# Kraft / Cadbury Deal Points

# Kraft / Cadbury: Initial "Bear Hug"

| Dates | Events | Financial Terms* |
|---|---|---|
| August 28, 2009 | • Irene Rosenfeld, chairman and CEO of Kraft, approaches Cadbury chairman Roger Carr about a possible merger<br>• Cadbury's board unequivocally rejects the offer | • **755p** (300p in cash and 0.2589 new Kraft shares)<br>• 31.0% premium over previous day close<br>• $625.0 million of estimated synergies |
| September 7, 2009 | • Kraft makes public its informal offer for Cadbury<br>• Kraft's stock price slips since the initial talks in August valuing the offer price at 745p<br>• Cadbury's share rises to £7.83 on the announcement, surpassing the offering price from Kraft | • **745p** (300p in cash and 0.2589 new Kraft shares)<br>• Represents a premium of 31.1% over Cadbury's share price of £5.68<br>• Offer values  the entire company at £11.6 billon |
| September 15 – 30, 2009 | • Todd Stitzer, CEO of Cadbury delivers a bullish outlook on the company reinforcing its growth prospects in emerging markets<br>• Warren Buffett, who owns ~10.0% of  Kraft, warns Ms. Rosenfeld not to over-pay for Cadbury<br>• UK Takeover Panel rules that Kraft has until November 9 to make a formal offer for Cadbury or walk away for six months | • Cadbury's share price rises as high as **£8.03** as the market expects a higher offer from Kraft<br>• Kraft holds firm on the original terms for Cadbury (300p in cash and 0.2589 new Kraft shares) |

Note: 100p = £1.00

# Kraft / Cadbury: Launch of Defense

| Dates | Events | Financial Terms* |
|---|---|---|
| November 1 – 15, 2009 | • Felicity Loudon, the granddaughter of the former Cadbury Brothers was quoted saying that she was *"particularly saddened by the possibility of one of the last remaining British icons disappearing into an American plastic cheese company. I cannot believe that something can't be done for totally patriotic reasons."*<br>• Kraft reduces its sales forecast from 3.0% to 2.0% but unveils profits significantly ahead of analysts' expectations | • Kraft reiterates its original offer of 300p in cash and 0.2589 new Kraft share<br>• Kraft's share price continues to fall valuing the offer at **717p** |
| November 15 – 30, 2009 | • Cadbury chairman indicates that Hershey may be preferred by the Cadbury board as a bidder because its values are similar<br>• Cadbury shares hit an all-time high of **819.5p** on speculation of a battle between Kraft and rivals | • Kraft makes no change to the original offer |
| December 2009 | • Cadbury launches its defense against Kraft's offer<br>• Cadbury raises its financial targets and promises higher dividends and strong growth<br>• Cadbury reminds its shareholders that Hershey and Ferrero may bid | • Kraft's offer now worth **713p** a share as its stock price continues to fall<br>• With no interlopers, Kraft doesn't feel compelled to revise its offer |

Note: 100p = £1.00

# Kraft / Cadbury: Final Deal Terms

| Dates | Events | Financial Terms* |
|---|---|---|
| January 1 – 10, 2010 | • Kraft sells its frozen pizza business to Nestle for $3.7 billion<br>• Proceeds from the sale of the frozen pizza business to be used to sweeten the offer with 60p more cash<br>• Mr. Buffett reiterates his position not to pay too much or spend too many shares on the deal. Buffett also says that he will not back the issuing of new shares to pay for Cadbury<br>• Nestle confirms it will not bid for Cadbury | • 360p in cash and 0.2589 Kraft shares |
| January 11 – 18, 2010 | • Cadbury again rejects Kraft's offer as it announces that sales rose 5.0% in 2009<br>• Cadbury gives its official defense against Kraft reporting robust financials and rejecting the offer on valuation<br>• Irene Rosenfeld visits the UK for a series of investor meetings. Several decline meetings indicating that the offer should be above 800p per share | • No change in offer price |
| January 19, 2010 | • Kraft submits a revised offer that was ultimately supported by the Cadbury board<br>• Cadbury announces a special 10p dividend<br>• Cadbury agrees to a £117.7 million break-up fee | • **840p** (500p cash and 0.1874 in Kraft shares)<br>• 48% premium, TEV/EBITDA 13.0x Cadbury's underlying 2009 EBITDA of £1.0 billion<br>• Revised synergies of $675.0 million<br>• Accepted offer values Cadbury at £13.0 billon |

Note: 100p = £1.00

# Kraft's Initial Offer to Cadbury

7 September 2009

**KRAFT FOODS INC. PROPOSES COMBINATION WITH CADBURY PLC, BUILDING ON A GLOBAL POWERHOUSE IN SNACKS, CONFECTIONERY AND QUICK MEALS**

Kraft Foods Inc. ("Kraft Foods") today announces that it has made a proposal to the Board of Cadbury plc ("Cadbury") to combine the two companies. The Board of Cadbury has rejected this proposal. Kraft Foods is committed to working toward a recommended transaction and to maintaining a constructive dialogue and is announcing this proposal as a means to encourage and further that process. Included in Appendix I are two letters to the Chairman of Cadbury which set out the strong strategic rationale for the proposed combination and the attractive premium and compelling value proposition for Cadbury's shareholders.

Kraft Foods is proposing an offer for Cadbury (the "Possible Offer") of 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury share. This values each Cadbury share at 745 pence (based on the closing price of $28.10 for a Kraft Foods share on 4 September 2009 and an exchange rate of 1.6346 $/£) and values the entire issued share capital of Cadbury at £10.2 billion. The combination would build on Kraft Foods' position as a global powerhouse in snacks, confectionery and quick meals with a rich portfolio of iconic brands.

The Possible Offer represents a premium of:

- 42% over Cadbury's share price of 524 pence on 3 July 2009, prior to recent analyst suggestions regarding potential sector consolidation;
- 34% over Cadbury's 90-day average share price of 555 pence in the period up to 4 September 2009, the last business day preceding this announcement; and
- 31% over Cadbury's closing share price of 568 pence on 4 September 2009, the last business day preceding this announcement.

Kraft Foods believes that the strategic and financial rationale for the transaction is compelling. The transaction would create:

- a company with approximately $50 billion in revenues;
- a global powerhouse in snacks, confectionery and quick meals, with an exceptional portfolio of leading brands around the world;
- a geographically diversified combined business, with leading positions and significant scale in key developing markets including India, Mexico, Brazil, China and Russia;
- a strong presence in instant consumption channels in both developed and developing markets, expanding the reach and margin potential of the combined business;* and
- the potential for meaningful revenue synergies over time from investments in distribution, marketing and product development. In addition, there is a significant opportunity to realise pre-tax cost savings of at least $625 million annually. This is expected to be achieved through increased operational efficiencies over and above the current performance improvement programmes at Kraft Foods and Cadbury (including Cadbury's Vision Into Action ("VIA") programme). Kraft Foods expects that it will achieve the run-rate on these cost savings by the end of the third year following completion. Total one-off implementation cash costs of approximately $1.2 billion would be incurred in the first three years following completion.**

Kraft Foods has a proven track record of successfully completing and integrating strategic combinations to build iconic brands and multi-national businesses, including the acquisitions of LU in 2007 and Nabisco in 2000.

**Kraft's Investor relations website http://www.kraftfoodscompany.com/Investor/index.aspx Corporate/Financial News Releases**
**September 7, 2009** Kraft Foods Inc. Proposes Combination With Cadbury Plc, Building On A Global Powerhouse In Snacks, Confectionery And Quick Meals

# Cadbury's "Reject Kraft" Defense

Don't let Kraft steal your company

**reject the offer**

| | |
|---|---|
| Cadbury's 2009 performance demonstrates the strength of its focused confectionery business | **Cadbury is delivering value for its shareholders** |
| Cadbury is committed to its upgraded Vision into Action targets | **Creating significant further value and strong cash flow** |
| Kraft's offer completely misses the inherent value of Cadbury | **Kraft's offer is derisory** |
| Kraft's conglomerate business model is unappealing and its track record is poor | **Don't swap your Cadbury shares for exposure to Kraft** |

Cadbury is delivering higher performance and higher value

**Do not complete any form of acceptance**

January 14, 2010

Reject Kraft's Offer 1

http://online.wsj.com/public/resources/documents/CadburyDefenceDocument2009-part1.pdf
http://online.wsj.com/public/resources/documents/CadburyDefenceDocument2009part2.pdf

Cadbury has delivered **outstanding performance** in 2009...

| | 2009 Performance | Change from 2008 | |
|---|---|---|---|
| | Actual currency | Actual currency | Constant currency |
| Revenue | £6.0bn | +11% | +5% |
| EBITDA | £1,018m* | +23%* | +16%* |
| Trading profit | £808m* | +27%* | +19%* |
| Trading margin | 13.5%* | +160bps* | +155bps* |
| Dividend† | 18.0p | +10% | |
| Net debt | £1.4bn | -£0.5bn | |

'Our performance in 2009 was outstanding. We generated good revenue growth despite the weakest economic conditions in 80 years. At the same time, our Vision into Action plan drove a 160 basis point improvement in margin to 13.5%*.

Looking forward to 2010, we are targeting revenue growth within our 5–7% goal range, led by new product innovations across our categories and supported by incremental investment in marketing. We expect benefits from our restructuring and reconfiguration actions in 2010 to drive continued progress to achieve our targets of good mid-teens margin by 2011 and 16–18% margin by 2013.'

**Todd Stitzer, CEO**

* This statement includes a profit estimate that has been reported on for the purpose of the Takeover Code (see Appendix 2)
† Comprises the interim dividend of 5.7p and a planned final dividend of 12.3p. The final dividend is subject to approval of the Board and shareholders, and will be declared and paid in accordance with the Company's normal timetable

# "Reject Kraft" Defense *(cont'd)*

…a strong first full year as a

## pure-play confectionery business

### Outstanding operating performance

**Revenue growth**
**up 5%**

- > Up 9% in emerging markets which represent 38% of revenue, led by Asia (+16%), South America (+13%) and Middle East & Africa (+11%)
- > Up 2% in developed markets, despite weak economic conditions, driven by innovation and route-to-market initiatives
- > Gained or held share in markets where we generate over 70% of our revenue
- > Excellent momentum going into 2010 with H2 2009 growth of 6%

**Margin growth**
**160bps*** (actual currency)

- > Margin improvement of 155bps* with margin growth in every business unit
- > Successful recovery of input and other cost inflation through pricing
- > 65bps reduction in SG&A costs as a percentage of revenue
- > Reduction of 50bps in marketing as a percentage of revenue to 10.3%, as absolute spend was unchanged from 2008, driven by media deflation

**Investing to drive future growth**

- > Route-to-market capabilities strengthened in key markets such as Brazil, Mexico and Turkey
- > Major year for innovation including launch of Bitesize bags in UK, Trident Layers in US, Perk in India, Halls Creamy in South America
- > Sustained marketing investment to drive growth in focus brands

### Delivery of Vision into Action ahead of plan

**Benefits from Supply Chain reconfiguration**

Plant reconfigurations on track to deliver savings and operational benefits
- > Extension of existing Polish chocolate facility completed and new Polish countlines facility built with first production lines installed
- > Barcelona gum factory closed and Istanbul gum factory closure in progress
- > Reconfiguration of chocolate and candy plants in Australia and New Zealand well advanced

**Further SG&A reductions**

Majority of SG&A reduction initiatives completed with remaining plans under way
- > Benefits of central cost savings and regional delayering delivered in 2009
- > Further savings from simplification of European management structure are expected to drive margin improvement in 2010

* This statement includes a profit estimate that has been reported on for the purpose of the Takeover Code (see Appendix 2)
All movements in revenue and trading margin use constant currency, unless otherwise specified

Reject Kraft's Offer 5

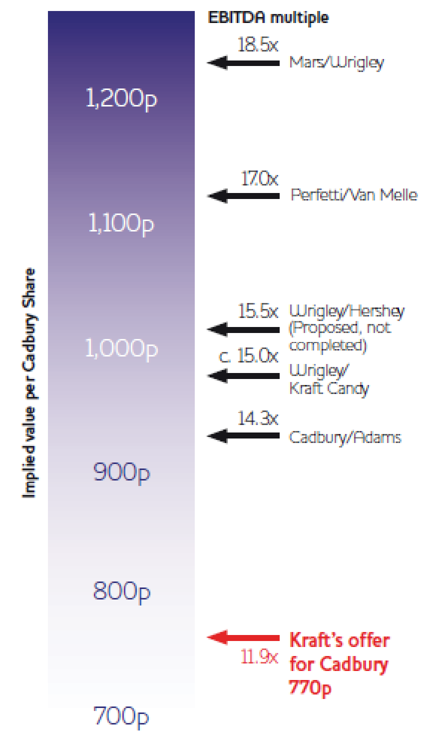
Kraft's offer completely

## misses the value we have already created in Cadbury

> Comparable confectionery transactions have taken place at multiples of between 14.3x and 18.5x historical EBITDA

> Cadbury, in 2002, acquired Adams for 14.3x EBITDA

> At Kraft's offer value, you would be selling Cadbury for just 11.9x 2009 EBITDA*




* This statement includes a profit estimate that has been reported on for the purpose of the Takeover Code (see Appendix 2)

12 Reject Kraft's Offer

January 14, 2010



TRAINING THE STREET

# "Reject Kraft" Defense *(cont'd)*

By its own benchmarks, Kraft is

**not offering a fair price**

> During Kraft's acquisition of Danone Biscuits in 2007, Kraft highlighted that a 14x EBITDA multiple was the average price paid in large branded food acquisitions

'Multiples for [the Danone Biscuits acquisition] are very much in line with transactions of similar size for strong brands in the food industry. Specifically on a multiple of EBITDA, this transaction would be 13.2 times versus an average of 14 times for other large branded food transactions.'
**Irene Rosenfeld, Kraft Foods Chairman & CEO, 3 July 2007**

> As Kraft has pointed out, confectionery is amongst the most attractive categories in branded food

'Confectionery is an attractive category and it is one that is experiencing strong growth across segments. Gum, in particular, has enjoyed the most rapid growth capitalising on its health and functional benefits.'
**Irene Rosenfeld, Kraft Foods Chairman & CEO, 8 September 2009**

> Cadbury, as a pure-play confectionery company, and with one-third of its business in gum, deserves a premium, not a discount

> Today's S&P 500 P/E multiple is similar to the P/E multiples at the time of the comparable confectionery transactions, contrary to Kraft's assertion that these multiples should be adjusted as a result of economic developments

**don't let kraft steal your company**

January 14, 2010

Reject Kraft's Offer 13

**don't let kraft steal your company**

Cadbury is delivering higher performance and higher value

**Do not complete any form of acceptance**

Reject Kraft's Offer 19



TRAINING THE STREET℠

# Kraft's Final Offer to Cadbury

19 January 2010

**RECOMMENDED FINAL* OFFER**

**by**

**KRAFT FOODS INC. ("KRAFT FOODS")**

**for**

**CADBURY PLC ("CADBURY")**

**VALUING EACH CADBURY SHARE AT 840 PENCE**

**SUMMARY**

***Recommended Final Offer terms***

- The board of Kraft Foods is pleased to announce the detailed terms of a recommended Final Offer for Cadbury and the board of Cadbury unanimously recommends Cadbury Securityholders to accept the terms of the Final Offer.
- Under the terms of the Final Offer, Cadbury Securityholders will be entitled to receive:

| | |
|---|---|
| **for each Cadbury Share** | **500 pence in cash**<br>**and**<br>**0.1874 New Kraft Foods Shares** |
| **for each Cadbury ADS** | **2,000 pence in cash**<br>**and**<br>**0.7496 New Kraft Foods Shares** |

representing, in aggregate, 840 pence per Cadbury Share and GBP 33.60 per Cadbury ADS.

- In addition, Cadbury Shareholders will be entitled to receive 10 pence per Cadbury share by way of a Special Dividend following the date on which the Final Offer becomes or is declared unconditional.
- The terms of the Final Offer reflect the strength of Cadbury's business, its brands and the future potential for growth through the combination of Kraft Foods and Cadbury.

***An attractive valuation and substantial long-term value creation potential as part of the Combined Group***

- Kraft Foods believes that the Final Offer represents a compelling opportunity for Cadbury Securityholders, providing the ability to receive approximately 60 per cent. of their consideration in cash and long-term value creation potential through a continued shareholding in the Combined Group.
- The Final Offer represents an attractive multiple of 13.0 times Cadbury's underlying 2009 EBITDA.
- Kraft Foods believes a combination with Cadbury will provide the potential for meaningful cost savings and revenue synergies from which Cadbury Securityholders will benefit.

**Kraft's Investor relations website http://www.kraftfoodscompany.com/Investor/index.aspx Corporate/Financial News Releases**
**January 19, 2009** Recommended Final* Offer by Kraft Foods Inc. (Kraft Foods") for Cadbury PLC ("Cadbury") Valuing Each Cadbury Share at 840 Pence

# Kraft Investor Presentations

## Meaningful synergies and cost savings

1

- Potential for meaningful revenue synergies
  - A highly complementary geographic footprint
  - Enhanced distribution, marketing and product development
- Identified additional annual cost savings, with revised target of at least $675 million
  - Over and above current performance improvement programs at Kraft Foods and Cadbury
    - Including Cadbury's Vision Into Action program
  - Potential annual pre-tax cost savings identified thus far:
    - $300 million of operational synergies
    - $250 million of general and administrative synergies
    - $125 million of marketing and selling synergies
  - Expect to achieve run-rate savings by end of third year
  - Total one-off implementation cash costs of $1.3 billion

**Jan. 19, 2010**

## Upfront spending followed by substantial cost savings in 2011, 2012

2

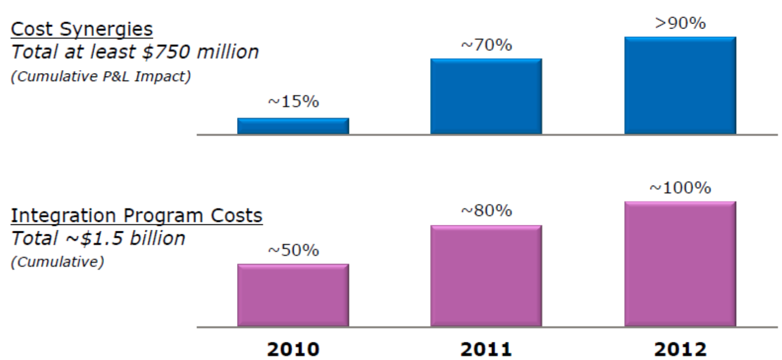
**Pre-Tax Integration Costs / Cost Synergies**


**June 3, 2010**

## Raising cost synergy target to at least $750 million

3

**Cost Synergies / Pre-Tax Integration Costs**

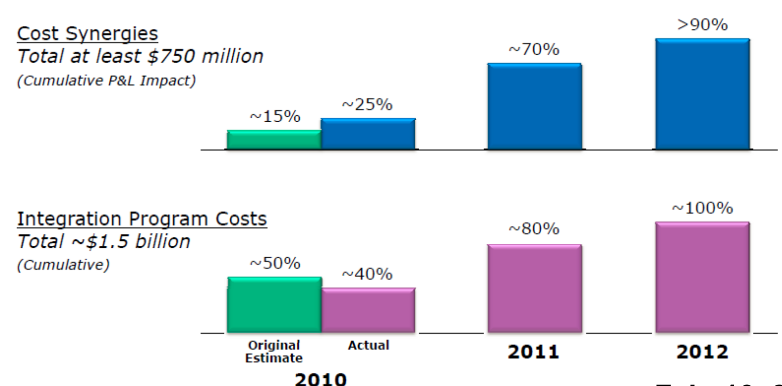



**Aug. 5, 2010**

## Earlier delivery of cost synergies

4

**Cost Synergies / Pre-Tax Integration Costs**




**Feb. 10, 2011**

# Kraft Cadbury Post Deal Impact…

**February 10, 2010:  Kraft to close Cadbury plant it suggested keeping open**

- Kraft accused of going back on its apparent pledge to keep open a Cadbury factory in Somerdale near Bristol.  The plant, which employs 400 staff, had been slated for closure in 2011 by Cadbury.   Kraft said redundancy agreements and plans to move production were too far advanced.  "In our recent talks with Cadbury senior management, it became clear that it is unrealistic to reverse the closure programme, despite our original intent to do so," Irene Rosenfeld, Kraft chief executive, said.

**March 5, 2010:  Triple blow for Cadbury staff from Kraft deal**

- Cadbury staff suffered a triple blow yesterday after it emerged that Kraft Foods is preparing to close the British confectioner's final salary pension scheme to new members, increase contributions from staff and cut up to 150 jobs. Reports in the local media near Cadbury's Bournville base suggested pension contributions could almost double.

**March 16, 2010:  Calles for a “Cadbury Law” as Kraft Set for Grilling By Members of Parliament**

- MPs will be told today of the need for a 'Cadbury's Law' to protect UK firms in hostile takeovers.  Unions representing Cadbury's 6,000 British workers will call for better protection for staff in newly acquired companies.  They will also lay bare the 'empty promises' proffered by the American conglomerate during the bitter bid battle.

**March 17, 2010:  Kraft Apologies**

- Kraft makes a humiliating public apology and vowed not to axe any UK manufacturing jobs for at least two years after it was accused by Members of Parliament of fighting dirty for control of Cadbury.  The pledge, which only covers 40% of the UK workforce of the enlarged business, was made by Kraft's executive vice-president, Marc Firestone, during a bruising two-hour appearance before the business select committee that left the American visibly shaken.

**August 5, 2011:  Kraft to Split Into Two Companies**

- Kraft plans to break up the food giant, only 18 months after driving through the controversial acquisition of U.K. chocolate maker Cadbury.  The split will give investors the chance to bet on a snacks business that is growing fast in emerging markets, or opt for the stable dividends offered by a slower-growing general grocery business that includes Oscar Mayer lunch meat and Kraft cheese.

**September 19, 2011:  Britain to Toughen Rules for Hostile Bids**

- The Takeover Panel of Britain toughen the rules on hostile offers to correct what it called a “tactical advantage” for bidders.  “It has become too easy for ‘hostile’ ” bidders to succeed, the panel said, citing the destabilizing effects of a hostile approach on the firm to be acquired, and adding that the outcome of a bid is “influenced unduly by the actions of so-called short-term investors,” or merger arbitragers.