even more with others. Partnering allows us to share funding, training and know-how. This collaboration boosts scale and accelerates development and change in more areas, more commodities, more quickly than if we were to go it alone.

Success requires vision and determination, great partners and seizing opportunities—from farm to fork. It's a journey. It'll take years. But we're in business for the long-term, which means we can't afford not to be invested. And done right, we know building sustainability into our business is good for the planet, people and, ultimately, our profits.



100%

The percentage of coffee beans to be sustainably sourced by our European coffee brands by 2015

60%

Reduction of plastic achieved with our foodservice YES Pack*

* Compared to the previous packaging.

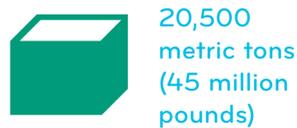


Since 2010, we have:*

Increased sustainable sourcing.



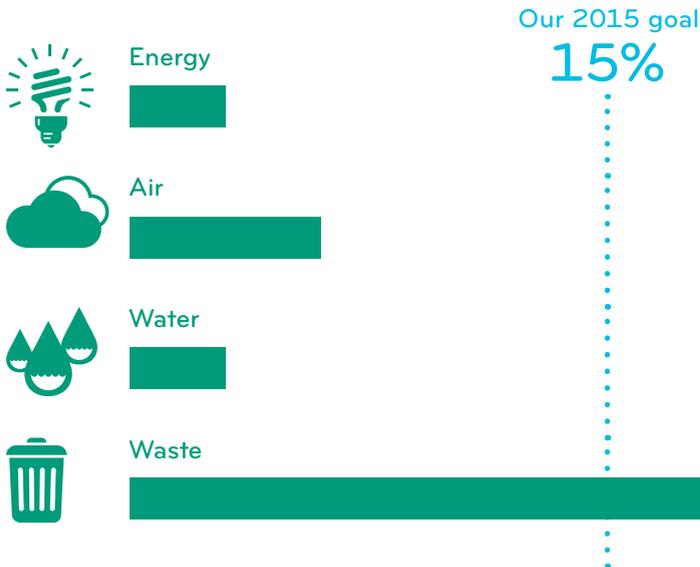
Cut packaging.



Eliminated travel miles.



And reduced energy, greenhouse gas emissions, water and waste by:*



* Measured against total production.



We completed a first-of-its-kind project that mapped our company's total environmental footprint: carbon (air), land and water.



Received SmartWay Champions award for a strong and lasting contribution to SmartWay's mission to reduce the footprint of moving goods

Better practices deliver the best results

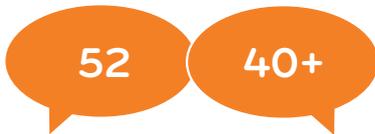
In our Code of Conduct, the first rule is to *make food that is safe to eat*. People expect safe food, and maintaining their trust means offering quality products they can rely on and feel good about. This is the cornerstone of our heritage and an essential part of our culture.

From ingredient to final product, we have quality standards in place. Our system is based on the internationally recognized quality management standard ISO 9001:2000. We supplement ISO standards with safety and quality criteria that we've developed specifically for our business. We routinely conduct audits, which are key to measuring and reporting compliance with regulations and internal policies and to driving good practices. And we work with governments and industry partners around

the world to share learnings, because we know that all food safety issues, even when they are not ours, can shake consumer trust.

If a food safety issue arises, we take immediate steps to protect consumers through our Special Situations Management Teams—senior-level managers from across the company who have experience in handling critical situations. Our early-alert system and processes help us make decisions quickly and in the best interest of consumer safety.

By adhering to strict standards, acting swiftly when threats to safety arise and communicating with consumers effectively, we maintain and strengthen our reputation for consistently producing delicious, safe foods.



Our Consumer Relations teams interact in 52 countries and 40+ languages.

2,000 audits performed and 800 raw materials screened for potential contaminants

400+

The number of employees dedicated to food safety and quality

100,000+

Product and operations specifications that are housed in our global database. These allow us to quickly identify products and facilities, so we can react swiftly and reduce potential food safety issues.

Performance-driven, values-led

Every day, our success depends on more than 125,000 capable, dedicated and diverse employees around the world. They create new products. Make and sell our delicious brands. Manage our company. Treating our people well and providing a workplace that is safe, rewarding and inclusive is a proven recipe for us.

We encourage and support our employees in living healthier lifestyles and in fostering their spirit of giving back to our communities. We provide various tools and resources about health and well-being as well as other life topics that are designed to help our employees balance their lives. Our robust volunteer program encourages employee contributions of time, money and skills where they are needed most in our communities around the globe. Fostering volunteerism is good for the community, our employees and our company.

We work hard to keep *all* our employees safe and aim for zero accidents in the workplace. Doing so requires addressing the causes of injuries and setting clear expectations that employees must follow all safety laws and guidelines, operate equipment properly and never use alcohol or illegal drugs in the workplace. So everyone can contribute to his or her fullest potential, we don't allow discrimination or harassment based on age, race, disability, national origin, religion, sex, sexual orientation or any other legally protected status.

A performance-driven, values-led culture builds a stronger company and provides a workplace that attracts and retains thinkers, problem-solvers and doers. And they in turn are defining the food industry for decades to come.



26,000 volunteers
72 countries
900 projects
350 nonprofit organizations

The results of our
Delicious Difference week
of community service



Five employees
received a CEO award
for outstanding
volunteer service

**Ranked No. 1 by
DiversityInc for
Top 10 Companies
for Executive Women**

22%

Reduction in lost
time injury in our
manufacturing
facilities

Inspiring trust

We value trust...of consumers, customers, communities, regulators, suppliers and employees above all else. We strive to earn trust every day by doing what we say we will do and holding ourselves accountable. As a public company, we have the added responsibility to be open and responsive to our shareholders.

Living up to these expectations and obligations requires detailed planning and focused action. That's why we have structures, policies and processes to help promote the ethical and efficient governance of our company. And we have internal and external auditors to monitor our compliance.

Our Board of Directors sets the right tone from the top by governing Kraft Foods in line with our Corporate Governance Guidelines. Our CEO and senior executives drive home the central message of our Code of Conduct—that integrity and growth

go hand in hand. To support the right behaviors throughout the company, we have a chief compliance officer, five regional compliance officers and a team that educates employees worldwide about our ethics and compliance practices.

Under our *Speaking Up Policy*, we empower employees to ask questions and raise concerns about business practices when they see something they think may be wrong. We select suppliers (including consultants and other service providers) not only on quality and price but also on whether their ethical standards align with ours.

To repeat: Of all of our assets, the public's trust is the one we value most. Our standards, policies and systems make it plain to anyone who works for us, does business with us or buys our products: We're working to create a more delicious world—every day.

1 million

Business partners processed through our Restricted Party Screening process

We're a founding member of PROGRESS—
an industry initiative for common evaluation
of CSR activity within the supply chain

10 of 11

Board Directors are independent

Ethics in Action

This global award recognizes employees for demonstrating exceptional ethical courage.



The information
within is accurate
as of 12/31/11.



www.kraftfoodscompany.com/DeliciousWorld