KRAFT FOODS INC. NYSE-KFT

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD
29.41	14.3	(Trailing: 14.8 Median: NMF)	0.82	3.9%

VALUE LINE

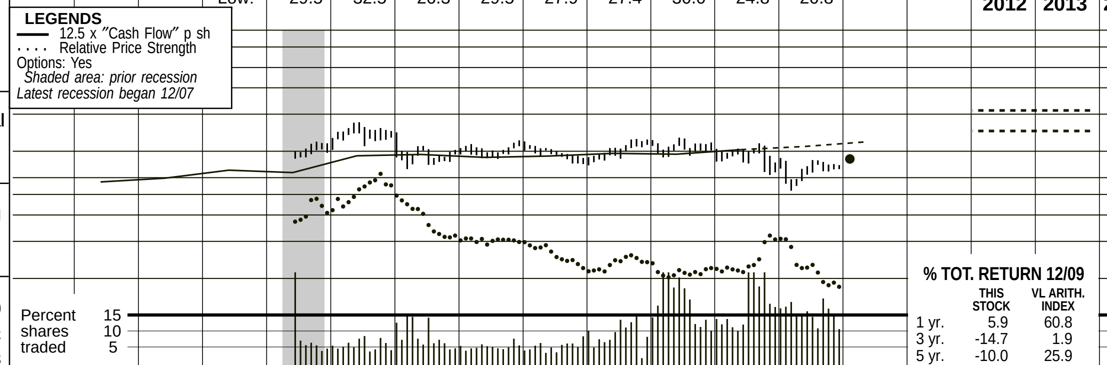
TIMELINESS 3 Lowered 4/3/09

SAFETY 1 Raised 11/7/03

TECHNICAL 2 Raised 1/29/10

BETA .65 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
High:	35.6	43.9	39.4	36.1	35.7	36.7	37.2	35.0	29.8
Low:	29.5	32.5	26.3	29.5	27.9	27.4	30.0	24.8	20.8



Target Price Range

2012 | 2013 | 2014

% TOT. RETURN 12/09

	THIS STOCK	VL ARITH. INDEX
1 yr.	5.9	60.8
3 yr.	-14.7	1.9
5 yr.	-10.0	25.9

2012-14 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	50	(+70%)	17%
Low	40	(+35%)	12%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	2	0	0	0	0	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	1	0	0	0	0	0	0

Institutional Decisions

	1Q2009	2Q2009	3Q2009
to Buy	408	442	431
to Sell	428	360	377
Hld's(000)	1064346	1045165	1043783

Kraft Foods Inc. was formed in 1989 when Philip Morris (now Altria Group) merged General Foods Corporation (which it acquired in 1985) with Kraft Inc. (acquired in 1988). In December of 2000, the company acquired Nabisco Holding Corporation. The company completed its initial public offering of 280 million shares at $31 each on June 12, 2001. Net proceeds totaled roughly $8.7 billion. Credit Suisse First Boston and Salomon Smith Barney were the lead underwriters. Philip Morris retained an 84% stake in Kraft, which it has since spun off.

1999	2000	2001A	2002	2003	2004	2005	2006	2007	2008	2009	2010	© VALUE LINE PUB., INC.	12-14
18.42	18.24	19.52	17.17	18.01	18.86	20.43	21.00	24.28	29.11	27.85	30.20	Sales per sh	33.20
1.91	2.09	2.03	2.44	2.48	2.39	2.43	2.51	2.48	2.61	2.70	2.85	"Cash Flow" per sh	3.55
1.20	1.38	1.17	2.02	2.00	1.87	1.88	1.94	1.82	1.88	2.00	2.15	Earnings per sh B	2.75
--	--	.26	.54	.63	.75	.85	.94	1.02	1.10	1.16	1.16	Div'ds Decl'd per sh C	1.40
.59	.62	.63	.68	.63	.59	.70	.71	.81	.93	.95	.95	Cap'l Spending per sh	1.00
9.25	9.66	13.53	14.93	16.57	17.54	17.72	17.45	17.80	15.11	17.35	18.70	Book Value per sh	26.20
1455.0	1455.0	1735.0	1730.6	1721.9	1705.4	1669.9	1636.0	1533.8	1469.3	1475.0	1450.0	Common Shs Outst'g D	1400.0
--	--	27.8	19.1	15.4	17.3	16.7	16.6	18.4	16.1	13.0		Avg Ann'l P/E Ratio	17.0
--	--	1.42	1.04	.88	.91	.89	.90	.98	.98	.86		Relative P/E Ratio	1.15
--	--	.8%	1.4%	2.0%	2.3%	2.7%	2.9%	3.1%	3.6%	4.5%		Avg Ann'l Div'd Yield	3.0%
26797	26532	33875	29709	31010	32168	34113	34356	37241	42777	41100	43800	Sales ($mill)	46500
19.2%	21.0%	22.1%	23.5%	21.9%	19.5%	17.8%	17.9%	15.6%	14.7%	15.0%	15.0%	Operating Margin	16.5%
1030.0	1034.0	1642.0	716.0	813.0	879.0	879.0	898.0	899.0	986.0	1000	1025	Depreciation ($mill)	1100
1753.0	2001.0	1882.0	3505.0	3452.0	3205.0	3183.0	3203.0	2906.0	2844.0	2950	3120	Net Profit ($mill)	3850
42.3%	41.4%	45.4%	35.5%	34.9%	32.3%	30.3%	31.7%	31.2%	30.2%	30.5%	32.0%	Income Tax Rate	32.0%
6.5%	7.5%	5.6%	11.8%	11.1%	10.0%	9.3%	9.3%	7.8%	6.6%	7.2%	7.1%	Net Profit Margin	8.3%
517.0	d438.0	d1869	287.0	263.0	644.0	d571.0	d2219	d6349	322.0	1000	1250	Working Cap'l ($mill)	1500
433.0	2695.0	8134.0	10416	11591	9723.0	8475.0	7081.0	12902	18589	18000	18000	Long-Term Debt ($mill)	18000
13461	14048	23478	25832	28530	29911	29593	28555	27295	22200	25600	27100	Shr. Equity ($mill)	36700
14.4%	13.4%	6.7%	10.4%	9.2%	8.7%	9.0%	9.8%	8.1%	8.5%	8.0%	8.0%	Return on Total Cap'l	8.0%
13.0%	14.2%	8.0%	13.6%	12.1%	10.7%	10.8%	11.2%	10.6%	12.8%	11.5%	11.5%	Return on Shr. Equity	10.5%
13.0%	14.2%	7.1%	9.9%	8.3%	6.4%	5.9%	5.7%	4.6%	5.3%	5.0%	5.5%	Retained to Com Eq	5.0%
--	--	12%	27%	32%	40%	45%	49%	56%	58%	58%	54%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 9/30/09
Total Debt $20725 mill. **Due in 5 Yrs** $10000 mill.
LT Debt $18108 mill. **LT Interest** $900 mill.
(LT interest earned: 4.3x; total interest coverage: 4.3x) (42% of Cap'l)

Pension Assets-12/08 $7004 mill. **Oblig.** $9344 mill.
Pfd Stock None
Common Stock 1,475.8 mill. shs.

MARKET CAP: $43.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2007	2008	9/30/09
Cash Assets	567	1244	2996
Receivables	5197	4704	4720
Inventory (LIFO)	4096	3729	4073
Other	877	1689	1229
Current Assets	10737	11366	13018
Accts Payable	4065	3373	3264
Debt Due	8107	1662	2617
Other	4914	6009	6175
Current Liab.	17086	11044	12056

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '06-'08 to '12-'14
Sales	3.0%	6.5%	5.0%
"Cash Flow"	3.5%	2.0%	6.0%
Earnings	5.5%	1.5%	6.5%
Dividends	--	16.5%	5.5%
Book Value	--	2.5%	7.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	8123	8619	8243	9371	34356
2007	8586	9205	9054	10396	37241
2008	10372	11176	10462	10767	42777
2009	9396	10162	9803	11739	41100
2010	10500	10800	10300	12200	43800

Cal-endar	EARNINGS PER SHARE B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.45	.51	.46	.51	E1.94
2007	.44	.50	.44	.44	1.82
2008	.44	.58	.44	.43	E1.88
2009	.45	.56	.55	.44	2.00
2010	.47	.60	.55	.53	2.15

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2006	.23	.23	.23	.25	.94
2007	.25	.25	.25	.27	1.02
2008	.27	.27	.27	.29	1.10
2009	.29	.29	.29	.29	1.16
2010	.29				

BUSINESS: Kraft Foods Inc. is the largest branded food and beverage company headquartered in the U.S. and second largest worldwide. The company markets many of the world's leading food brands, including *Kraft* cheese, *Maxwell House* coffee, *Nabisco* cookies and crackers, *Philadelphia* cream cheese, *Oscar Mayer* meats, and *Post* cereals. Its products are currently sold in more than 150 countries around the globe. North American sales accounted for 57% of '08 total; International, 43%. Acquired Nabisco, 12/00. Has approximately 98,000 employees. Officers & Directors own less than 1% of common stock (3/09 Proxy). Chairman & CEO: Irene B. Rosenfeld. Address: Three Lakes Drive, Northfield, IL 60093. Telephone: 847-646-2000. Internet: www.kraft.com.

Kraft has agreed to acquire Cadbury, the U.K. chocolate maker, in a cash-and-stock deal worth about $19.5 billion. After resisting a hostile takeover by Kraft for months, and even encouraging a competing "white knight" bid from Hershey (that never materialized), Cadbury finally acquiesced to a friendly merger with the U.S. food giant at a sweetened price tag. Under terms of the transaction, the company will pay Cadbury shareholders 500 pence (a little more than $8) in cash and 0.1874 new Kraft shares for each share of Cadbury held. (Note that each of the Cadbury ADRs we cover in this Issue of Ratings & Reports are equivalent to four common Cadbury shares.)

The company plans to fund part of the purchase by selling its frozen pizza business. In early January, Kraft agreed to sell the pizza division, which generated revenues of $1.6 billion in 2009, to Nestle for $3.7 billion. That transaction is expected to close sometime this year.

The combination will create the world's largest confectionary company (ahead of Mars Inc.), with 40 leading candy brands, each with annual sales over $100 million. Moreover, the deal should present Kraft with numerous cost-cutting opportunities, and greatly enhance its presence in emerging international markets, especially China and India.

The existing operations are gradually improving. The top line was on the soft side during the September interim, due to SKU rationalization efforts, fewer merchandising programs at retail customers (e.g., Wal-Mart), and Kraft's decision not to chase unprofitable volume in Europe. But favorable input costs, productivity gains, and savings from restructuring activities supported solid earnings growth. And we expect sales and market-share trends to pick up as we head through 2010, with the help of product innovation and increased advertising spending.

High-quality Kraft shares should provide investors with good risk-adjusted returns over the next 3 to 5 years. Even without the Cadbury acquisition, not yet factored into our estimates, we think that the company will easily be able to deliver share-net growth of 5%-10% through the 2012-2014 period.

Justin Hellman *January 29, 2010*

(A) Results prior to 2001 are pro forma.
(B) Diluted earnings. Excludes nonrecurring gain/(losses): '03, 1¢; '04, (32¢); '05, (16¢); '06, (9¢). Next earnings report is due in mid-April.
(C) Dividends are typically paid in early October, January, April, and July.
(D) In millions.
(E) Doesn't sum due to rounding.

Company's Financial Strength	A+
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	100