

## Treatment of Outstanding Stock Options, Stock Appreciation Rights and Restricted/Deferred Stock Awards as a Result of the Spin-Off

*(Note: this communication does not apply to individuals located in Australia, Australian inbound/outbound expatriates, nationals of China, individuals located in Thailand, or Thailand inbound/outbound expatriates)*

This communication contains important information regarding the treatment of outstanding stock options, stock appreciation rights (“SARS”), and unvested restricted stock and/or deferred stock unit (“DSU”) awards (collectively referred to as “Awards”)<sup>1</sup> as a result of the Spin-Off of the North American Grocery business (as defined below). Please read it carefully.

A follow-up to this communication containing additional details regarding the treatment of your Awards as a result of the Spin-Off will be distributed shortly after Kraft Foods Inc. (“KFT” or the “Company”) announces the record date for the distribution to shareholders (the “Distribution”). If you participate in any other KFT stock-based plans, such as the Long-Term Incentive Plan (“LTIP”), you will receive a separate communication in relation to those plans.

### **Key messages from this communication:**

- At the Spin-Off, your outstanding Awards will be converted to awards of both Mondelēz International, Inc. (“Mondelēz”) and Kraft Foods Group, Inc. (“Kraft Foods Group”).<sup>2 3</sup>
- The treatment of the Awards will be similar to the treatment of the common stock held by external KFT shareholders.<sup>2 3</sup>
- Your outstanding Awards will be converted so that their intrinsic value will be maintained before and after the Spin-Off.<sup>4</sup>
- The adjusted awards will retain the same terms and conditions as your existing Awards.
- Your equity award brokerage account will continue to be managed by UBS Financial Services, Inc. (“UBS”) following the Spin-Off.
- **Action Item:** Access your UBS account as soon as possible to make sure your contact information is up-to-date with KFT or directly with UBS (if you are no longer an employee of KFT). We will rely primarily on email for future equity communications. These communications will also be accessible through the [compensation and benefits page of the KFT corporate internet site](#).
- More details regarding the treatment of your Awards will be shared in an upcoming communication, including sample conversion calculations. The next communication on this topic will be shortly after the Company announces the record date for the distribution to shareholders (this is the date KFT will establish for the purpose of determining which shareholders will be eligible to participate in the Spin-Off).

<sup>1</sup> Granted under the Kraft Foods Inc. 2001 Performance Incentive Plan, the Kraft Foods Inc. 2005 Performance Incentive Plan and/or the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan (collectively, the “Plans”)

<sup>2</sup> If you are located in Australia or are an Australian inbound/outbound expatriate; a national of China; or located in Thailand or are a Thailand inbound/outbound expatriate, please refer to your specific communication for details of how your outstanding equity awards will be treated.

<sup>3</sup> Please note that we have applied for tax rulings in certain countries and are awaiting for the tax authorities’ rulings. The outcome of those rulings may affect the treatment of your awards. In that case, we will notify you.

<sup>4</sup> Subject to restrictions in certain jurisdictions to avoid negative tax treatment or to comply with local law, including tax and securities laws.

## What's happening?

On August 4, 2011, KFT announced plans to create two independent public companies: a Global Snacks Business and a North American Grocery Business. KFT will spin-off its current wholly owned subsidiary, Kraft Foods Group, Inc. ("Kraft Foods Group") by distributing all of Kraft Foods Group common stock pro rata to KFT's shareholders. This transaction is known as a "Spin-Off." Following the Spin-Off, Kraft Foods Group will hold the North American Grocery Business and be an independent, publicly traded company. KFT will continue to hold the Global Snacks Business and be renamed Mondelēz International, Inc. Immediately following the Spin-Off, KFT shareholders will hold common stock in both Mondelēz and Kraft Foods Group. We expect that the Spin-Off will occur by the end of 2012; however the exact timing of the transaction is still to be confirmed. New shares of Mondelēz will trade under the symbol MDLZ and Kraft Foods Group shares will trade under the symbol KRFT.

More details about the Spin-Off can be found in the Information Statement filed as Exhibit 99.1 to the Form 10 Registration Statement, as amended, filed by Kraft Foods Group with the U.S. Securities and Exchange Commission. The Information Statement can be accessed via the company's website: [www.kraftfoodscompany.com/investor](http://www.kraftfoodscompany.com/investor) under the "SEC filings and Annual Reports – SEC Filings." After opening the link, click on "See SEC filings for Kraft Foods Group, Inc." located in the introductory paragraph of the web page. This link will take you to the latest version of the Kraft Foods Group Form 10 Registration Statement.

## How will the Spin-Off impact my outstanding KFT Awards?

KFT has chosen to follow what's called the *Shareholder Approach* for the treatment of your outstanding Awards. This means that, regardless of which company you will be employed by following the Spin-Off, your outstanding Awards will be adjusted and converted to Awards of shares of both Mondelēz and Kraft Foods Group.<sup>2,3</sup>

Here is how your Awards will be treated under the Shareholder Approach:

- Stock Options/ Stock Appreciation Rights ("SARS") – All of your outstanding unexercised KFT stock options or SARS (vested and unvested) will be adjusted and converted into stock options/ SARS of both Mondelēz and Kraft Foods Group.
- Restricted Stock/DSUs - All of your unvested KFT restricted stock and/or DSU awards will be adjusted and converted into restricted stock and/or DSU awards in shares of both Mondelēz and Kraft Foods Group.

Examples of the adjustment and conversion, as well as additional details, will be provided in a later communication. The next communication on this topic will be shortly after the Company announces the record date for the distribution to shareholders.

## Why has KFT chosen the Shareholder Approach for the treatment of my Awards?

We considered the following principles in selecting the Shareholder Approach for the treatment of equity awards:

- We want to incent employees to work towards the success of both companies before and following the Spin-Off.
- We want to be consistent with how KFT external shareholders are being treated.

## How will the value of my KFT stock options/SARS be preserved?

Your outstanding KFT stock option awards will be adjusted to maintain the equivalent "pre-Spin-Off" intrinsic value at the time of the conversion<sup>4</sup>. The number of shares subject to your outstanding

stock options will be adjusted and the exercise price of each stock option grant will also be adjusted to account for any change in stock price of both companies at the time of the Spin-Off so that the options have an equivalent intrinsic value prior to and after the Spin-Off. In addition, the converted options will, generally, retain the same terms and conditions as your existing Awards (i.e., term, vesting conditions, consequences of termination of employment, etc.). Sample calculations, as well as the specific details about the adjustment/conversion calculation of your individual stock option awards, will be explained in upcoming communications.

### **How will the value of my KFT restricted stock and/or DSU awards be preserved?**

Restricted stock and/or DSU awards, will be treated consistently with the treatment applied to common stock owned by KFT shareholders. The number of shares subject to your restricted stock and/or DSU awards will be adjusted so that the Awards have an equivalent intrinsic value prior to and after the Spin-Off<sup>4</sup>. The same distribution ratio that will be used to distribute Kraft Foods Group shares to KFT shareholders will be applied to the unvested KFT restricted stock and/or DSU awards. In addition, the converted awards will, generally, retain the same terms and conditions as your existing Awards (i.e., vesting conditions, consequences of termination of employment, etc.). Sample calculations, as well as the specific details about the calculation of your individual restricted/DSU awards, will be explained in upcoming communications.

### **I have vested KFT shares held in UBS from previous transactions. Will these shares be impacted by the Spin-Off?**

Any KFT shares which have already vested and are held in UBS as a result of previous transactions (such as a prior restricted stock and/or DSU vestings or a stock option exercise), will be treated the same as shares held by other KFT shareholders. This means that if you are a KFT shareholder on the record date for the Distribution (TBA), following the Spin-Off you will automatically receive Kraft Foods Group shares, based on the distribution ratio (i.e. the number of Kraft Foods Group shares shareholders will receive for a specified number (TBA) of KFT shares). These shares will remain in your UBS account and be accessible via the same website links that will be used to access your Mondelēz and Kraft Foods Group Awards.

### **Where will I find information regarding my converted Awards following the Spin-Off?**

Following the Spin-Off, both companies (Kraft Foods Group and Mondelēz) will continue to use UBS as their equity plan administrator. More detailed information about how you will be able to view and transact upon your Awards will be provided before the Spin-Off, in a follow-up communication.

### **Will there be a blackout period?**

For administrative purposes, in order to convert your KFT Awards into the Mondelēz and Kraft Foods Group Awards, KFT will impose a blackout period during which time you will not be able to access your UBS account or perform any transactions upon the Awards in your account. The specific dates and terms of the blackout period will be confirmed in a follow-up communication well in advance of the blackout period. The blackout period will be for as short a period of time as necessary to address all administration changes. We do not anticipate this period being longer than 2 weeks.

### **What are the tax implications of the Spin-Off on my Awards?**

We will not provide you with tax advice regarding the tax implications of the Spin-Off on your Awards. However, we will provide some general information regarding the potential tax consequences of the Spin-Off on your Awards in a follow-up communication. You should consult with your own personal tax advisor regarding the tax implications of the Spin-Off on your Awards.

## How can I find out how many stock options, SARS, restricted stock and/or DSU awards I currently hold?

Your unexercised and unvested options and SARS and your unvested restricted stock and DSU awards, as well as any shares you acquired under the Plans, are currently being held in an account with UBS OneSource. You can view these Awards or any shares acquired under the Plans at any time by accessing your account online.

To access your account, log onto: [www.ubs.com/onesource/kft](http://www.ubs.com/onesource/kft). You will need your UBS Employee ID Number and Personal Identification Number (or "PIN"). Please see "*Further Information & Support – Who to Contact*" at the end of this communication for details about how to access your UBS account.

## What further action do I need to take?

You do not need to take any immediate action regarding your Awards. Awards will be adjusted and automatically converted to Awards of Mondelēz and Kraft Foods Group following the Spin-Off. The record date will be set by the KFT Board of Directors and will be confirmed to you in a follow-up communication.

### **WHAT YOU CAN DO NOW**

- Please check that you can access your UBS OneSource account. See "*Further Information & Support – Who to Contact*" section for details of how to login and obtain your UBS Participant ID and PIN.
- Also verify that your home address and email information in UBS is correct. If updates are needed:
  - *Current KFT employees in "MyHR Online Full Service Countries"*: you can update your home address via MyHR Online and it should automatically update your UBS information within 10 days.
  - *Current KFT employees in "Basic Service Countries" who only use MyHR Online to access Success Factors and Workspace Compensation Planning*: please contact your local HR team and ask them to update the information on your behalf.
  - *Former KFT Employees*: you should update your address and contact details, including a personal email address, directly with UBS. **It is very important to update your email address as future broad communications will be primarily distributed via email and posted on the KFT corporate internet site at:**  
<http://snacks.kraftfoodscompany.com/Investor/CompensationBenefitsEN.aspx>

## Additional Support

We will provide more detailed information and examples in upcoming communications. Please refer to the "*Further Information & Support – Who to Contact*" section for information about who to contact in relation to your KFT Equity Awards.

If you need help understanding the information contained in this letter, you can contact your HR representative or compensation leader or email: [compensation@kraftfoods.com](mailto:compensation@kraftfoods.com).

## FURTHER INFORMATION & SUPPORT – WHO TO CONTACT

### KFT Corporate Internet Site

#### For copies of all of the equity communications and support materials

We have created a special section on our corporate internet site for both *current* and *former* employees who have unexercised and/or unvested Awards. Here, you will find useful information, such as employee communications and, in the future, an e-learning module and calculator, which can help you to understand how your Awards will be impacted by the Spin-Off and how the converted awards will be calculated. The site address is:

<http://snacks.kraftfoodscorporation.com/Investor/CompensationBenefitsEN.aspx>.

### UBS

#### For general questions about logging in to UBS and/or viewing your UBS account

##### **UBS OneSource Call Center:**

+1-800-230-2967 (from within the U.S.)

+1-201-272-7552 (outside the U.S.)

**Logging in** - You will need your UBS Participant ID and your Personal Identification Number (“PIN”) to log in to UBS: [www.ubs.com/onesource/kft](http://www.ubs.com/onesource/kft). If you have not logged in before, or if you have forgotten your PIN, you can click the link for “*First Time Login - No PIN/ Password*”, which is located below the login pad when you click on the UBS website link above. UBS has a call center which can assist with you with all of your equity plan and technical questions. However please note, UBS cannot provide your Participant ID.

#### To access your UBS Participant ID Number:

Current KFT Employees	Former KFT Employees
<p>If you are located in Austria, Belgium, Canada, France, Germany, Switzerland, the U.K. or the U.S., you may contact your local Kraft HR Service Center to obtain your UBS Participant ID number. Below are the telephone numbers to use or you can also email the HR Service Center via the “Contact us” link in the top right-hand corner of MyHROnline.</p> <p><u>KFT HR Service Center:</u></p> <p>Austria: 0800 296 438 (01 206 091 329)            Belgium: 0800 81044 (022008674)            Canada: 1-800-556-1313 (toll number)            France*: 0805 540 504 (01573 23476)            Germany: 0800 589 0200 (06994 519 2259)            Switzerland: 0800 830 054 (0435 579 063)            U.K.: 0800 028 5518 (0203 450 1050)            U.S.: 1-800-572-3847 (toll number)</p> <p>Current Kraft employees in any other countries should contact their local HR Department.</p> <p><small>*if you are an employee of Cadbury France, please contact your local HR Team to obtain your UBS Participant ID</small></p>	<p>Please contact your local Kraft HR Team to obtain your UBS Participant ID number.</p>