

KRAFT FOODS INC  
Form 424B2  
August 09, 2007

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 Registration No. 333-113620

Prospectus Supplement to Prospectus dated May 7, 2004  
 \$3,500,000,000

Kraft Foods Inc.

\$250,000,000 5.625% Notes due 2010  
 \$750,000,000 6.000% Notes due 2013  
 \$1,500,000,000 6.500% Notes due 2017  
 \$750,000,000 7.000% Notes due 2037  
 \$250,000,000 Floating Rate Notes due 2010

Kraft will pay interest on the fixed rate notes due 2010, 2013, 2017 and 2037 semiannually on February 11 and August 11 of each year beginning on February 11, 2008. Kraft will pay interest on the floating rate notes due 2010 quarterly on February 11, May 11, August 11 and November 11 of each year beginning on November 13, 2007. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000.

If we experience a change of control triggering event, we may be required to offer to purchase the notes from holders. See Description of Notes Change of Control .

See Risk Factors beginning on page S-6 to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Per 2010 Note	Total	Per 2013 Note	Total	Per 2017 Note	Total	Per 2037 Note	Total	Per Flo R N
99.780%	\$ 249,450,000	99.701%	\$ 747,757,500	99.414%	\$ 1,491,210,000	98.790%	\$ 740,925,000	100
0.250%	\$ 625,000	0.350%	\$ 2,625,000	0.450%	\$ 6,750,000	0.875%	\$ 6,562,500	0
99.530%	\$ 248,825,000	99.351%	\$ 745,132,500	98.964%	\$ 1,484,460,000	97.915%	\$ 734,362,500	99

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from August 13, 2007 and must be paid by the purchasers if the notes are delivered after August 13, 2007.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company, including its participants Clearstream or Euroclear against payment in New York, New York on August 13, 2007.

*Joint Book-Running Managers*

**Citi**

**Deutsche Bank Securities**

**Goldman, Sachs & Co.**

**JPMorgan**

*Senior Co-Managers*

**ABN AMRO Incorporated  
Lehman Brothers**

**BNP PARIBAS  
Santander**

**Dresdner Kleinwort  
Wachovia Securities**

*Co-Managers*

**Loop Capital Markets, LLC**

**Ramirez & Co., Inc.**

**The Williams Capital Group, L.P.**

Prospectus Supplement dated August 8, 2007.

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement, the attached prospectus and any permitted free writing prospectus we have authorized for use with respect to this offering. No one has been authorized to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information in this prospectus supplement or the attached prospectus or any document incorporated by reference is accurate as of any date other than the date on the front of those documents.**

**In connection with this offering, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co. and J.P. Morgan Securities Inc. or their respective affiliates may over-allot or effect transactions which stabilize or maintain the market price of the notes at levels which might not otherwise prevail. In any jurisdiction where there can only be one stabilizing agent, Goldman, Sachs & Co. or its affiliates shall effect such transactions. This stabilizing, if commenced, may be discontinued at any time and will be carried out in compliance with the applicable laws, regulations and rules.**

**The distribution of this prospectus supplement and the attached prospectus and the offering or sale of the notes in some jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the attached prospectus come are required by us and the underwriters to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the attached prospectus may not be used for or in connection with an offer or solicitation by any person in any jurisdiction in which that offer**

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**or solicitation is not authorized or to any person to whom it is unlawful to make that offer or solicitation.**

**This prospectus supplement has been prepared on the basis that any offer of notes in any Member State of the European Economic Area (consisting of the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (2003/71/EC) (each, a Relevant Member State ) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this prospectus supplement may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.**

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement contains the terms of this offering of notes. This prospectus supplement, or the information incorporated by reference in this prospectus supplement, may add, update or change information in the attached prospectus. If information in this prospectus supplement, or the information incorporated by reference in this prospectus supplement, is inconsistent with the attached prospectus, this prospectus supplement, or the information incorporated by reference in this prospectus supplement, will apply and will supersede that information in the attached prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the attached prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to in *Where You Can Find More Information* in the attached prospectus, including our annual report on Form 10-K for the year ended December 31, 2006 and our quarterly reports on Form 10-Q for the quarterly periods ended March 31, 2007 and June 30, 2007, which have been filed with the Securities and Exchange Commission (the *SEC*).

References in this prospectus to *Kraft*, the *Company*, *we*, *us* and *our* refer to Kraft Foods Inc. and its subsidiaries. Trademarks and servicemarks in this prospectus supplement and the attached prospectus appear in bold italic type and are the property of or licensed by our subsidiaries.

References herein to *\$* and *dollars* are to United States dollars, and financial data included or incorporated by reference herein have been presented in accordance with accounting principles generally accepted in the United States of America.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus supplement, the attached prospectus and the documents we have incorporated by reference herein or therein contain forward-looking statements. You can identify these forward-looking statements by use of words such as *strategy*, *expects*, *plans*, *anticipates*, *believes*, *will*, *contingent*, *estimates*, *intends*, *projects*, *goals*, *targets* and other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts. We cannot guarantee that any forward-looking statement will be realized, although we believe that we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties, and the possibility of inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Investors should bear this in mind as they consider forward-looking statements and whether to invest in or remain invested in our securities. In connection with the *safe harbor* provisions of the Private Securities Litigation Reform Act of 1995, we identify from time to time important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement made by us or on our behalf. These factors include the ones discussed under *Risk Factors* in our SEC filings incorporated by reference. It is not possible to predict or identify all risk factors. Any forward-looking statements are made as of the date of the document in which they appear. We do not undertake to update any forward-looking statement that we may make from time to time.

## SUMMARY OF THE OFFERING

The following summary contains basic information about the notes. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled "Description of Notes" and the section beginning on page 6 of the attached prospectus entitled "Description of Debt Securities".

<b>Issuer</b>	Kraft Foods Inc.
<b>Securities Offered</b>	<p>\$3,500,000,000 aggregate principal amount of notes, consisting of:</p> <ul style="list-style-type: none"><li>\$250,000,000 aggregate principal amount of 5.625% Notes due 2010;</li><li>\$750,000,000 aggregate principal amount of 6.000% Notes due 2013;</li><li>\$1,500,000,000 aggregate principal amount of 6.500% Notes due 2017;</li><li>\$750,000,000 aggregate principal amount of 7.000% Notes due 2037; and</li><li>\$250,000,000 aggregate principal amount of Floating Rate Notes due 2010.</li></ul>
<b>Maturity Dates</b>	<p>August 11, 2010 for the Notes due 2010 and the Floating Rate Notes.</p> <p>February 11, 2013 for the Notes due 2013.</p> <p>August 11, 2017 for the Notes due 2017.</p> <p>August 11, 2037 for the Notes due 2037.</p>
<b>Interest Rates</b>	<p>The Notes due 2010 will bear interest from August 13, 2007 at the rate of 5.625% per annum.</p> <p>The Notes due 2013 will bear interest from August 13, 2007 at the rate of 6.000% per annum.</p> <p>The Notes due 2017 will bear interest from August 13, 2007 at the rate of 6.500% per annum.</p> <p>The Notes due 2037 will bear interest from August 13, 2007 at the rate of 7.000% per annum.</p> <p>The Floating Rate Notes will bear interest from August 13, 2007 at a rate per annum of LIBOR plus 0.50% and will be reset quarterly.</p>
<b>Interest Payment Dates</b>	Interest on the Notes due 2010, Notes due 2013, Notes due 2017 and Notes due 2037 is payable semiannually on February 11 and August 11 of



each year, beginning on February 11, 2008.

Interest on the Floating Rate Notes is payable quarterly on February 11, May 11, August 11 and November 11 of each year, beginning on November 13, 2007.

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<b>Long-Term Senior Unsecured Debt Ratings*</b>	Moody's: Baa2 (stable outlook) Standard & Poor's: A-(negative outlook) Fitch: BBB+ (negative outlook)
<b>Ranking</b>	The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior unsecured indebtedness.
<b>Covenants</b>	We will issue the notes under an indenture containing covenants that restrict our ability, with significant exceptions, to:  incur debt secured by liens; and  engage in sale/leaseback transactions.
<b>Change of Control</b>	Upon the occurrence of both (i) a change of control of Kraft and (ii) a downgrade of the notes below an investment grade rating by each of Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings within a specified period, Kraft will be required to make an offer to purchase the notes of each series at a price equal to 101% of the aggregate principal amount of such series, plus accrued and unpaid interest to the date of repurchase. See Description of Notes Change of Control .
<b>Redemption of Notes for Tax Reasons</b>	We may redeem all, but not part, of the notes of each series upon the occurrence of specified tax events described under Description of Notes Redemption for Tax Reasons .
<b>Use of Proceeds</b>	We intend to use the net proceeds (before expenses) of approximately \$3,462,155,000 for general corporate purposes, including the repayment of outstanding commercial paper.
<b>Clearance and Settlement</b>	The notes will be cleared through The Depository Trust Company, including its participants Clearstream and Euroclear.
<b>Governing Law</b>	State of New York.

\* Ratings are not a recommendation to purchase, hold or sell the notes, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to the rating agencies by us and information obtained by the rating agencies from other sources. The ratings are only accurate as of the date hereof and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information, and, therefore, a prospective purchaser should check the current ratings before purchasing the notes.

## ABOUT THE COMPANY

With revenues of approximately \$34 billion in 2006, Kraft Foods Inc. is one of the world's largest food and beverage companies. We have seven brands with revenues of \$1 billion and over 50 brands with revenues of \$100 million. We manage and report operating results through two commercial units, Kraft North America and Kraft International. Kraft North America operates in the United States and Canada, and we manage its operations by product category, while we manage Kraft International's operations by geographic region. We have operations in 72 countries and sells products in more than 155 countries.

Kraft's brands span five consumer sectors, as follows:

**Snacks** primarily cookies, crackers, salted snacks and chocolate confectionery;

**Beverages** primarily coffee, aseptic juice drinks, flavored water and powdered beverages;

**Cheese & Dairy** primarily natural, process and cream cheeses;

**Grocery** primarily ready-to-eat cereals, enhancers and desserts; and

**Convenient Meals** primarily frozen pizza, packaged dinners, lunch combinations and processed meats.

Kraft's portfolio of brands includes:

**Kraft** the #1 cheese brand in the world, as well as our best known brand for salad and spoonable dressings, packaged dinners, barbecue sauce and other products;

**Nabisco** the #1 cookie and cracker business in the world;

**Oscar Mayer** the #1 processed meats brand in the United States;

**Post** the #3 ready-to-eat cereals business in the United States;

**Maxwell House** and **Jacobs** two of the leading coffees in the world; and

**Philadelphia** the #1 cream cheese brand in the world.

Kraft was incorporated in 2000 in the Commonwealth of Virginia. Prior to June 13, 2001, Kraft was a wholly-owned subsidiary of Altria Group, Inc. ( Altria ). On June 13, 2001, Kraft completed an initial public offering of its common shares. At December 31, 2006, Altria owned 89.0% of the outstanding shares of Kraft's capital stock. On January 31, 2007, the Altria Board of Directors announced that Altria planned to spin off all of its interest in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. On March 30, 2007, Altria distributed all of the common shares of the Company held by Altria to its stockholders of record as of the close of business on March 16, 2007 (the Distribution ). Accordingly, Kraft is now a fully independent publicly-traded company.

Our corporate headquarters are located at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093, our telephone number is (847) 646-2000 and our website is [www.kraft.com](http://www.kraft.com). The information contained in, or that can be accessed through, our website is not a part of this prospectus supplement or the attached prospectus.

**RECENT DEVELOPMENTS**

**2007 Results**

On August 1, 2007, we announced our financial results for the quarter and six-months ended June 30, 2007.

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***Three Months Ended June 30:***

Second quarter 2007 net revenues increased \$586 million (6.8%) to \$9.2 billion, due to favorable mix of 3.1 percentage points, a favorable 2.2 percentage point impact from currency, 1.7 percentage point increase from higher pricing, net of increased promotional spending, 1.4 percentage point impact of acquisitions, an unfavorable 0.9 percentage point impact from divestitures, and 0.7 percentage point decrease from lower volume. Currency movements increased net revenues by \$190 million due primarily to the continuing weakness of the U.S. dollar against the euro. Total volume decreased 0.2%, resulting from declines in all North American segments due primarily to the impact of divestitures and declines in ready to drink beverages, partially offset by higher shipments in our European Union and Developing Markets segments.

Operating income increased by \$12 million (1.0%) from the prior year to \$1,188 million, due primarily to favorable volume/mix (\$93 million) and lower costs (\$86 million) from our restructuring program that began in January 2004 and was extended in January 2006 through 2008 (the Restructuring Program), partially offset by higher marketing, administration and research costs (\$138 million, including higher marketing support), and higher total manufacturing costs including higher commodity costs, net of the impact of higher pricing (\$43 million). Currency movements increased operating income by \$17 million due primarily to the continuing weakness of the U.S. dollar against the euro.

Second quarter 2007 diluted earnings per share were \$0.44, up 7.3% from \$0.41 in 2006. During second quarter 2007, we incurred \$0.06 per diluted share (\$157 million before taxes) in Restructuring Program costs as compared to \$0.10 per diluted share (\$243 million before taxes) in the second quarter of 2006.

***Six Months Ended June 30:***

Net revenues for the first six months of 2007 increased \$1,049 million (6.3%) to \$17.8 billion, due primarily to favorable mix of 2.7 percentage points, favorable currency of 2.1 percentage points, the impact of acquisitions for 1.3 percentage points and higher pricing, net of increased promotional spending at 1.0 percentage points, partially offset by the impact of divestitures for 1.0 percentage points. Currency movements increased net revenues by \$362 million due primarily to the continuing weakness of the U.S. dollar against the euro. Total volume increased 0.3%, driven by higher shipments in the European Union and Developing Markets, partially offset by lower volume in all North American segments due primarily to the impact of divestitures and declines in ready to drink beverages.

Operating income increased \$117 million (5.3%), due primarily to favorable volume/mix (\$210 million), 2006 asset impairment charges related to the divested pet snacks and hot cereal assets and trademarks and biscuits assets in Egypt (\$110 million), and lower Restructuring Program costs (\$103 million), partially offset by higher marketing, administration and research costs (\$257 million, including higher marketing support), and higher total manufacturing costs, including higher commodity costs, net of the impact of higher pricing (\$77 million). Currency movements increased operating income by \$39 million due primarily to the continuing weakness of the U.S. dollar against the euro.

In the first six months of 2007 diluted earnings per share were \$0.87, down 14.7% from \$1.02 in 2006. During the first six months of 2007, we incurred \$0.10 per diluted share (\$245 million before taxes) in Restructuring Program costs as compared to \$0.14 per diluted share (\$348 million before taxes) in the first six months of 2006. Due to the Distribution, we recognized interest income of \$0.03 per diluted share (\$77 million before taxes) from tax reserve transfers from Altria. In the first quarter of 2006, we benefited from favorable federal and net state tax resolutions amounting to \$405 million, or \$0.24 per diluted share. Additionally, we recorded asset impairment charges in the first quarter of 2006 amounting to \$110 million or \$0.05 per diluted share.



## Groupe Danone Acquisition

On July 3, 2007, we made a binding offer to acquire the global biscuit business of Groupe Danone S.A. ( Groupe Danone ) for 5.3 billion (approximately \$7.2 billion) in cash. Groupe Danone's European headquarters is located in Paris. The proposed acquisition encompasses Groupe Danone's biscuit operations and assets in 20 countries, including 36 manufacturing facilities, as well as Groupe Danone's market-leading biscuit brands, such as *LU*, *Tuc* and *Prince*. The biscuit businesses to be acquired generated revenues of 2.0 billion (approximately \$2.7 billion) during 2006.

We are working with Groupe Danone on an exclusive basis to finalize an agreement for the sale and purchase of the assets related to the global biscuit business. The closing, which is expected to occur by the end of 2007, is subject to customary closing conditions including certain antitrust and other regulatory approvals.

## RISK FACTORS

Our business is subject to uncertainties and risks. You should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus supplement, including the risk factors incorporated by reference from our most recent annual report on Form 10-K, as updated by our quarterly reports on Form 10-Q and other SEC filings filed after such annual report. It is possible that our business, financial condition, liquidity or results of operations could be adversely affected by any of these risks.

## RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our historical ratios of earnings available for fixed charges to fixed charges for the periods indicated:

	Six Months Ended		Years Ended December 31,			
	June 30, 2007	2006	2005	2004	2003	2002
Ratios of earnings to fixed charges	6.6x	6.4x	6.1x	5.8x	7.2x	6.1x

Earnings available for fixed charges represent earnings before income taxes, minority interest and cumulative effect of accounting change and fixed charges excluding capitalized interest, net of amortization, reduced by undistributed earnings of our less than 50% owned affiliates. Fixed charges represent interest expense, amortization of debt discount and expenses, capitalized interest, plus that portion of rental expense deemed to be the equivalent of interest.

## USE OF PROCEEDS

We will use the net proceeds from the sale of the offered securities (estimated at \$3,462,155,000 before estimated expenses of this offering) for general corporate purposes, including the repayment of outstanding commercial paper.

**CAPITALIZATION**

The following table sets forth our capitalization on a consolidated basis as of June 30, 2007. We have presented our capitalization:

on an actual basis; and

on an as adjusted basis to reflect:

the issuance of notes offered hereby; and

the use of net proceeds (before expenses) from the issuance of notes offered hereby to repay outstanding commercial paper.

You should read the following table along with our financial statements and the accompanying notes to those statements, together with management's discussion and analysis of financial condition and results of operations, that we have incorporated by reference in this prospectus supplement, and our summary historical financial data included in this prospectus supplement.

	As of June 30, 2007	
	Actual	As Adjusted
	(in millions)	
Short-term borrowings, including current maturities	\$ 5,432	\$ 1,970
5.625% notes due 2010		250
6.000% notes due 2013		750
6.500% notes due 2017		1,500
7.000% notes due 2037		750
Floating rate notes due 2010		250
Other long-term debt	7,085	7,085
<b>Total debt</b>	<b>12,517</b>	<b>12,555</b>
Shareholders' equity:		
Class A common stock, no par value, 3,000,000,000 shares authorized; 1,735,000,000 shares issued		
Class B common stock, no par value, 2,000,000,000 shares authorized; no shares issued and outstanding		
Additional paid-in capital	23,295	23,295
Earnings reinvested in the business	11,945	11,945
Accumulated other comprehensive losses	(2,674)	(2,674)
	32,566	32,566
Less cost of repurchased stock	(5,090)	(5,090)
<b>Total shareholders' equity</b>	<b>27,476</b>	<b>27,476</b>



Total capitalization	\$ 39,993	\$ 40,031
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**SUMMARY HISTORICAL FINANCIAL DATA**

The following table presents our summary historical financial data and has been derived from and should be read along with our financial statements and the accompanying notes to those statements and management's discussion and analysis of financial condition and results of operations, that we have incorporated by reference in this prospectus supplement. See "Where You Can Find More Information" in the attached prospectus.

	Six Months Ended		Year Ended December 31,		
	June 30, 2007	2006	2006	2005	2004
	(In millions, except per share data)				
<b>Summary of Operations:</b>					
Net revenues	17,791	16,742	\$ 34,356	\$ 34,113	32,168
Cost of sales	11,480	10,626	21,940	21,845	20,281
Operating income	2,310	2,193	4,526	4,752	4,612
Interest and other debt expense, net	213	243	510	636	666
Earnings from continuing operations, before income taxes and minority interest	2,097	1,950	4,016	4,116	3,946
Pre-tax profit margin from continuing operations	11.8%	11.6%	11.7%	12.1%	12.3%
Provision for income taxes	688	262	951	1,209	1,274
Minority interest in earnings from continuing operations, net			5	3	3
(Loss) earnings from discontinued operations, net of income taxes				(272)	(4)
Net earnings	1,409	1,688	3,060	2,632	2,665
Basic EPS:					