Helping People Around the World Eat and Live Better.
### 2004 Financial Highlights

**Consolidated Results**

(in millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2003*</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$32,168</td>
<td>$30,498</td>
<td>5.5%</td>
</tr>
<tr>
<td>Operating income</td>
<td>4,612</td>
<td>5,860</td>
<td>(21.3%)</td>
</tr>
<tr>
<td>Earnings from continuing operations</td>
<td>2,669</td>
<td>3,379</td>
<td>(21.0%)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>2,665</td>
<td>3,476</td>
<td>(23.3%)</td>
</tr>
<tr>
<td>Diluted earnings per share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>1.55</td>
<td>1.95</td>
<td>(20.5%)</td>
</tr>
<tr>
<td>Net earnings</td>
<td>1.55</td>
<td>2.01</td>
<td>(22.9%)</td>
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</tbody>
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### Results by Business Segment

**North America**

**U.S. Beverages**

- Net revenues: $2,555 vs. $2,433 (5.0%)
- Operating companies income**: 479 vs. 630 (24.0%)

**U.S. Cheese, Canada & North America Foodservice**

- Net revenues: 7,420 vs. 6,716 (10.5%)
- Operating companies income**: 989 vs. 1,271 (22.2%)

**U.S. Convenient Meals**

- Net revenues: 4,250 vs. 4,058 (4.7%)
- Operating companies income**: 771 vs. 817 (5.6%)

**U.S. Grocery**

- Net revenues: 2,425 vs. 2,388 (1.5%)
- Operating companies income**: 894 vs. 894 —

**U.S. Snacks & Cereals**

- Net revenues: 5,410 vs. 5,342 (1.3%)
- Operating companies income**: 737 vs. 1,046 (29.5%)

**Total North America**

- Net revenues: $22,060 vs. $20,937 (5.4%)
- Operating companies income**: 3,870 vs. 4,658 (16.9%)

**International**

**Europe, Middle East & Africa**

- Net revenues: $7,522 vs. $7,014 (7.2%)
- Operating companies income**: 683 vs. 1,002 (31.8%)

**Latin America & Asia Pacific**

- Net revenues: 2,586 vs. 2,547 (1.5%)
- Operating companies income**: 250 vs. 391 (36.1%)

**Total International**

- Net revenues: $10,108 vs. $9,561 (5.7%)
- Operating companies income**: 933 vs. 1,393 (33.0%)

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*Results for 2003 have been restated to reflect Kraft’s sugar confectionery business as discontinued operations. In addition, net revenues and operating companies income for 2003 have been restated to reflect Kraft’s new segment structure, see Note 1. Background and Basis of Presentation.*

**Kraft’s management reviews operating companies income, which is defined as operating income before general corporate expenses and amortization of intangibles, to evaluate segment performance and allocate resources. For a reconciliation of operating companies income to operating income, see Note 14. Segment Reporting.*
Dear Shareholder,

**Years from now, we will look back to 2004 as the year in which Kraft entered a new era in its long and successful history.** Indeed, last year your company embarked on an ambitious and all-encompassing plan to achieve long-term sustainable and predictable growth in all key performance measures. Management took decisive and timely actions necessary to turn Kraft into a more focused, nimble, innovative and cost-effective competitor in the global food and beverage industry. Undeniably, this has come at a meaningful short-term cost, but I am confident that the actions taken will be amply rewarded going forward. In fact, as the year unfolded, we witnessed top-line momentum – a strategic imperative – and we enter 2005 with more confidence and in better all-around form than we have for some time.

I am confident that Kraft Foods has adopted the appropriate strategies and certainly has the resolve to successfully surmount the inevitable challenges, both old and new, that will affect its operating environment.

Our ambitions and strategies are highlighted articulately in Roger’s accompanying letter. I do wish to stress, however, that ultimately our success will rest on our ability to unleash the vast potential of our two greatest assets – our people and our brands. We are determined to do just that, and you rightfully would expect nothing less from us.

I am particularly pleased that we added two incredibly talented individuals to your Board of Directors who will undoubtedly bring a wealth of experience and wisdom to the service of Kraft Foods. They are Jan Bennink, CEO and Chairman of the Executive Board of Royal Numico N.V., and Richard Lerner, M.D., President of The Scripps Research Institute.

We look forward to continued progress in 2005 as the entire Kraft team devotes itself to delighting both our consumers and you, our shareholders.

Louis C. Camilleri  
Chairman  
March 3, 2005
In this report, we chronicle our progress through the achievements of just a few of the many Kraft people who are bringing our Sustainable Growth Plan to life. During a year of many internal and external changes, our employees remained passionate about what matters most – providing consumers with innovative, high-quality products at the right price; working with retail customers to drive mutual success; ensuring that we’re focusing on the right businesses; eliminating unnecessary costs; and operating with unquestionable integrity in all that we do.

Throughout 2004, we began to see a clear payoff from these efforts. We generated good top-line growth for the year, with net revenues increasing 5.5% to $32 billion. Full-year diluted earnings per share were $1.55, down 22.9%, reflecting restructuring program and impairment charges ($0.32 per share), significantly higher marketing investments in our brands, and higher commodity costs. We generated $3 billion in discretionary cash flow (net cash provided from operating activities less capital expenditures), which was equal to 2003, despite lower earnings, cash spending on the restructuring program and higher pension plan contributions as we aggressively managed our working capital. And we increased our dividend to shareholders by 13.9%, to $0.82 per share on an annualized basis. With an improving share price through the latter part of the year, our total shareholder return in 2004 was 13.2%.

Importantly, during the year, we posted sequential, quarter-over-quarter improvement in top-line growth, with particularly strong momentum in our North American business. We also took significant steps to transform our global portfolio, including key innovations and important acquisitions and divestitures. One particular highlight was our agreement to sell our sugar confectionery business for an excellent price, with the completion of the proposed sale expected in the second quarter of 2005. Lastly, we made good progress in 2004 on our cost reduction efforts, with our restructuring program delivering first-year targeted savings at a lower-than-expected cost, and our ongoing productivity initiatives remaining strong.

Inspired by our company’s vision of helping people around the world eat and live better, our Sustainable Growth Plan is the road map that directs us – with focus, speed and renewed energy. Here’s just a snapshot of the progress we’ve made on each of the Plan’s seven strategies.

1. Build Superior Consumer Brand Value
We strengthened the value of our brands by significantly increasing marketing spending, and our sequential revenue and market share trends indicate that this investment is working.

In particular, we’re pleased with the momentum in our North American business, which delivered quarterly, sequential ongoing constant currency revenue growth of 1.4%, 3.5%, 5.5% and 8.1%, respectively. We also provided consumers with
new product benefits, from great taste and convenience to better nutrition, including:

- **DiGiorno** Thin Crispy Crust pizza, with the great taste of carryout or delivery pizza, and **DiGiorno** Microwave Rising Crust pizza, with oven-baked taste after five minutes in the microwave.
- **Honey Maid** Oatmeal cookies, made with whole-grain oats.
- **Tazo** teas, now available in grocery channels nationwide as a result of our expanded agreement with Starbucks Corporation.
- A new, lower-sodium **Planters NUT·rition** line of nuts.
- **Crystal Light Sunrise** powdered beverages, with 100% of the Daily Value of Vitamin C and 10% of calcium in only five calories per serving.
- **Milka M-joy** chocolate tablets in Germany, Austria and other European markets, offering the great taste of Milka in an on-the-go chocolate bar.
- **Kraft** and **Cracker Barrel** natural cheese sticks, providing the wholesomeness of cheese in an individually wrapped, single-serve snack.
- **Lunchables** Chicken Dunks, a good source of protein and 110% of the Daily Value of Vitamin C, with only 290 calories and 1 gram of saturated fat.

We’re not only focused on developing new products, but also on improving existing products. Since the middle of 2003, we’ve enhanced the nutrition on nearly 500 product varieties. We’ve also made significant progress on our commitment to reduce or eliminate trans fat across our product portfolio, with more progress expected in 2005.

2. **Build Shopper Demand Through Superior Customer Collaboration**

In early 2005, we added a seventh strategy to our Sustainable Growth Plan that focuses on building mutual success with our retail and away-from-home partners around the world.

Dramatic shifts are taking root in the food retail environment — from the growing types of outlets where food is being sold to the need to attract consumers who are increasingly value conscious but are also willing to pay more for true innovations. We are working collaboratively with our customers to develop marketing initiatives that exceed their consumers’ expectations. For example, we’re combining the power of Kraft’s broad consumer insights with customer-specific shopper information to customize programs and enhance the shopping experience year-round. And by better integrating our store delivery systems, we’re making it easier and more efficient for our customers to do business with Kraft.

3. **Transform the Portfolio**

We are accelerating the shift in our portfolio toward growth categories and geographies where we can leverage both sustainable competitive advantage and scale.

As we drive for clear leadership in our four global core categories – Cheese & Dairy, Biscuits, Coffee and Specialty Refreshment Beverages – we’re also building and maintaining geographic leadership in attractive regional core categories. No matter what the category, the goal remains the same: to focus on opportunities that create long-term value for Kraft.

In all our businesses, we’re continuing to transform our product offerings to delight consumers today and anticipate their needs for tomorrow. Today, we’re putting particular emphasis on the important trends of health and wellness, and convenience.

To respond to growing interests in healthy lifestyles, we launched a variety of new products and initiatives. For example, we introduced **Nabisco 100 Calorie Packs** – portion-controlled, single-serve snacks that are on track to be a $75 million business annually. We also launched **Clight Fibras** powdered beverages in Brazil, responding to consumers’ interest in adding fiber to their diets. Additionally, we have partnered with **South Beach Diet** creator Dr. Arthur Agatston to flag existing Kraft products that deliver lean protein, complex carbohydrates and healthier fats, and we’re launching a new line of **South Beach Diet** products in 2005. We also invested in our newly acquired businesses, for example, by broadening the **Back to Nature** line of natural and organic products.

In the convenience arena, we saw success with innovative new offerings, among them, **Tassimo**, our new, proprietary, hot beverage system. Following the successful launch of **Tassimo** in France in 2004, we are expanding into more countries in 2005.
Acquisitions and divestitures continue to play an important part in our efforts to transform our portfolio. In 2004, we acquired the Veryfine business with its Fruit2-O flavored water brand, and reached agreements to divest our sugar confectionery, yogurt and U.K. desserts businesses.

4. Expand Global Scale
We’re working to improve our growth prospects in key developing markets that we believe offer us the greatest growth potential.

In particular, we’re focusing our marketing and infrastructure investments in large, growing markets, such as China, Brazil, Mexico and Russia. In Russia, revenues grew double digits in the fourth quarter, benefiting from positive mix and higher prices, particularly in coffee. And we increased the number of dedicated sales representatives, which has enabled significant distribution gains for our core brands. In Brazil, we’ve made important capital investments in our biscuits, powdered beverage and dry desserts plants. Revenues have grown in the country, driven by strong marketing programs, new flavors of Maguary refreshment beverages and growth in chocolate confectionery.

5. Drive Out Costs and Assets
Early in 2004, we announced a three-year, cost-restructuring program with plans to close up to 20 manufacturing facilities and eliminate approximately 6,000 positions.

In the program’s first year, we announced the planned closure of 13 plants. Total costs to implement the program were about $640 million in 2004 – over $100 million better than planned – while savings were on plan at around $127 million.

Each individual plant closure is a difficult decision because of the impact it has on the employees and communities involved. Yet we believe that these actions will contribute to our sustainable growth, build a stronger company, and ultimately help us create the most value for our consumers, employees, investors and communities.

In 2004, we also began a number of initiatives to simplify our products and processes. From packaging changes to business process modifications, we’re focusing on eliminating unnecessary complexity throughout our organization. This includes an aggressive, worldwide effort to reduce the number of items in our product lines.

6. Strengthen Employee and Organizational Excellence
We realigned our organization at the beginning of 2004 to ensure that we have the best people in the industry building the best food company in the world.

Our Global Marketing & Category Development team is defining clearer strategies for our core global categories and advancing new product growth platforms. Our North American and International commercial units are meeting the needs of local consumers in markets around the world. And our global functions are continuing to develop best-of-class expertise. Not only have we put in place a new organization, but we’re also working faster, staying focused and improving the quality of our execution. With the powerful combination of our “best of global, best of local” approach and a new way of working, we believe we’ve only just begun to unlock our employees’ collective potential.

7. Act Responsibly
Kraft continues to take part in the broader societal response to issues relevant to our business, including growing health and wellness concerns.

For example, we were the first major food company to respond to the U.S. Food and Drug Administration’s call for clearer nutrition labeling for smaller packages, making it easier for consumers to choose the portion sizes that are right for them. Additionally, at the beginning of 2005, we announced two other important initiatives. Our Sensible Solution program, with its easy-to-spot package flag, calls attention to the better-for-you products in our portfolio. And we’ve taken a leadership position in the industry by deciding to shift the mix of products we advertise in television, radio and print media viewed primarily by children ages six to 11. In these media, we’ll advertise products that meet our Sensible Solution criteria, and phase out advertising for products that don’t.
In 2004, we also created a comprehensive website, www.kraft.com/responsibility, that details our approach, commitment and actions in areas of corporate responsibility that are particularly relevant to our business.

**Outlook for 2005**

In 2005, we remain fully committed to our Sustainable Growth Plan and expect the momentum we built in 2004 to continue.

Our new product pipeline and marketing programs are stronger than ever, and our cost-restructuring program is on track. We expect our 2005 diluted earnings per share from continuing operations to be in the range of $1.75 to $1.80. We anticipate that our earnings growth will be high quality, reflecting additional investments in our brands and positioning Kraft for growth over the long term.

By delivering on our vision and delighting consumers every day, we believe we will continue to drive total shareholder return.

As we look ahead, I anticipate that the pace of change in our industry will only get faster. At Kraft, we’ll be doing more than responding to what’s happening around us; we will be agents for, and advocates of, change. I want to thank each of our 98,000 employees for helping to create a new path to the future. And I’d like to thank you, our investors, for your continued confidence in Kraft.

Roger K. Deromedi
Chief Executive Officer
March 3, 2005
Driving Sustainable Growth

Powerful trends are reshaping the food business – from value-oriented and health-conscious consumers to the shifting retail landscape, and from intense competition to the rising cost of doing business. To drive success in this challenging environment, we are focused on the seven strategies of our Sustainable Growth Plan:

1. Build Superior Consumer Brand Value
2. Build Shopper Demand Through Superior Customer Collaboration
3. Transform the Portfolio
4. Expand Global Scale
5. Drive Out Costs and Assets
6. Strengthen Employee and Organizational Excellence
7. Act Responsibly

Each of these strategies is critical to our success. Yet, we know that, above all, we must delight consumers to grow our business. On the following pages, Kraft employees highlight only a few of the many initiatives under way today – whether it’s creating innovative new foods and beverages, coming up with cost-saving ideas to fund our next generation of products, or supporting communities around the world.

With an extraordinary sense of purpose, the people of Kraft are drawn forward – toward new ideas, renewed energy and the shared vision of helping people around the world eat and live better.
Build Superior Consumer Brand Value

Superior brand value means more than just offering the right products at the right price. It’s delighting consumers with all of our brands by anticipating their needs and providing the optimal combination of benefits, including innovative product and packaging ideas, helpful services and quality that they can count on every time. And it means spending more on world-class marketing that will continue to enhance brand equity. Without a doubt, building the value of our brands is the best investment we can make in our future.

Kraft’s Consumer Relationship Marketing (CRM) program was the first of its kind. With kraftfoods.com, we have the number one consumer website among all food manufacturers. Plus, our what’s cooking magazine is ranked first in circulation in Canada, while our food&family magazine is third in circulation in the U.S. By helping us build an extended family with millions of consumers in North America, CRM leads to more positive attitudes toward Kraft and increased sales across our portfolio.

NURCA YENER
Manager, Senior Marketing Analytics
Global Marketing & Category Development

Kraft’s food&family magazine brings U.S. consumers simple, delicious recipes five times a year.

GANNON JONES
Director, Brand Equity and Integration
Global Marketing & Category Development
DiGiorno Microwave Rising Crust pizza offers oven-baked taste in just five minutes.

With DiGiorno Microwave Rising Crust pizza, we’ve reduced the cooking time for a pizza with oven-baked taste from 20 minutes to just five. It’s truly like no other product on the market today, and it’s exciting to know that we’re building superior brand value through increased convenience and unmatched product quality.

Our new DiGiorno Microwave Rising Crust pizza is the first-ever rising crust pizza for the microwave. By combining new technologies from both product formulation and packaging, we’ve delivered the taste and quality of oven-baked pizza from the microwave. DiGiorno Microwave Rising Crust pizza and new DiGiorno Thin Crispy Crust pizza both help strengthen DiGiorno’s market leadership position in the U.S. frozen pizza category.

Ritz Chips aligns with our strategy to find growth opportunities outside our traditional snack cracker category – in this case, chips. This initiative allowed us to extend our brand equity to new eating occasions and further penetrate new distribution channels. Ritz Chips is a big success for Kraft, surpassing $90 million in sales in 2004.

KATIE WILLIAMS
Brand Manager,
New Product Development
Kraft North America Commercial

ANGELA DEFRANK
Senior Director, Packaging
Global Technology & Quality

KATHY PARKER
Senior Director, New Business Group
Kraft North America Commercial
Build Shopper Demand
Through Superior Customer Collaboration

By collaborating with our retail partners to meet consumer needs, we expand opportunities for mutual success. We’re creating world-class customer marketing initiatives. We’re expanding distribution capabilities. And we’re continually improving our adaptive and efficient supply chain to leverage our vast network and scale. Through all of these efforts, we’re working to be the supplier our customers turn to first – to stock their shelves, attract shoppers and grow their businesses.

We’ve established dedicated teams to focus on our business with many of our largest customers. With “Team Kroger,” we’ve combined Kraft and Nabisco selling organizations, so we can bring more unique shopper insights to Kroger. This helps them understand their shoppers and customize their programs to grow even more. At the same time, we’ve strengthened our relationship by gaining a better understanding of Kroger’s needs and how we can help support their business objectives concurrently with our own.

LLOYD JOHNSON
Vice President, Sales, Canada
(Formerly, Customer Vice President, Team Kroger)
Kraft North America Commercial
Global retailers are a growing force in the worldwide food and beverage market, and they face many of the same challenges that we do. By developing a deeper understanding of our customers’ aspirations, processes and capabilities, we can improve the relevance and impact of our programs and build long-term relationships focused on mutual sustainable growth.

STEVE NEWISS
Vice President, Global Customers
Kraft International Commercial
**STRATEGY # 3**

**Transform the Portfolio**

We’re accelerating a shift in our portfolio toward businesses – whether global, regional or local – that enhance or offer us sustainable competitive advantage, and that will better enable us to focus on opportunities that will create long-term value to Kraft. Through innovations, alliances, acquisitions and divestitures, we’ll strike the right mix of products – a mix that fits simply and deliciously into people’s lives today and stays one step ahead of their needs for tomorrow.

Our partnership with Dr. Arthur Agatston, the South Beach Diet creator, is an important step toward achieving our vision of helping people around the world eat and live better. The diet isn’t about low-carb or low-fat foods. Instead, it relies on whole grains, vegetables and lean sources of protein to help people feel more satisfied on fewer calories. Our new South Beach Diet products do just that.

Howard Brandeisky  
Vice President, Health & Wellness  
Kraft North America Commercial

Carolyn Rodeffer  
Senior Director, Development  
Kraft North America Commercial

Linda Letcher  
Associate Program Director  
Global Technology & Quality

Meal preparation time can be a barrier to staying on the South Beach Diet. So, our new line of products – from cereal and meal replacement bars to frozen entrées and pizzas – provides convenient and delicious options to keep consumers on track all day long.

The best compliment we get is when people tell us that our new South Beach Diet products “don’t taste like diet food.” We worked hard with Dr. Agatston and his dietitian to create products that fit with the diet – and really taste terrific. From the reactions we’ve been getting to our new South Beach Diet line, we’ve accomplished our goal!
Tassimo is a quantum leap in home-prepared hot beverages. Kraft’s proprietary technologies enable consumers to brew a variety of single-serve hot beverages – from cappuccino to tea and hot chocolate – at the touch of a button. Tassimo promises to transform our beverage portfolio, as we offer consumers a whole new spectrum of value-added innovation.

To quickly get Tassimo into our lead market in France, Kraft set up a unique “venture team” to drive the program from research through development to commercialization. Kraft people and our suppliers and alliance partners are all focused on building a global business around a strong consumer proposition – quality, variety and convenience from a competitively priced machine with a portfolio of great-tasting beverages.

Kraft is doing its part to address consumer concerns about health and wellness by developing innovative “better-for-you” products. Our Nabisco 100 Calorie Packs capitalize on the powerful equity of some of our biggest brand names, but deliver them in a portion-controlled package. If you’re working to manage your weight, Nabisco 100 Calorie Packs are a little snack that can fit in a healthy lifestyle.

**Stephanie Ferguson**
Senior Engineer
Global Technology & Quality

**Hubert Weber**
General Manager,
Global Tassimo
Global Marketing & Category Development

**Adam Lloyd**
Director of Technology,
Brew Systems
Global Technology & Quality

**Offering convenience and portion control, Nabisco 100 Calorie Packs are a snack you can feel good about.**
At Kraft Foods Brazil, our innovations are not only helping revolutionize Brazil’s powdered beverages market, but also have appeal in other markets. Many of our new products – like Tang Plus, Clight Tea and Clight Stick – have been introduced to other regions and countries and are playing a key role in expanding Kraft’s global scale.

With the benefit of Kraft’s new global structure, we were able to leverage worldwide expertise in cheese, launching the Philadelphia brand in Brazil, while adapting the product to meet local preferences. In São Paulo and Rio de Janeiro – our largest geographic opportunities – our sales team won the market leader position for Philadelphia cream cheese in 2004 with 56% category share.
Our focus on building Tang in China is paying off for Kraft. New Tang Milk Mixers are leveraging the increasing popularity of fluid milk here and will bring added momentum to the brand. At the same time, increased marketing support for Hot Tang is helping us drive more consistent use year-round. As a result of our efforts, in 2004 we achieved a 12% increase in Tang volume in China.

PATTY ZHANG
Director of Marketing, China
Kraft International Commercial

As our business in China with global customers began to grow dramatically, we partnered with several key accounts to create joint business development plans. By aligning more closely with these customers, we’ve gained valuable insights about shoppers’ needs and behaviors, helping us strengthen our customer service and in-store promotion execution. The payoff has been tremendous, with sales across these three key customers up 26% over 2003.

JERRY ZHOU
Sales Director, China
Kraft International Commercial
Drive Out Costs and Assets

To help fund our future growth, we’re simplifying our processes, eliminating unnecessary costs, and making the best possible use of all our assets. We’re implementing a major restructuring program, including the planned closure of up to 20 plants and the elimination of approximately 6,000 positions around the world. We’re also building on our excellent track record of productivity savings by driving complexity out of our manufacturing and distribution processes. Clearly, the actions we’re taking today will give us greater agility and financial flexibility tomorrow.

With a portfolio as broad as Kraft’s, it’s important to stay focused and efficient by pruning slower-moving products where we can. Our initiative to do that in North America saves money and reduces complexity. In 2004, we reduced our total number of SKUs (stock keeping units) by 11%, and this effort continues into 2005.

KARA BOYD
National Controller, Customer Supply Chain
Global Supply Chain
We had a number of assorted chocolate products manufactured across multiple plants, but none had real scale. This severely limited our ability to introduce best manufacturing practices. With a goal of long-term viability for each of these businesses, we focused on reducing the number of packages and formats. We centralized the production on one new world-class production line, achieving a significant cost reduction. Additionally, the new lower cost base means we can source products into new geographies, and more aggressively compete with private label products in some key countries for Kraft.

To simplify our processes and drive out costs most effectively, we truly must understand consumers and every way in which they interact with our products. We can’t just trim away at the obvious – we have to start with a clean slate, reducing unnecessary complexity while keeping the benefits consumers want.

The keys to our success with our assorted chocolate initiative were new consumer insights and an unprecedented technological solution. We reduced costs, consolidated manufacturing and began producing even better products.
Back to Nature natural and organic products have been an enhancement to the Kraft portfolio. In addition to a strong brand name, it presented exciting challenges for us. We added 34 new products across five categories in the first nine months after acquiring the business. The Back to Nature team has shown amazing adaptability and ingenuity. In demonstrating a faster way to get new products to market, we’ve developed strategies which may be useful to other Kraft businesses around the world.

More and more people are turning to natural and organic foods, which, in the past, often meant making a trade-off on taste. With our acquisition of Back to Nature and the many new products we’ve launched under the brand, Kraft now offers a terrific variety of natural and organic products that taste good. In a very short time, Back to Nature has helped us make real headway with organic and natural food stores – a new retail channel for Kraft.
To really make our worldwide scale work for us, it’s critical that we understand what is different and what is the same from region to region. Our Global Marketing & Category Development team for biscuits manages global brand equity for our large Oreo and Chips Ahoy! brands, among others. We develop category strategies focusing on the biggest ideas to grow the business quickly and more effectively, and we strengthen the connections among regions, helping to drive good ideas into new markets faster than ever before.

Allan Lindsay
Director of Marketing, Sweet Biscuits
Global Marketing & Category Development

Our new Global Marketing & Category Development teams are driving world-class innovation across our markets. For example, on the global ready-to-drink beverage team, we’re working to meet the needs of today’s “on-the-go” consumer. We’re capturing this trend across our beverage business by making it easier for people to take our products with them anytime, anywhere.

Sarah Mitson
Marketing Director,
Ready-To-Drink Beverages
Global Marketing & Category Development

A global employee team is driving innovative products, such as Jacobs IcePresso, across markets to meet the needs of consumers on the go.

Allan Lindsay
Director of Marketing, Sweet Biscuits
Global Marketing & Category Development
Act Responsibly

As we strive for sustainable growth, we’re seeking business success in ways that honor ethical and legal standards and that respect people, communities and the natural environment. We stay close to society’s changing expectations of our company and determine where we can help make a meaningful difference on key issues relevant to our business – from the serious public health concern of obesity to the need for sustainable coffee production. Meeting our responsibilities as a public company and global citizen is not only the right thing to do – it’s right for our business.

ROSA FLAGG
Machine Operator, Chicago Bakery
Global Supply Chain

As a mom and grandmother, I feel good about Kraft’s work to reduce or eliminate trans fat in the foods we make. In 2004, we reformulated 70% of our U.S. Biscuit product volume, which meant that we converted about 49 production lines in our bakeries across the U.S. At the Chicago Bakery, we’re proud to be part of the team that’s manufacturing better-for-you products for people who want to lead healthier lives.

PATRICIA GARZA
Senior Manager, Global Community Involvement
Global Corporate Affairs

While obesity has an impact on all sectors of society in the United States, Hispanic children are disproportionately affected. In partnership with the National Latino Children’s Institute, Kraft developed Salsa, Sabor y Salud (Food, Fun and Fitness), the first national program to provide creative, culturally relevant tools designed to encourage healthy lifestyles among Latino families. The program has received accolades from participating communities, and helped to enhance Kraft’s reputation with key stakeholders in the Hispanic community.
Through our partnership with the Rainforest Alliance, we’ve been able to help tens of thousands of farm workers grow better coffee more efficiently, improve living conditions and protect the environment. In 2005, Kraft will purchase more than 13 million pounds of Rainforest Alliance certified coffee – more than double our purchase in 2004. While that’s still a small amount of all the coffee we buy, we’re helping to ensure the long-term supply of quality coffee for our brands and reassuring consumers that the coffees they know and trust are grown and produced in a responsible manner.

ANNEMIEKE WIJN
Senior Director,
Commodity Sustainability Programs
Global Corporate Affairs

An essential component of a healthy lifestyle is being smart about what and how much you eat. To help consumers make more informed food choices, we voluntarily adopted multi-column labeling after the U.S. Food and Drug Administration called for clearer nutrition communications on smaller packages. The label “does the math” for consumers so they can more easily make nutritional comparisons between a single serving and the amount in the whole package.

CHERYL CALLEN
Director,
Scientific Relations
Global Technology & Quality
Snacks
Dip, munch, savor, crunch. Whatever the mood, Kraft has the snacks that restore energy, indulge taste buds and satisfy hunger between meals. As consumer demand for more health-conscious choices continues to grow, we’re delivering with an expanding better-for-you snack portfolio.

Net Revenues $9.0 Billion

Beverages
Around the clock and around the world, Kraft’s beverage brands warm consumers up, cool them down and keep them going. Through new product innovation, acquisitions and licensing agreements, we’re continuing to make a splash in the global beverages market.

Net Revenues $6.5 Billion

Cheese & Dairy
Dairy’s great taste has consumers around the world choosing Kraft cheese. With a wide array of delicious products in every flavor and form, Kraft is the global leader at delighting consumers with cheese and dairy.

Net Revenues $6.2 Billion

Grocery
Our Grocery sector has something for everyone – from cereals to desserts, from salad dressings to peanut butter, and from steak sauce to mustard. Kraft grocery brands offer great taste for every eating occasion.

Net Revenues $5.3 Billion

Convenient Meals
When they’re hungry for something that tastes great and is easy to make, consumers know they can count on Kraft for palate-pleasing, convenient meals today and every day. We’re staying on trend through new product introductions, continual innovation and expansion to new retail channels.

Net Revenues $5.2 Billion
• Pacific, the largest soda cracker brand in the People's Republic of China, grew 7% in 2004 based on its health and wellness platform.

• A number of U.S. products with 0 grams trans fat per serving were unveiled in 2004, including Triscuit original crackers, Wheat Thins original crackers, Reduced Fat Oreo cookies and Golden Oreo cookies.

• Planters achieved double-digit revenue growth and Mr. Peanut was selected to the "Madison Avenue Advertising Walk of Fame" as one of America's favorite advertising icons.

• A number of our leading coffee brands launched coffee filter pods in 2004, including Maxwell House in the U.S., Nabob and Maxwell House in Canada and Jacobs in Germany, allowing consumers to brew individual cups of coffee in single serve pod machines.

• Crystal Light Sunrise was launched in the U.S. in January, and through the first six months, 85% of its volume came from purchases that were incremental to the Crystal Light base business, and 24% of its volume came from orange juice sales.

• The introduction of Sweet Chilli Philly in Australia in August 2004 demonstrates our strategy to offer products that are the best of global and the best of local. This convenient ready-to-serve appetizer has already established itself as one of the top sellers in the dairy case, with more than three-quarters of a million tubs purchased since its launch.

• With the successful launch of products like Kraft and Cracker Barrel natural cheese sticks and new varieties of Kraft Cracker Cuts, Kraft cubes and string cheese, the Kraft natural snacking cheese business grew 45% in net revenue in the U.S. in 2004.

• The Honey Bunches of Oats trademark reached its 16th consecutive year of share growth, currently the only major ready-to-eat cereal brand in the industry with such a streak, moving the brand to a 4% share of a multi-billion-dollar market.

• Miracel Whip, the number one spoonable salad dressing in Germany, successfully entered the pourable dressing market with the launch of three pourable salad dressing varieties. In less than a year, Miracel Whip achieved a market share of more than 2% in a very competitive category.

• Kraft Macaroni & Cheese, the category leader, grew share to 35.4%, thanks in part to double-the-calcium news.

• Minute Brown Rice in the U.S. posted consumption growth of 11.1% and velocity increased 10.7% in 2004.

• Germany's convenient meal brand Mirácoli launched Mirácoli Spaghetti Tomato Basil to attract new buyers and to offer variety to current users.

• Canada's favorite peanut butter, Kraft Peanut Butter, continued to deliver strong results, with consumption up 5%.

• Salad-loving consumers in the U.K. now have additional reduced-fat and fat-free varieties of Kraft salad dressings to choose from. Sales of Kraft reduced-fat and fat-free salad dressings are up 10% overall.

• Flavored Cool Whip, including new Cool Whip French Vanilla and Strawberry flavors, was a key driver of the brand's 2.1 point share gain in 2004.

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• DiGiorno, the brand that revolutionized the frozen pizza category, delivered two pizza innovations in the U.S. that generated nearly $90 million in sales in 2004: a thin and crispy crust pizza, and the first premium pizza that rises and bakes golden brown in the microwave.

• Oscar Mayer continued to lead growth and innovation in the lunch combinations category with the introduction of Lunchables Chicken Dunks in the U.S. Since its launch in July 2004, the two-item line has become the fastest moving in the category.

• Launch in Argentina in April, Milka Stick already holds a 2.2% share of the chocolate tablet segment.

• With a simple message of calorie control, Nabisco 100 Calorie Packs are transforming our cookie and cracker portfolio and addressing Americans' health and wellness concerns. $36 million of these pre-portioned snacks were shipped from the July 2004 launch through year-end.

• Tang is available in 80 countries, including China where consumers can now enjoy new flavored Tang Fruit Teas.

• As part of our expanded licensing agreement with Starbucks Corporation, we now distribute Seattle's Best coffees nationwide, giving U.S. consumers greater access to these exceptional coffees.

• Kool-Aid Sport ready-to-drink sports drink was one of the biggest innovations in the Canadian shelf-stable ready-to-drink category this year, growing Kool-Aid ready-to-drink revenue by 37% and volume by 22%.

• DairyLéa Tri-bites, available in the U.K., are a good source of calcium, making them an ideal healthy snack. This innovative new product has helped grow the DairyLéa snacks market share faster than the total market.

• The Canadian cheese business continued to deliver strong results in 2004, led by consumption growth in Philadelphia cream cheese (8.1%), Kraft Singles (4.8%) and the natural cheese businesses (10.1%).
Corporate and Shareholder Information

Kraft Foods Inc.
Three Lakes Drive
Northfield, IL 60093-2753
www.kraft.com

Shareholder Services

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EquiServe Trust Company, N.A., our shareholder services and transfer agent, will be happy to answer questions about your accounts, certificates or dividends.

U.S. and Canadian shareholders may call: 1-866-655-7238
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Shareholder Publications
Kraft Foods Inc. makes a variety of publications and reports available to its shareholders. These include the Annual Report, proxy statement, news releases and other publications. For copies, please visit our website at: www.kraft.com.

Legal Filings
Kraft Foods Inc. also makes a variety of legal filings (10-K, 10-Q) available to its shareholders free of charge and as soon as practicable. For copies, please visit our website at www.kraft.com and click on SEC filings in the Investors section.

If you do not have Internet access, you may contact EquiServe at 1-866-655-7238 to request these materials.

Stock Exchange Listing
Kraft Foods Inc. is listed on the New York Stock Exchange (ticker symbol KFT).

2005 Annual Meeting
The Annual Meeting of Shareholders will be held at 9:00 a.m. EDT on Tuesday, April 26, 2005, at Kraft Foods Inc., Robert M. Schaeberle Technology Center, 188 River Road, East Hanover, NJ 07936.
For further information, call toll-free: 1-866-655-7238.

Independent Auditors
PricewaterhouseCoopers LLP
One North Wacker Drive
Chicago, IL 60606-2807

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