



Strategic Company Market Profile

November 2009

Kraft Foods and Cadbury in Western Europe's Food & Drink Markets

From Food for Thought's International Food & Drink Database at www.fft.com

- Would an acquisition by Kraft Foods of Cadbury make sense from an end-market point of view ?
- To what extent would market dominance in selected product and country markets result ?
- Matching known product areas like Sweet and Chocolate Confectionery is one thing, but what about myriad other activities
- Will later consolidation of the combined companies provoke further merger & acquisition activity?

Report Description

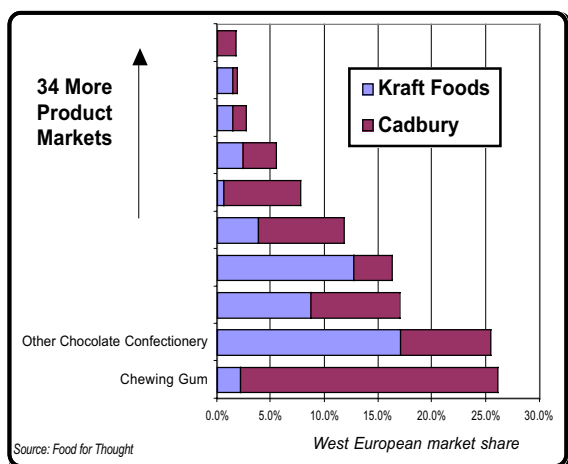
Drawing on FFT's extensive food & drink markets database, now in its 20th year, this report analyses several major aspects of the proposed acquisition of Cadbury by Kraft Foods seen from the market end of the spectrum, an innovative approach:

1. **Market Dominance:** Product and country market shares.
2. **Sales Turnover:** Estimated final retail and foodservice values (see # note next page).
3. **Country Presence:** Geographic distribution and size among 16 West European countries.

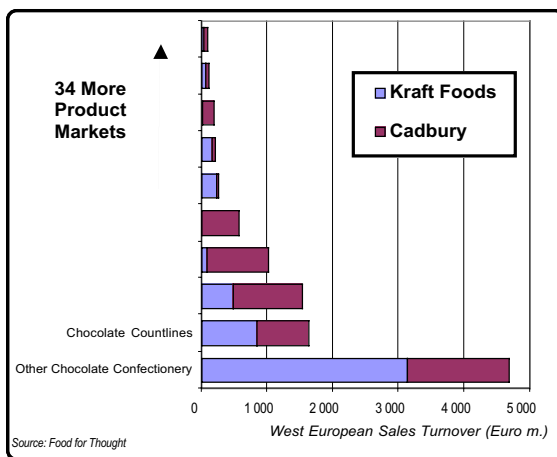
These 3 strands are then draw together to provide an overall picture of the market strengths and weaknesses of the two companies combined, as illustrated in the bubble chart below (actual abridged samples taken from report):

Western Europe (16 countries)

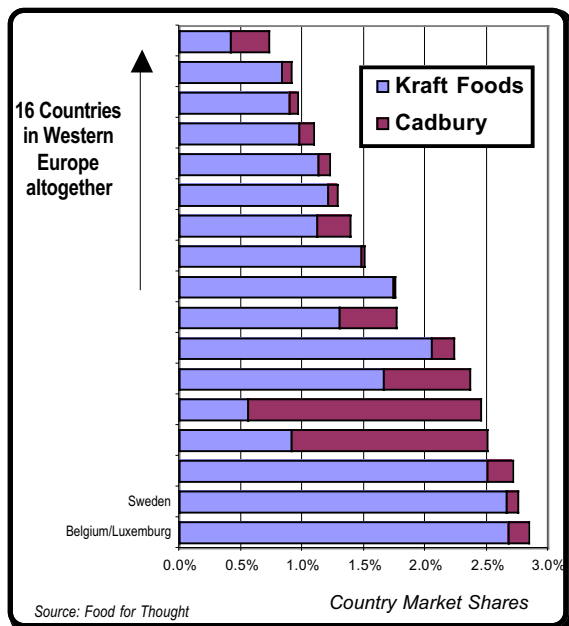
Market Dominance



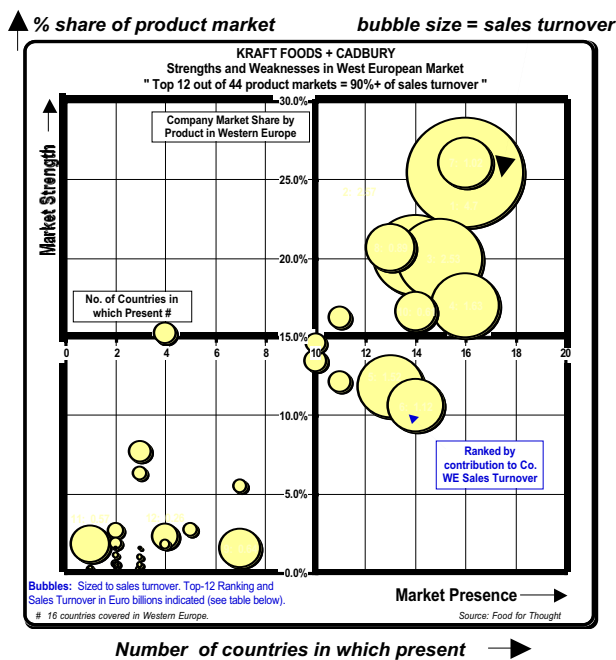
Sales Turnover



Country Presence



Company Market Strengths and Weaknesses



The four graphs above illustrate the analysis for Western Europe treated globally. The full report itself breaks down the market and company data in exhaustive product and country detail.

Brief Summary of the potential impact on the West European Food & Drink Market

The West European food & drink market is estimated at Euros 1126 billion in 2008 *. Kraft Foods is estimated to have a 1.298% and Cadbury a 0.472% of this total market, or respectively final market sales turnovers of Euros 14.6 billion and Euros 5.3 billion respectively, for a combined total of nearly Euros 20 billion. Within their own product markets only, the overall market shares come to 6.28% and 3.44% respectively, for a combined weighted average of just over 7%.

The two companies are analysed both as a combined entity and individually against the backdrop of the entire West European food & drink market. Detailed company and market data by product and country are provided against the following framework:

| | <u>Kraft Foods</u> | <u>Cadbury</u> | <u>Combined</u> |
|--|--------------------|----------------|-----------------|
| • Number of product markets in which present: | 41 | 17 | 44 |
| • Number of countries in which present: | 16 | 16 | 16 |
| • Number of product & country value market shares quoted: | 225 | 55 | 252 |
| • Company sales turnover (Euro billions at market prices): # | 14.6 | 5.3 | 19.9 |
| • Overall share of the total West European food & drink market: | 1.30% | 0.47% | 1.77% |
| • Overall share regarding the 44 products in which they are present: | 6.28% | 3.44% | 7.05% |

The report demonstrates that just 12 product markets contribute 90% of total sales turnover in Western Europe, and cover over half of the 252 country and product market shares identified. Thus while the combined companies perform well in key markets, they are also present in a great many scattered and less rewarding product markets. This situation naturally invites consolidation, and thus merger & acquisition opportunities.

Report Content

- 90 pages (of which Main Report 50 pages and Detailed Data Table in Annex 29 pages).
- The two companies, Kraft Foods and Cadbury, are analysed both individually and as a combined entity.
- The report is a hard data compilation presented essentially in the form of commented charts and tables (see Table of Contents for detail).
- All supporting data is supplied, including a 29-page table in the Annex presenting, for Kraft Foods and Cadbury individually and combined:

By product and country:

- Key company subsidiaries
- Company market shares
- Company sales turnover
- Country and product market values (Euro millions)
- West European product market values (Euro millions)
- Company country and product market share ranking
- Major company brands

Notes:

* **Key Market Definition:** Market data refer to all products sold for final human consumption in retail, foodservice and artisanal markets (own-produced for own sale), thus excluding industrial and intermediate consumption and auto-consumption. Value markets are in retail prices (including VAT, excise and sales taxes and other charges) and foodservice market buy-in prices. Full product definitions in six languages are available online at www.ffa.com. For the purposes of this report, company sales turnover by product and country are broadly estimated on the basis of "company market share * total market value".

Company sales turnovers: These have been estimated on the basis of company country & product "market shares times total market size by value", at retail and foodservice market buy-in prices *. While all due care has been applied, both these data are themselves produced on a best efforts basis. Thus sales turnover by product and country given in this report are clearly rough estimates. For the purpose of assessing the product and country market performance of these companies on a comparative basis, this approach is here considered perfectly satisfactory.