

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-16483



Kraft Foods Inc.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

52-2284372
(I.R.S. Employer
Identification No.)

Three Lakes Drive,
Northfield, Illinois
(Address of principal executive offices)

60093
(Zip Code)

Registrant's telephone number, including area code: **(847) 646-2000**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At March 31, 2008, there were 1,516,031,559 shares of the registrant's common stock outstanding.

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In this report, "Kraft," "we," "us" and "our" refers to Kraft Foods Inc. and subsidiaries, and "Common Stock" refers to Kraft's Class A common stock.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings
(in millions of dollars, except per share data)
(Unaudited)

	For the Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
Net revenues	\$ 10,372	\$ 8,586
Cost of sales	<u>6,891</u>	<u>5,535</u>
Gross profit	3,481	3,051
Marketing, administration and research costs	2,211	1,872
Asset impairment and exit costs	80	67
Losses / (gains) on divestitures, net	18	(12)
Amortization of intangibles	<u>7</u>	<u>2</u>
Operating income	1,165	1,122
Interest and other debt expense, net	<u>305</u>	<u>64</u>
Earnings before income taxes	860	1,058
Provision for income taxes	<u>252</u>	<u>356</u>
Net earnings	<u>\$ 608</u>	<u>\$ 702</u>
Per share data:		
Basic earnings per share	<u>\$ 0.40</u>	<u>\$ 0.43</u>
Diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.43</u>
Dividends declared	<u>\$ 0.27</u>	<u>\$ 0.25</u>

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in millions of dollars)
(Unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	\$ 605	\$ 567
Receivables (less allowances of \$92 in 2008 and \$94 in 2007)	5,361	5,197
Inventories:		
Raw materials	1,944	1,605
Finished product	2,723	2,491
Total inventories	4,667	4,096
Deferred income taxes	615	575
Other current assets	430	302
Total current assets	11,678	10,737
Property, plant and equipment, at cost	20,065	19,204
Less accumulated depreciation	8,754	8,426
Property, plant and equipment, net	11,311	10,778
Goodwill	31,459	31,193
Intangible assets, net	12,207	12,200
Prepaid pension assets	1,691	1,648
Other assets	1,680	1,437
TOTAL ASSETS	\$ 70,026	\$ 67,993
LIABILITIES		
Short-term borrowings	\$ 4,528	\$ 7,385
Current portion of long-term debt	716	722
Accounts payable	4,157	4,065
Accrued marketing	1,834	1,833
Accrued employment costs	741	913
Other current liabilities	2,278	2,168
Total current liabilities	14,254	17,086
Long-term debt	17,428	12,902
Deferred income taxes	5,081	4,876
Accrued pension costs	830	810
Accrued postretirement health care costs	2,859	2,846
Other liabilities	2,308	2,178
TOTAL LIABILITIES	42,760	40,698
Contingencies (Note 12)		
SHAREHOLDERS' EQUITY		
Common Stock, no par value (1,735,000,000 shares issued in 2008 and 2007)	-	-
Additional paid-in capital	23,373	23,445
Retained earnings	12,389	12,209
Accumulated other comprehensive losses	(1,442)	(1,835)
Treasury stock, at cost	(7,054)	(6,524)
TOTAL SHAREHOLDERS' EQUITY	27,266	27,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 70,026	\$ 67,993

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(in millions of dollars, except per share data)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Losses) / Gains	Treasury Stock	Total Shareholders' Equity
Balances at January 1, 2007	\$ -	\$ 23,626	\$ 11,128	\$ (3,069)	\$ (3,130)	\$ 28,555
Comprehensive earnings:						
Net earnings	-	-	2,590	-	-	2,590
Other comprehensive earnings, net of income taxes	-	-	-	1,234	-	1,234
Total comprehensive earnings *						<u>3,824</u>
Initial adoption of FIN 48	-	-	213	-	-	213
Exercise of stock options and issuance of other stock awards	-	33	(79)	-	293	247
Net settlement of employee stock awards with Altria Group, Inc.	-	(179)	-	-	-	(179)
Cash dividends declared (\$1.04 per share)	-	-	(1,643)	-	-	(1,643)
Common Stock repurchased	-	-	-	-	(3,687)	(3,687)
Other	-	(35)	-	-	-	(35)
Balances at December 31, 2007	<u>\$ -</u>	<u>\$ 23,445</u>	<u>\$ 12,209</u>	<u>\$ (1,835)</u>	<u>\$ (6,524)</u>	<u>\$ 27,295</u>
Comprehensive earnings:						
Net earnings	-	-	608	-	-	608
Other comprehensive earnings, net of income taxes	-	-	-	393	-	393
Total comprehensive earnings *						<u>1,001</u>
Exercise of stock options and issuance of other stock awards	-	(72)	(16)	-	120	32
Cash dividends declared (\$0.27 per share)	-	-	(412)	-	-	(412)
Common Stock repurchased	-	-	-	-	(650)	(650)
Balances at March 31, 2008	<u><u>\$ -</u></u>	<u><u>\$ 23,373</u></u>	<u><u>\$ 12,389</u></u>	<u><u>\$ (1,442)</u></u>	<u><u>\$ (7,054)</u></u>	<u><u>\$ 27,266</u></u>

* Total comprehensive earnings were \$758 million for the quarter ended March 31, 2007.

See notes to condensed consolidated financial statements.

Kraft Foods Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in millions of dollars)
(Unaudited)

	For the Three Months Ended March 31,	
	2008	2007
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		
Net earnings	\$ 608	\$ 702
Adjustments to reconcile net earnings to operating cash flows:		
Depreciation and amortization	248	220
Deferred income tax benefit	(27)	(69)
Losses / (gains) on divestitures, net	18	(12)
Asset impairment and exit costs, net of cash paid	68	31
Change in assets and liabilities, excluding the effects of acquisitions and divestitures:		
Receivables, net	(96)	(89)
Inventories	(493)	(355)
Accounts payable	(66)	(91)
Amounts due to Altria Group, Inc. and affiliates	-	(45)
Other working capital items	(65)	(268)
Change in pension assets and postretirement liabilities, net	6	41
Other	16	96
Net cash provided by operating activities	217	161
CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		
Capital expenditures	(271)	(180)
(Disbursements) / proceeds from divestitures	(11)	200
Other	(12)	6
Net cash (used in) / provided by investing activities	(294)	26
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		
Net (repayment) / issuance of short-term borrowings	(3,281)	327
Long-term debt proceeds	4,503	10
Long-term debt repaid	(15)	(16)
Increase in amounts due to Altria Group, Inc. and affiliates	-	83
Repurchase of Common Stock	(650)	(190)
Dividends paid	(415)	(409)
Other	(43)	19
Net cash provided by / (used in) financing activities	99	(176)
Effect of exchange rate changes on cash and cash equivalents	16	1
Cash and cash equivalents:		
Increase	38	12
Balance at beginning of period	567	239
Balance at end of period	\$ 605	\$ 251

See notes to condensed consolidated financial statements.

Note 1. Accounting Policies:

Basis of Presentation:

Our interim condensed consolidated financial statements are unaudited. We prepared the condensed consolidated financial statements following the requirements of the SEC for interim reporting. As permitted under those rules, a number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America have been condensed or omitted. It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of our financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results.

You should read these statements in conjunction with our consolidated financial statements and related notes in our Form 10-K/A for the year ended December 31, 2007.

Kraft Spin-Off from Altria:

In the first quarter of 2007, Altria Group, Inc. ("Altria") spun off its entire interest (89.0%) in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, all Kraft shares owned by Altria were distributed to Altria's stockholders, and our separation from Altria was completed.

Reclassification:

We reclassified dividends payable, other accrued liabilities and income taxes in the prior year balance sheet from separate line items into other current liabilities to conform with the current year's presentation.

New Accounting Pronouncements:

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, as amended in February 2008 by FASB Staff Position ("FSP") FAS 157-2, *Effective Date of FASB Statement No. 157*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FSP FAS 157-2 defers the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until January 1, 2009. As such, we partially adopted the provisions of SFAS No. 157 effective January 1, 2008. The partial adoption of this statement did not have a material impact on our financial statements. We expect to adopt the remaining provisions of SFAS No. 157 beginning in 2009. We expect the adoption of SFAS 157 to impact the way in which we calculate fair value for our annual impairment review of goodwill and non-amortizable intangible assets, and when conditions exist that require us to calculate the fair value of long-lived assets; however, we do not expect this adoption to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115*. We adopted the provisions of SFAS No. 159 effective January 1, 2008. This statement permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings. The adoption of this statement did not have an impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. The provisions, which change the way companies account for business combinations, are effective for Kraft as of January 1, 2009. This statement requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose all information needed by investors to understand the nature and financial effect of the business combination. We do not expect the adoption of this statement to have a material impact on our financial statements.

In December 2007, the FASB also issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51*, the provisions of which are effective for Kraft as of January 1, 2009. This statement requires an entity to classify noncontrolling interests in subsidiaries as a separate component of equity. Additionally,

transactions between an entity and noncontrolling interests are required to be treated as equity transactions. We are currently evaluating the impact of this statement on our financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The provisions are effective for Kraft as of January 1, 2009. This statement requires enhanced disclosures about (i) how and why we use derivative instruments, (ii) how we account for derivative instruments and related hedged items under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and (iii) how derivative instruments and related hedged items affect our financial results. We are currently evaluating the impact of this statement on our financial statements.

Note 2. Asset Impairment, Exit and Implementation Costs:

Restructuring Program

In January 2004, we announced a three-year restructuring program (the "Restructuring Program") and, in January 2006, extended it through 2008. The objectives of this program are to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program, we anticipate:

- incurring approximately \$2.8 billion in pre-tax charges reflecting asset disposals, severance and implementation costs;
- closing up to 35 facilities and eliminating approximately 14,000 positions; and
- using cash to pay for approximately \$1.7 billion of the \$2.8 billion in charges.

We incurred \$98 million in charges under the Restructuring Program during the first quarter of 2008. Since the inception of the Restructuring Program, we have incurred \$2.2 billion in charges and paid cash for \$1.1 billion related to those charges through March 31, 2008.

In February 2008, we announced the implementation of our new operating structure built on three core elements: business units; shared services that leverage the scale of our global portfolio; and a streamlined corporate staff. Within our new structure, business units now have full P&L accountability and are staffed accordingly. This also ensures that we are putting our resources closer to where decisions are made that affect our consumers and customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business units. The intent is to simplify, streamline and increase accountability, with the ultimate goal of generating reliable growth for Kraft. As a result, we will eliminate approximately 700 positions as we streamline our headquarter functions.

We are also in the process of reorganizing our European Union segment to function on a pan-European centralized category management and value chain model. After the reorganization is complete, the European Principal Company ("EPC") will manage the European Union segment categories centrally and make decisions for all aspects of the value chain, except for sales and distribution. The European subsidiaries will execute sales and distribution locally, and the local production companies will act as toll manufacturers on behalf of the EPC. The EPC legal entity has been incorporated as Kraft Foods Europe GmbH in Zurich, Switzerland. As part of this reorganization, we incurred \$6 million of restructuring costs, \$9 million of implementation costs and \$3 million of non-recurring costs during the first quarter of 2008. Restructuring and implementation costs are included in the total Restructuring Program charges. Other costs relating to our European Union segment reorganization are recorded as marketing, administration and research costs. Management believes the disclosure of implementation and other non-recurring charges provides readers of our financial statements greater transparency to the total costs of our European Union segment reorganization.

Restructuring Costs:

Under the Restructuring Program, we recorded asset impairment and exit costs of \$80 million during the first quarter of 2008. We expect to pay cash for approximately \$74 million of the charges that we incurred during the first quarter of 2008. We did not announce the closure of any plants during the first quarter of 2008; since the program began in 2004, we have announced the closure of 30 facilities.

Restructuring liability activity for the quarter ended March 31, 2008 was:

	<u>Severance</u>	<u>Asset Write-downs</u>	<u>Other</u>	<u>Total</u>
	(in millions)			
Liability balance, January 1, 2008	\$ 154	\$ -	\$ 16	\$ 170
Charges	59	13	8	80
Cash (spent) / received	(22)	20	(10)	(12)
Charges against assets	-	(35)	(3)	(38)
Currency	6	2	(1)	7
Liability balance, March 31, 2008	<u>\$ 197</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 207</u>

Severance charges include the cost of benefits received by terminated employees. In connection with our severance initiatives, we eliminated approximately 12,000 positions as of March 31, 2008; at that time we had also announced the elimination of an additional 900 positions. Asset write-downs relate to the impairment of assets caused by plant closings and related activity. Cash received on asset write-downs relates to proceeds received from the sale of assets that had previously been written-down under the Restructuring Program. We incurred other costs related primarily to renegotiation of supplier contract costs, workforce reductions associated with facility closings and termination of leasing agreements.

Implementation Costs:

Implementation costs are directly attributable to exit costs; however, they do not qualify for treatment under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. These costs primarily include the discontinuance of certain product lines, incremental expenses related to the closure of facilities and the reorganization of our European Union segment discussed above. Management believes the disclosure of implementation charges provides readers of our financial statements greater transparency to the total costs of our Restructuring Program. Substantially all implementation costs incurred in the first quarter of 2008 will require cash payments.

Implementation costs associated with the Restructuring Program were:

	<u>For the Three Months Ended</u>	
	<u>March 31,</u>	
	<u>2008</u>	<u>2007</u>
	(in millions)	
Cost of sales	\$ 14	\$ 5
Marketing, administration and research costs	4	16
Total implementation costs	<u>\$ 18</u>	<u>\$ 21</u>

Total – Asset Impairment, Exit and Implementation Costs

We included the asset impairment, exit and implementation costs discussed above, for the three months ended March 31, 2008 and 2007 in segment operating income as follows:

	For the Three Months Ended March 31, 2008				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs (in millions)	Implementation Costs	Total
Kraft North America:					
U.S. Beverages	\$ 9	\$ -	\$ 9	\$ -	\$ 9
U.S. Cheese	5	-	5	3	8
U.S. Convenient Meals	9	-	9	-	9
U.S. Grocery	4	-	4	1	5
U.S. Snacks & Cereals	8	-	8	2	10
Canada & N.A. Foodservice	10	-	10	-	10
Kraft International:					
European Union	27	-	27	11	38
Developing Markets	8	-	8	1	9
Total	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ 18</u>	<u>\$ 98</u>

	For the Three Months Ended March 31, 2007				
	Restructuring Costs	Asset Impairment	Total Asset Impairment and Exit Costs (in millions, as restated)	Implementation Costs	Total
Kraft North America:					
U.S. Beverages	\$ 1	\$ -	\$ 1	\$ 2	\$ 3
U.S. Cheese	9	-	9	3	12
U.S. Convenient Meals	8	-	8	3	11
U.S. Grocery	3	-	3	3	6
U.S. Snacks & Cereals	4	-	4	4	8
Canada & N.A. Foodservice	3	-	3	1	4
Kraft International:					
European Union	34	-	34	3	37
Developing Markets	5	-	5	2	7
Total	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 21</u>	<u>\$ 88</u>

Note 3. Goodwill and Intangible Assets:

Goodwill by reportable segment was:

	March 31, 2008	December 31, 2007
	(in millions; 2007 restated)	
Kraft North America:		
U.S. Beverages	\$ 1,290	\$ 1,290
U.S. Cheese	3,000	3,000
U.S. Convenient Meals	1,460	1,460
U.S. Grocery	3,043	3,043
U.S. Snacks & Cereals	8,253	8,253
Canada & N.A. Foodservice	2,369	2,364
Kraft International:		
European Union	9,714	9,392
Developing Markets	2,330	2,391
Total goodwill	<u>\$ 31,459</u>	<u>\$ 31,193</u>

Intangible assets were:

	March 31, 2008		December 31, 2007	
	Intangible Assets, at cost	Accumulated Amortization	Intangible Assets, at cost	Accumulated Amortization
	(in millions)			
Non-amortizable intangible assets	\$ 11,853	\$ -	\$ 12,065	\$ -
Amortizable intangible assets	423	69	197	62
Total other intangible assets	<u>\$ 12,276</u>	<u>\$ 69</u>	<u>\$ 12,262</u>	<u>\$ 62</u>

Non-amortizable intangible assets consist substantially of brand names purchased through our acquisitions of Nabisco Holdings Corp., the global biscuit business of Groupe Danone S.A. ("Danone Biscuit") and the Spanish and Portuguese operations of United Biscuits. Amortizable intangible assets consist primarily of trademark licenses and non-compete agreements.

The movements in goodwill and intangible assets were:

	Goodwill	Intangible Assets, at cost
	(in millions)	
Balance at December 31, 2007	\$ 31,193	\$ 12,262
Changes due to:		
Foreign currency	619	14
Acquisitions	(368)	-
Other	15	-
Balance at March 31, 2008	<u>\$ 31,459</u>	<u>\$ 12,276</u>

We reclassified \$219 million from non-amortizable to amortizable intangible assets and decreased goodwill by \$368 million related to refinements of preliminary allocations of purchase price for our acquisition of Danone Biscuit. The allocations were based upon preliminary estimates and assumptions and are subject to revision when appraisals are finalized, which will occur during 2008.

Amortization expense for intangible assets was \$7 million in the first quarter of 2008. We currently estimate amortization expense for each of the next five years to be approximately \$24 million or less, including the estimated impact of our Danone Biscuit acquisition. Our estimated amortization for each of the next five years is subject to revision when appraisals are finalized for our Danone Biscuit acquisition.

Note 4. Debt and Borrowing Arrangements:

Borrowing arrangements:

At December 31, 2007, we had €3.76 billion (approximately \$5.53 billion) borrowed under the 364-day bridge facility agreement we used to acquire Danone Biscuit ("Danone Biscuit Bridge Facility"). According to the credit agreement, we are required to repay borrowings with the net cash proceeds from debt offerings having a maturity of greater than one year. As such, we repaid €2.83 billion (approximately \$4.47 billion) of the Danone Biscuit Bridge Facility with the proceeds from our March 20, 2008 debt issuance, discussed below. At March 31, 2008, we had €0.93 billion (approximately \$1.47 billion) of outstanding borrowings under this facility, which we intend to repay with proceeds from the issuance of investment grade bonds or other securities.

Long-term debt:

On March 20, 2008, we issued €2.85 billion (approximately \$4.50 billion) of senior unsecured notes, and used the net proceeds (€2.83 billion) to repay a portion of our Danone Biscuit Bridge Facility. The general terms of the €2.85 billion notes are:

- €2.00 billion (approximately \$3.16 billion) total principal notes due March 20, 2012 at a fixed, annual interest rate of 5.750%. Interest is payable annually beginning March 20, 2009.
- €850 million (approximately \$1.34 billion) total principal notes due March 20, 2015 at a fixed, annual interest rate of 6.250%. Interest is payable annually beginning March 20, 2009.

These notes include covenants that restrict our ability to incur debt secured by liens. We are also required to offer to purchase these notes at a price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest to the date of repurchase, if we experience both of the following:

- (i) a “change of control” triggering event, and
- (ii) a downgrade of these 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.

At March 31, 2008 and December 31, 2007, our long-term debt consisted of:

	<u>2008</u>	<u>2007</u>
	(in millions)	
Notes, 4.00% to 7.55% (average effective rate 5.94%), due through 2038	\$ 13,392	\$ 13,392
Euro notes, 5.75% to 6.25% (average effective rate 5.90%), due through 2015	4,500	-
7% Debenture (effective rate 11.32%), \$200 million face amount, due 2011	177	175
Other foreign currency obligations	13	16
Capital leases and other	62	41
Total long-term debt	<u>18,144</u>	<u>13,624</u>
Less current portion of long-term debt	<u>(716)</u>	<u>(722)</u>
Long-term debt	<u>\$ 17,428</u>	<u>\$ 12,902</u>

Aggregate maturities of our long-term debt for the years ended March 31, are (in millions):

2009	\$ 716
2010	760
2011	508
2012	5,365
2013	2,255
Thereafter	8,571

Fair Value:

The aggregate fair value of our total long-term debt, based on market quotes, was \$18,315 million at March 31, 2008. Quoted prices in active markets for identical liabilities were used to determine the fair value of our long-term debt.

Note 5. Accumulated Other Comprehensive Losses:

The components of accumulated other comprehensive losses were:

	<u>Currency Translation Adjustments</u>	<u>Pension and Other Benefits</u>	<u>Derivatives Accounted for as Hedges</u>	<u>Total</u>
	(in millions)			
Balances at December 31, 2007	\$ (51)	\$ (1,811)	\$ 27	\$ (1,835)
Other comprehensive earnings / (losses), net of income taxes:				
Currency translation adjustments	356	(17)	-	339
Amortization of experience losses and prior service costs	-	22	-	22
Pension settlement	-	5	-	5
Change in fair value of derivatives accounted for as hedges	-	-	27	27
Total other comprehensive earnings				<u>393</u>
Balances at March 31, 2008	<u>\$ 305</u>	<u>\$ (1,801)</u>	<u>\$ 54</u>	<u>\$ (1,442)</u>

Note 6. Stock Plans:

Beginning in 2008, we changed our annual and long-term incentive compensation programs to further align them with shareholder returns. Under the annual incentive program, we now grant equity in the form of both restricted stock and stock options. The restricted stock will continue to vest 100% after three years, and the stock options will vest one-third each year over three years. Additionally, we changed our long-term incentive plan from a cash-based program to a share-based program.

In January 2008, we granted 1.4 million shares of stock in connection with our long-term incentive plan. The market value per share was \$32.26 on the date of grant, and the shares vest based on varying performance, market and service vesting conditions. The unvested shares have no voting rights and do not pay dividends.

In February 2008, as part of our annual incentive program, we issued 3.4 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees. Restrictions on these shares and rights lapse in the first quarter of 2011. The market value per restricted share or right was \$29.49 on the date of grant. Also, as part of our annual incentive program, we granted 13.5 million stock options to eligible U.S. and non-U.S. employees at an exercise price of \$29.49. The stock options vest one-third each year, beginning in 2009.

Additionally, we issued 0.1 million off-cycle shares of restricted stock and stock rights during the first quarter of 2008. The weighted-average market value per restricted share or right was \$31.18 on the date of grant. The total number of restricted shares and rights issued in the first quarter of 2008 was 4.9 million, including those issued as part of our long-term incentive plan.

During the first quarter of 2008, 5.7 million shares of restricted stock and stock rights vested at a market value of \$167 million.

The total intrinsic value of the 0.9 million stock options exercised during the first quarter of 2008 was \$14.4 million.

Note 7. Benefit Plans:

We sponsor noncontributory defined benefit pension plans covering most U.S. employees. We provide pension coverage for certain employees of our non-U.S. subsidiaries through separate plans. Local statutory requirements govern many of these plans. In addition, our U.S. and Canadian subsidiaries provide health care and other benefits to most retired employees. Local government plans generally cover health care benefits for retirees outside the U.S. and Canada.

The benefit obligations of our postretirement plans are measured at December 31 of each year. The plan assets and benefit obligations of our U.S. and Canadian pension plans are also measured at December 31 of each year. All other non-U.S. pension plans were previously measured at September 30 of each year. SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, requires us to measure plan assets and benefit obligations as of the balance sheet date beginning with our year end 2008. Accordingly, we will measure our other non-U.S. pension plans as of our operating subsidiaries year-end close date this year, and have elected to use the "15-month" approach to proportionally allocate the transition adjustment required under SFAS 158. We expect the adoption of this statement to have an insignificant impact on our financial statements.

Pension Plans

Components of Net Periodic Pension Cost:

Net periodic pension cost consisted of the following for the three months ended March 31, 2008 and 2007:

	U.S. Plans		Non-U.S. Plans	
	For the Three Months Ended		For the Three Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
	(in millions)			
Service cost	\$ 38	\$ 40	\$ 23	\$ 24
Interest cost	93	91	56	46
Expected return on plan assets	(132)	(130)	(72)	(59)
Amortization:				
Net loss from experience differences	21	36	7	15
Prior service cost	2	2	2	2
Other expense	8	13	-	-
Net periodic pension cost	\$ 30	\$ 52	\$ 16	\$ 28

Retiring employees elected lump-sum payments, resulting in settlement losses of \$8 million in the first quarter of 2008. Additionally, as previously discussed in Note 2, *Asset Impairment, Exit and Implementation Costs*, we announced several workforce reduction initiatives as part of the Restructuring Program. During the first quarter of 2007, employees left Kraft under these initiatives, resulting in settlement losses of \$13 million for the U.S. plans. These costs are included in other expense above.

Employer Contributions:

We make contributions to our U.S. and non-U.S. pension plans, primarily, to the extent that they are tax deductible and do not generate an excise tax liability. During the three months ended March 31, 2008, we contributed \$6 million to our U.S. plans and \$42 million to our non-U.S. plans. Based on current tax law, we plan to make further contributions of approximately \$9 million to our U.S. plans and approximately \$121 million to our non-U.S. plans during the remainder of 2008. However, our actual contributions may be different due to many factors, including changes in tax and other benefit laws, pension asset performance that differs significantly from the expected performance, or significant changes in interest rates.

Postretirement Benefit Plans

Net postretirement health care costs consisted of the following for the three months ended March 31, 2008 and 2007:

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions)	
Service cost	\$ 12	\$ 13
Interest cost	45	46
Amortization:		
Net loss from experience differences	12	17
Prior service credit	(6)	(6)
Net postretirement health care costs	\$ 63	\$ 70

Postemployment Benefit Plans

Net postemployment costs consisted of the following for the three months ended March 31, 2008 and 2007:

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions)	
Service cost	\$ 1	\$ 1
Interest cost	1	1
Amortization of net gains	(1)	(2)
Other expense	59	5
Net postemployment costs	<u>\$ 60</u>	<u>\$ 5</u>

The postemployment benefit plan cost of workforce reduction initiatives announced under the Restructuring Program was \$59 million during the three months ended March 31, 2008, and \$5 million during the three months ended March 31, 2007. These costs are included in other expense above.

Note 8. Earnings Per Share:

Basic and diluted EPS were calculated using the following:

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions, except per share data)	
Net earnings	<u>\$ 608</u>	<u>\$ 702</u>
Weighted average shares for basic EPS	1,518	1,627
Plus incremental shares from assumed conversions of stock options, restricted stock and stock rights	<u>16</u>	<u>9</u>
Weighted average shares for diluted EPS	<u>1,534</u>	<u>1,636</u>
Basic earnings per share	<u>\$ 0.40</u>	<u>\$ 0.43</u>
Diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.43</u>

For the three months ended March 31, 2008, we excluded 11.8 million Kraft stock options from the calculation of weighted average shares for diluted EPS because they were antidilutive. For the three months ended March 31, 2007, we excluded an insignificant number of Kraft stock options from the calculation of weighted average shares for diluted EPS because they were antidilutive.

Note 9. Acquisitions:

On November 30, 2007, we acquired Danone Biscuit for €5.1 billion (approximately \$7.6 billion) in cash subject to customary purchase price adjustments. The acquisition included 32 manufacturing facilities and approximately 14,000 employees. Danone Biscuit contributed net revenues of \$706 million for the three months ended March 31, 2008. We acquired assets consisting primarily of goodwill of \$4,871 million (which will not be deductible for statutory tax purposes), intangible assets of \$2,196 million (substantially all of which are expected to be indefinite lived), receivables of \$758 million, property plant and equipment of \$958 million and inventories of \$204 million. These amounts represent preliminary allocations of the purchase price and are subject to revision when appraisals are finalized, which will occur during 2008.

Note 10. Divestitures:*Post Distribution:*

On April 11, 2008, our wholly owned subsidiary, Cable Holdco, Inc., filed a preliminary registration statement on Form S-1/S-4 with the SEC related to our November 15, 2007 agreement to merge our *Post* cereals business into Ralcorp Holdings, Inc. ("Ralcorp") after a tax-free distribution to our shareholders (the "Post Distribution"). We have signed an agreement with Ralcorp to execute the Post Distribution by means of a "Reverse-Morris Trust" transaction. This transaction is subject to customary closing conditions, including anti-trust approval, IRS tax-free ruling and Ralcorp shareholder approval. To date, we have obtained the IRS tax-free ruling, and both the U.S. and Canadian anti-trust approvals. We anticipate that this transaction will be completed in mid-2008.

The *Post* cereals business had net revenues of approximately \$270 million in the first quarter of 2008 and includes such cereals as *Honey Bunches of Oats*, *Pebbles*, *Shredded Wheat*, *Selects*, *Grape Nuts* and *Honeycomb*. The brands in this transaction are distributed primarily in North America. In addition to the *Post* brands, the transaction includes four manufacturing facilities and certain manufacturing equipment. We anticipate that approximately 1,230 employees will join Ralcorp following the consummation of the transaction.

Our shareholders will receive at least 30.3 million shares of Ralcorp stock after the Post Distribution and the subsequent merger of the *Post* cereals business with Ralcorp. Based on market conditions prior to closing, we will determine whether the shares will be distributed in a spin-off or a split-off transaction. Either type of transaction is expected to be tax-free to our U.S. shareholders. In a spin-off transaction, our shareholders would receive a pro rata number of Ralcorp shares. In a split-off transaction, our shareholders would have the option to exchange their Kraft shares and receive Ralcorp shares at closing, resulting in a reduction in the number of shares of our Common Stock outstanding. In either type of transaction, Kraft will receive approximately \$960 million of cash-equivalent value, which will be used to repay debt.

Other:

In the first quarter of 2008, we made \$11 million in disbursements and recorded pre-tax losses of \$18 million on the divestitures of two small operations in Spain. The aggregate operating results of these divestitures were not material to our financial statements in any of the periods presented.

In April 2008, we signed agreements to divest a small biscuit operation in Spain and a trademark in Hungary. The transactions are subject to customary closing conditions, including regulatory approvals, and we expect them to close in 2008.

Note 11. Financial Instruments:*Commodity hedges:*

Kraft is exposed to price risk related to forecasted purchases of certain commodities that we primarily use as raw materials. Accordingly, we use commodity forward contracts as cash flow hedges, primarily for coffee, milk, sugar, cocoa and wheat. Commodity forward contracts generally qualify for the normal purchase exception under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and are, therefore, not subject to its provisions. We also use commodity futures and options to hedge the price of certain commodities, including dairy, coffee, cocoa, wheat, corn products, soybean oils, meat products, sugar, natural gas and heating oil. We also sell commodity futures to unprice future purchase commitments. Some of these derivative instruments are highly effective and qualify for hedge accounting under SFAS No. 133. We occasionally use related futures to cross-hedge a commodity exposure. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes.

For those derivative instruments that are highly effective and qualify for hedge accounting under SFAS No. 133, we defer the effective portion of the unrealized gains and losses on commodity futures and option contracts as a component of accumulated other comprehensive earnings / (losses). We recognize the deferred portion as a component of cost of sales in our condensed consolidated statement of earnings when the related inventory is sold. We expect to transfer an insignificant amount of unrealized gains / (losses) to earnings during the next 12 months, and recognized an insignificant amount during the first quarter of 2008. Ineffectiveness is recorded as a component of interest and other debt expense in our condensed consolidated statement of earnings, and was insignificant during the first quarter of 2008. For the derivative instruments that we considered economic hedges but did not designate for hedge accounting under SFAS No. 133, we recognized net gains of approximately \$60 million in the first quarter of 2008, directly as a component of cost of sales in our condensed consolidated statement of earnings. As of March 31, 2008, we had hedged forecasted commodity transactions for periods not exceeding the next 16 months.

Foreign currency cash flow hedges:

We use various financial instruments to mitigate our exposure to changes in exchange rates from third-party and intercompany actual and forecasted transactions. These instruments include forward foreign exchange contracts, foreign currency swaps and foreign currency options. Based on the size and location of our business, the primary currencies to which we are exposed include the euro, Swiss franc, British pound and Canadian dollar.

Substantially all of these derivative instruments are highly effective and qualify for hedge accounting under SFAS No. 133. We defer the effective portion of unrealized gains and losses associated with forward, swap and option contracts as a component of accumulated other comprehensive earnings / (losses) until the underlying hedged transactions are reported in our condensed consolidated statement of earnings. We recognize the deferred portion as a component of cost of sales in our condensed consolidated statement of earnings when the related inventory is sold or as foreign currency translation gain or loss for our hedges of intercompany loans when the payments are made. We expect to transfer an insignificant amount of unrealized gains / (losses) to earnings during the next 12 months, and recognized an insignificant amount during the first quarter of 2008. Any ineffectiveness is recorded as a component of interest and other debt expense in our condensed consolidated statement of earnings; however, we recorded no ineffectiveness in our foreign currency cash flow hedges during the first quarter of 2008. For the derivative instruments that we consider economic hedges but do not designate for hedge accounting under SFAS No. 133, we recognize gains and losses directly as a component of cost of sales or foreign currency translation loss in our condensed consolidated statement of earnings, depending on the nature of the underlying transaction. For these derivative instruments, we recognized an insignificant amount in the first quarter of 2008 in our condensed consolidated statement of earnings. As of March 31, 2008, we had hedged forecasted foreign currency transactions for periods not exceeding the next 45 months. Excluding intercompany loans, we had hedged forecasted foreign currency transactions for periods not exceeding the next nine months.

Impact on other comprehensive losses:

Derivatives accounted for as hedges affected accumulated other comprehensive losses, net of income taxes, as follows:

	For the Three Months Ended March 31,	
	2008	2007
	(in millions)	
Accumulated gain / (loss) at beginning of period	\$ 27	\$ (4)
Transfer of realized gains in fair value to earnings	(3)	(1)
Unrealized gain in fair value	30	3
Accumulated gain / (loss) at March 31	<u>\$ 54</u>	<u>\$ (2)</u>

Fair Value:

The fair value of our derivatives at March 31, 2008 was:

Total Fair Value	Fair Value Measurements at Reporting Date Using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in millions)			
Derivatives	\$ (272)	\$ 15	\$ (287)	\$ -

Hedges of net investments in foreign operations:

We have numerous investments in foreign subsidiaries. The net assets of these subsidiaries are exposed to volatility in foreign currency exchange rates. We designated the euro denominated borrowings used to finance the Danone Biscuit acquisition as a net investment hedge of a portion of our overall European operations. The gains and losses in our net investment in these designated European operations are economically offset by losses and gains in our euro denominated borrowings. For the three months ended March 31, 2008, \$301 million of losses, net of taxes, related to the euro denominated borrowings were included in our cumulative translation adjustment.

Note 12. Commitments and Contingencies:

Legal Proceedings:

We are defendants in a variety of legal proceedings. Plaintiffs in a few of those cases seek substantial damages. We cannot predict with certainty the results of these proceedings. However, we believe that the final outcome of these proceedings will not materially affect our financial results.

Third-Party Guarantees:

We have third-party guarantees because of our acquisition, divestiture and construction activities. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At March 31, 2008, the maximum potential payments under our third-party guarantees were \$32 million, of which \$8 million have no specified expiration dates. Substantially all of the remainder expire at various times through 2016. The carrying amounts of these guarantees were \$26 million on our condensed consolidated balance sheet at March 31, 2008.

Note 13. Segment Reporting:

Kraft manufactures and markets packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We manage and report operating results through two commercial units, Kraft North America and Kraft International. We manage Kraft North America's operations by product category, and its reportable segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks & Cereals, and Canada & North America Foodservice. We manage Kraft International's operations by geographic location, and its reportable segments are European Union and Developing Markets.

In February 2008, we announced the implementation of our new operating structure. Our new structure reflects our strategy to *Rewire the Organization for Growth*. Within our new structure, business units now have full P&L accountability and are staffed accordingly. This also ensures that we are putting our resources closer to where decisions are made that affect our consumers and customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business units. As a result of implementing our new operating structure, we began reporting the results of operations under this new structure in the first quarter of 2008 and restated results from prior periods in a consistent manner. The changes were:

- U.S. Cheese was organized as a standalone operating segment in order to create a more self-contained and integrated business unit in support of faster growth.
- Our macaroni & cheese category as well as other dinner products were moved from our U.S. Convenient Meals segment to our U.S. Grocery segment to take advantage of operating synergies.
- Canada and North America Foodservice were structured as a standalone reportable segment. This change allows us to deliver on the unique requirements of the Canadian consumer and customer while maintaining strong North American linkages to innovation, new product development and new capabilities to drive our business. Furthermore, it allows us to manage strategic customer decisions and continue to capture cross-border sales and marketing synergies within our Foodservice operations.

On April 8, 2008, we filed a Form 8-K with the SEC related to our new operating structure. Refer to the Form 8-K for additional information reconciling our prior period reportable business segments to our new reportable business segments.

Management uses segment operating income to evaluate segment performance and allocate resources. Segment operating income excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. We centrally manage interest and other debt expense and the provision for income taxes. Accordingly, we do not present these items by segment because they are excluded from the segment profitability measure that management reviews.

Segment data were:

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions; 2007 restated)	
Net revenues:		
Kraft North America:		
U.S. Beverages	\$ 772	\$ 777
U.S. Cheese	957	880
U.S. Convenient Meals	1,032	960
U.S. Grocery	792	781
U.S. Snacks & Cereals	1,430	1,396
Canada & N.A. Foodservice	1,050	908
Kraft International:		
European Union	2,719	1,750
Developing Markets	1,620	1,134
Net revenues	<u>\$ 10,372</u>	<u>\$ 8,586</u>

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions; 2007 restated)	
Earnings before income taxes		
Operating income:		
Segment operating income:		
Kraft North America:		
U.S. Beverages	\$ 143	\$ 139
U.S. Cheese	117	152
U.S. Convenient Meals	114	109
U.S. Grocery	254	247
U.S. Snacks & Cereals	168	234
Canada & N.A. Foodservice	111	82
Kraft International:		
European Union	170	118
Developing Markets	148	93
General corporate expenses	(53)	(50)
Amortization of intangibles	(7)	(2)
Operating income	<u>1,165</u>	<u>1,122</u>
Interest and other debt expenses, net	(305)	(64)
Earnings before income taxes	<u>\$ 860</u>	<u>\$ 1,058</u>

We incurred asset impairment, exit and implementation costs of \$98 million during the three months ended March 31, 2008. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for a breakout of charges by segment.

As discussed in Note 10, *Divestitures*, during the first quarter of 2008, we divested two small operations in Spain and recorded pre-tax losses of \$18 million. We included these losses in the segment operating income of the European Union segment.

Net revenues by consumer sector, which includes the separation of Canada & N.A. Foodservice and Kraft International into sector components, and Cereals into the Grocery sector, were:

	For the Three Months Ended March 31, 2008		
	Kraft North America	Kraft International (in millions)	Total
Snacks	\$ 1,382	\$ 2,400	\$ 3,782
Beverages	888	1,142	2,030
Cheese	1,340	485	1,825
Grocery	1,027	213	1,240
Convenient Meals	1,396	99	1,495
Total net revenues	<u>\$ 6,033</u>	<u>\$ 4,339</u>	<u>\$ 10,372</u>

	For the Three Months Ended March 31, 2007		
	Kraft North America	Kraft International (in millions, as restated)	Total
Snacks	\$ 1,314	\$ 1,265	\$ 2,579
Beverages	886	970	1,856
Cheese	1,190	374	1,564
Grocery	1,008	186	1,194
Convenient Meals	1,304	89	1,393
Total net revenues	<u>\$ 5,702</u>	<u>\$ 2,884</u>	<u>\$ 8,586</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Description of the Company

We manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products, worldwide in more than 150 countries.

Kraft Spin-Off from Altria:

In the first quarter of 2007, Altria Group, Inc. ("Altria") spun off its entire interest (89.0%) in Kraft on a pro rata basis to Altria stockholders in a tax-free transaction. Effective as of the close of business on March 30, 2007, all Kraft shares owned by Altria were distributed to Altria's stockholders, and our separation from Altria was completed (the "Distribution").

Executive Summary

The following executive summary provides significant highlights of the Discussion and Analysis that follows.

- Net revenues in the first quarter of 2008 increased 20.8% to \$10.4 billion.
- Diluted EPS in the first quarter of 2008 decreased 7.0% to \$0.40.
- We recorded Restructuring Program charges of \$98 million during the three months ended March 31, 2008.
- On November 30, 2007, we acquired the global biscuit business of Groupe Danone S.A. for €5.1 billion (approximately \$7.6 billion) in cash subject to purchase price adjustments. Danone Biscuit contributed net revenues of \$706 million during the three months ended March 31, 2008.

- On April 11, 2008, our wholly owned subsidiary, Cable Holdco, Inc., filed a preliminary registration statement on Form S-1/S-4 with the SEC related to our November 15, 2007 agreement to merge our *Post* cereals business into Ralcorp Holdings, Inc. The transaction is subject to customary closing conditions, including anti-trust approval, IRS tax-free ruling and Ralcorp Holdings, Inc. shareholder approval. To date, we have obtained the IRS tax-free ruling, and both the U.S. and Canadian anti-trust approvals. We expect this transaction to be completed in mid-2008.
- On March 20, 2008, we issued €2.85 billion (approximately \$4.50 billion) of senior unsecured notes. We used the net proceeds (€2.83 billion) from the sale of the offered securities to repay a portion of the bridge facility used to fund our Danone Biscuit acquisition.
- During the first quarter of 2008, we repurchased 21.3 million shares of our Common Stock for \$650 million under our \$5.0 billion share repurchase program. We had \$850 million remaining under our share repurchase program at March 31, 2008.

Discussion and Analysis

Summary of Financial Results

The following table shows the significant changes in our net earnings and diluted EPS between the three months ended March 31, 2008 and 2007 (in millions, except per share data):

	<u>For the Three Months Ended</u>	
	<u>Net Earnings</u>	<u>Diluted EPS</u>
March 31, 2007	\$ 702	\$ 0.43
2008 Losses on divestitures, net	(1)	-
2007 Losses on divestitures, net	8	-
Higher Restructuring Program costs	(13)	(0.01)
European Union segment reorganization	(3)	-
Increases in operations	56	0.03
Higher interest and other debt expense, net	(106)	(0.06)
2007 Interest from tax reserve transfers from Altria Group, Inc.	(50)	(0.03)
Other changes in taxes	15	0.01
Fewer shares outstanding	-	0.03
March 31, 2008	<u>\$ 608</u>	<u>\$ 0.40</u>

See below for a discussion of those events affecting comparability and a discussion of operating results.

Acquisitions and Divestitures

Danone Biscuit:

On November 30, 2007, we acquired the global biscuit business of Groupe Danone S.A. (“Danone Biscuit”) for €5.1 billion (approximately \$7.6 billion) in cash subject to customary purchase price adjustments. The acquisition included 32 manufacturing facilities and approximately 14,000 employees. Danone Biscuit contributed net revenues of \$706 million during the three months ended March 31, 2008. We acquired assets consisting primarily of goodwill of \$4,871 million (which will not be deductible for statutory tax purposes), intangible assets of \$2,196 million (substantially all of which are expected to be indefinite lived), receivables of \$758 million, property plant and equipment of \$958 million and inventories of \$204 million. These amounts represent preliminary allocations of the purchase price and are subject to revision when appraisals are finalized, which will occur during 2008. We used borrowings of €5.1 billion to finance this acquisition. Interest incurred on these borrowings was the primary driver of the \$164 million increase in interest and other debt expense during the first quarter of 2008 (after considering \$77 million in interest income received from Altria in 2007).

Post Distribution:

On April 11, 2008, our wholly owned subsidiary, Cable Holdco, Inc., filed a preliminary registration statement on Form S-1/S-4 with the SEC related to our November 15, 2007 agreement to merge our *Post* cereals business into Ralcorp Holdings, Inc. (“Ralcorp”) after a tax-free distribution to our shareholders (the “Post Distribution”). We have signed an agreement with Ralcorp to execute the Post Distribution by means of a “Reverse-Morris Trust” transaction. This transaction is subject to customary closing conditions, including anti-trust approval, IRS tax-free ruling and Ralcorp shareholder approval. To date, we have obtained the IRS tax-free ruling, and both the U.S. and Canadian anti-trust approvals. We anticipate that this transaction will be completed in mid-2008.

The *Post* cereals business had net revenues of \$270 million in the first quarter of 2008, and includes such cereals as *Honey Bunches of Oats*, *Pebbles*, *Shredded Wheat*, *Selects*, *Grape Nuts* and *Honeycomb*. The brands in this transaction are distributed primarily in North America. In addition to the *Post* brands, the transaction includes four manufacturing facilities and certain manufacturing equipment. We anticipate that approximately 1,230 employees will join Ralcorp following the consummation of the transaction.

Our shareholders will receive at least 30.3 million shares of Ralcorp stock after the Post Distribution and the subsequent merger of the *Post* cereals business with Ralcorp. Based on market conditions prior to closing, we will determine whether the shares will be distributed in a spin-off or a split-off transaction. Either type of transaction is expected to be tax-free to our U.S. shareholders. In a spin-off transaction, our shareholders would receive a pro rata number of Ralcorp shares. In a split-off transaction, our shareholders would have the option to exchange their Kraft shares and receive Ralcorp shares at closing, resulting in a reduction in the number of shares of our Common Stock outstanding. In either type of transaction, Kraft will receive approximately \$960 million of cash-equivalent value, which will be used to repay debt.

Other:

In the first quarter of 2008, we divested two small operations in Spain. We made \$11 million in disbursements and recorded pre-tax losses of \$18 million on these divestitures.

During the first quarter of 2007, we received \$200 million in proceeds and recorded pre-tax gains of \$12 million on the divestiture of our hot cereal assets and trademarks. We recorded an after-tax loss of \$8 million on this divestiture due to the differing book and tax bases.

The aggregate operating results of the acquisitions and divestitures discussed above were not material to our financial statements in any of the periods presented.

In April 2008, we signed agreements to divest a small biscuit operation in Spain and a trademark in Hungary. The transactions are subject to customary closing conditions, including regulatory approvals, and we expect them to close in 2008.

Restructuring Program

In January 2004, we announced a three-year restructuring program (the “Restructuring Program”) and, in January 2006, extended it through 2008. The objectives of this program are to leverage our global scale, realign and lower our cost structure, and optimize capacity. As part of the Restructuring Program, we anticipate:

- incurring approximately \$2.8 billion in pre-tax charges reflecting asset disposals, severance and implementation costs;
- closing up to 35 facilities and eliminating approximately 14,000 positions;
- using cash to pay for approximately \$1.7 billion of the \$2.8 billion in charges; and
- reaching cumulative, annualized savings of \$1.2 billion by the end of 2009.

In February 2008, we announced the implementation of our new operating structure built on three core elements: business units; shared services that leverage the scale of our global portfolio; and a streamlined corporate staff. Within our new structure, business units now have full P&L accountability and are staffed accordingly. This also ensures that we are putting our resources closer to where decisions are made that affect our consumers and customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business units. The intent was to simplify, streamline and increase accountability, with the ultimate goal of generating reliable growth for Kraft. As a result, we will eliminate approximately 700 positions as we streamline our headquarters functions.

We incurred charges under the Restructuring Program of \$98 million, or \$0.04 per diluted share, during the three months ended March 31, 2008, and \$88 million, or \$0.03 per diluted share, during the three months ended March 31, 2007. Since the inception of the Restructuring Program, we have incurred \$2.2 billion in charges, and paid cash for \$1.1 billion related to those charges through March 31, 2008. We did not announce the closure of any plants during the first quarter of 2008; since the program began in 2004, we have announced the closure of 30 facilities. In connection with our severance initiatives, we eliminated approximately 12,000 positions as of March 31, 2008; at that time we had also announced the elimination of an additional 900 positions.

Under the Restructuring Program, we recorded asset impairment and exit costs of \$80 million during the three months ended March 31, 2008, and \$67 million during the three months ended March 31, 2007. We recorded implementation costs of \$18 million during the three months ended March 31, 2008, and \$21 million during the three months ended March 31, 2007. Implementation costs are directly attributable to exit costs; however, they do not qualify for treatment under Statement of Financial Accounting Standards ("SFAS") No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. These costs primarily include the discontinuance of certain product lines, incremental expenses related to the closure of facilities and the reorganization of our European Union segment, discussed below. Management believes the disclosure of implementation charges provides readers of our financial statements greater transparency to the total costs of our Restructuring Program.

In addition, we expect to spend approximately \$550 million in capital to implement the Restructuring Program. We have spent \$421 million in capital since the inception of the Restructuring Program, including \$34 million spent in the first quarter of 2008. Cumulative annualized cost savings resulting from the Restructuring Program were approximately \$783 million through 2007. Incremental cost savings totaled approximately \$65 million in the first quarter of 2008, resulting in cumulative annualized savings under the Restructuring Program of approximately \$848 million to date. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for further details of our Restructuring Program.

European Union Segment Reorganization

We are also in the process of reorganizing our European Union segment to function on a pan-European centralized category management and value chain model. After the reorganization is complete, the European Principal Company ("EPC") will manage the European Union segment categories centrally and make decisions for all aspects of the value chain, except for sales and distribution. The European subsidiaries will execute sales and distribution locally, and the local production companies will act as toll manufacturers on behalf of the EPC. The EPC legal entity has been incorporated as Kraft Foods Europe GmbH in Zurich, Switzerland. As part of this reorganization, we incurred \$6 million of restructuring costs, \$9 million of implementation costs and \$3 million of non-recurring costs during the first quarter of 2008. Restructuring and implementation costs are recorded as part of our overall Restructuring Program. Other costs relating to our European Union segment reorganization are recorded as marketing, administration and research costs. Management believes the disclosure of implementation and other non-recurring charges provides readers of our financial statements greater transparency to the total costs of our European Union segment reorganization.

Provision for Income Taxes

Our effective tax rate was 29.3% in the first quarter of 2008, and 33.6% in the first quarter of 2007. Our effective tax rate includes tax benefits of \$66 million in the first quarter of 2008 primarily resulting from the resolution of state tax audits and outstanding items in our international operations and the tax impact of the divestitures of two small operations in Spain. Our first quarter 2007 effective tax rate includes tax costs of \$12 million, primarily resulting from the impacts of our hot cereal assets and trademarks divestiture and interest income from Altria related to the transfer of our federal tax contingencies, partially offset by repatriation benefits and the resolution of outstanding foreign items.

As a result of the Distribution, Altria transferred our federal tax contingencies of \$375 million to our balance sheet and related interest income of \$77 million, or \$0.03 per diluted share, in the first quarter of 2007. Following the Distribution, we are no longer a member of the Altria consolidated tax return group, and we will file our own federal consolidated income tax return. We continue to assess opportunities to mitigate the loss of tax benefits as a result of filing separately, and currently estimate the annual amount of lost tax benefits to be in the range of \$50 million to \$75 million, as compared to 2007.

Consolidated Results of Operations

The following discussion compares our consolidated results of operations for the three months ended March 31, 2008 and 2007.

Many factors impact the timing of sales to our customers. These factors include, among others, the timing of holidays and other annual or special events, seasonality, significant weather conditions, timing of our own or customer incentive programs and pricing actions, customer inventory programs and general economic conditions.

	For the Three Months Ended March 31,		<u>\$ change</u>	<u>% change</u>
	<u>2008</u>	<u>2007</u>		
	(in millions, except per share data)			
Net revenues	\$ 10,372	\$ 8,586	\$ 1,786	20.8%
Operating income	1,165	1,122	43	3.8%
Net earnings	608	702	(94)	(13.4%)
Diluted earnings per share	0.40	0.43	(0.03)	(7.0%)

Net Revenues - Net revenues increased \$1,786 million (20.8%), due to the impact of our Danone Biscuit acquisition (8.3 pp), favorable foreign currency (5.1 pp), higher net pricing (4.3 pp), favorable mix (3.6 pp) and higher volume (0.1 pp), partially offset by the impact of divestitures (0.6 pp). Foreign currency increased net revenues by \$429 million, due primarily to the continuing strength of the euro, Canadian dollar and Brazilian real against the U.S. dollar. Total volume increased 6.1%, with 6.0 pp due to our Danone Biscuit acquisition net of divestitures. In addition, higher base business shipments in our international segments were offset by declines in the U.S. Beverages, U.S. Grocery and U.S. Cheese segments.

Operating Income - Operating income increased \$43 million (3.8%), due primarily to higher pricing (\$362 million), favorable volume/mix (\$127 million), the impact of our Danone Biscuit acquisition (\$85 million) and lower fixed manufacturing costs (\$26 million). Offsetting these favorable items were higher input costs (\$457 million, primarily higher commodity costs), higher marketing, administration and research costs (\$76 million, including higher marketing support), losses on 2008 divestitures (\$18 million), gain on a 2007 divestiture (\$12 million) and higher Restructuring Program costs (\$10 million). Foreign currency increased operating income by \$33 million, due primarily to the continuing strength of the euro, Canadian dollar and Brazilian real against the U.S. dollar.

Net Earnings - Net earnings of \$608 million decreased by \$94 million (13.4%), due to higher interest expense, partially offset by a favorable effective tax rate and higher operating income.

Earnings per Share - First quarter 2008 diluted earnings per share were \$0.40, down 7.0% from \$0.43 in 2007. During the first quarter of 2008, we incurred \$0.06 per diluted share (\$164 million before taxes) in higher interest and other debt expense. Additionally, in the first quarter of 2007, we received \$0.03 per diluted share (\$77 million before taxes) in interest income from tax reserve transfers from Altria. During the first quarter of 2008, we benefited \$0.03 per diluted share from a decrease in shares outstanding, and recognized income of \$0.03 per diluted share (\$86 million before taxes) due to increases in operations.

Results of Operations by Business Segment

We manage and report operating results through two commercial units, Kraft North America and Kraft International. We manage Kraft North America's operations by product category, and Kraft International's operations by geographic location.

Kraft North America's segments are U.S. Beverages, U.S. Cheese, U.S. Convenient Meals, U.S. Grocery, U.S. Snacks & Cereals, and Canada & North America Foodservice. The two international segments are European Union and Developing Markets.

In February 2008, we announced the implementation of our new operating structure. Our new structure reflects our strategy to *Rewire the Organization for Growth*. Within our new structure, business units now have full P&L accountability and are staffed accordingly. This also ensures that we are putting our resources closer to where decisions are made that affect our consumers and customers. Our corporate and shared service functions are streamlining their organizations and focusing them on core activities that can more efficiently support the goals of the business units. As a result of implementing our new operating structure, we began reporting the results of operations under this new structure in the first quarter of 2008 and restated results from prior periods in a consistent manner. The changes were:

- U.S. Cheese was organized as a standalone operating segment in order to create a more self-contained and integrated business unit in support of faster growth.
- Our macaroni & cheese category as well as other dinner products were moved from our U.S. Convenient Meals segment to our U.S. Grocery segment to take advantage of operating synergies.
- Canada and North America Foodservice were structured as a standalone reportable segment. This change allows us to deliver on the unique requirements of the Canadian consumer and customer while maintaining strong North American linkages to innovation, new product development and new capabilities to drive our business. Furthermore, it allows us to manage strategic customer decisions and continue to capture cross-border sales and marketing synergies within our Foodservice operations.

On April 8, 2008, we filed a Form 8-K with the SEC related to our new operating structure. Refer to the Form 8-K for additional information reconciling our prior period reportable business segments to our new reportable business segments.

The following discussion compares our operating results of each of our reportable segments for the three months ended March 31, 2008 and 2007.

	For the Three Months Ended	
	March 31,	
	<u>2008</u>	<u>2007</u>
	<i>(in millions; 2007 restated)</i>	
Net revenues:		
Kraft North America:		
U.S. Beverages	\$ 772	\$ 777
U.S. Cheese	957	880
U.S. Convenient Meals	1,032	960
U.S. Grocery	792	781
U.S. Snacks & Cereals	1,430	1,396
Canada & N.A. Foodservice	1,050	908
Kraft International:		
European Union	2,719	1,750
Developing Markets	1,620	1,134
Net revenues	<u>\$ 10,372</u>	<u>\$ 8,586</u>

	For the Three Months Ended	
	March 31,	
	2008	2007
	(in millions; 2007 restated)	
Operating income:		
Segment operating income:		
Kraft North America:		
U.S. Beverages	\$ 143	\$ 139
U.S. Cheese	117	152
U.S. Convenient Meals	114	109
U.S. Grocery	254	247
U.S. Snacks & Cereals	168	234
Canada & N.A. Foodservice	111	82
Kraft International:		
European Union	170	118
Developing Markets	148	93
General corporate expenses	(53)	(50)
Amortization of intangibles	(7)	(2)
Operating income	<u>\$ 1,165</u>	<u>\$ 1,122</u>

As discussed in Note 13, *Segment Reporting*, our management uses segment operating income to evaluate segment performance and allocate resources. Segment operating income excludes unallocated general corporate expenses and amortization of intangibles. Management believes it is appropriate to disclose this measure to help investors analyze segment performance and trends. We incurred asset impairment, exit and implementation costs of \$98 million during the first quarter of 2008 and \$88 million during the first quarter of 2007. Refer to Note 2, *Asset Impairment, Exit and Implementation Costs*, for a breakout of charges by segment.

U.S. Beverages

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	March 31,			
	2008	2007		
	(in millions; 2007 restated)			
Net revenues	\$ 772	\$ 777	\$ (5)	(0.6%)
Segment operating income	143	139	4	2.9%

Net revenues decreased \$5 million (0.6%), due to lower volume (12.6 pp) and the impact of divestitures (3.0 pp), partially offset by favorable mix (10.1 pp) and higher net pricing (4.9 pp). Volume declines in the quarter were driven by ready-to-drink beverages, primarily *Capri Sun* and *Kool-Aid*. Favorable mix was driven by gains in *Crystal Light On the Go* and growth in premium and mainstream coffee. Higher net pricing reflects commodity-driven pricing in coffee and lower promotional spending in ready-to-drink beverages.

Segment operating income increased \$4 million (2.9%), due primarily to higher net pricing, favorable mix and lower fixed manufacturing costs, partially offset by lower volume, higher input costs (primarily higher commodity costs) and higher Restructuring Program costs.

U.S. Cheese

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	March 31,			
	2008	2007		
	(in millions; 2007 restated)			
Net revenues	\$ 957	\$ 880	\$ 77	8.8%
Segment operating income	117	152	(35)	(23.0%)

Net revenues increased \$77 million (8.8%), due to higher net pricing (8.9 pp) and favorable mix (1.2 pp), partially offset by lower volume (1.3 pp). Higher net pricing was due to commodity-driven pricing, partially offset by increased promotional spending. Favorable mix was driven by new products, primarily *LiveActive* snacking and cottage cheeses and *Singles Select* processed cheese slices. Lower volume was primarily driven by declines in our cultured and natural cheese categories.

Segment operating income decreased \$35 million (23.0%), due primarily to higher input costs (primarily higher commodity costs), higher marketing, administration and research costs (including higher marketing support) and unfavorable volume/mix, partially offset by higher net pricing.

U.S. Convenient Meals

	For the Three Months Ended March 31,		<u>\$ change</u>	<u>% change</u>
	<u>2008</u>	<u>2007</u>		
	(in millions; 2007 restated)			
Net revenues	\$ 1,032	\$ 960	\$ 72	7.5%
Segment operating income	114	109	5	4.6%

Net revenues increased \$72 million (7.5%), due to favorable mix (2.9 pp), higher volume (2.7 pp) and higher net pricing (1.9 pp). Net revenues increased in meat due to higher shipments of sandwich meats and new product introductions, including *Oscar Mayer Deli Fresh* meats (Shaved Singles and Carved), *Oscar Mayer Deli Creations* sandwiches (Flatbreads) and *Oscar Mayer Lunchables Jr.* Also contributing to meats net revenue growth was higher net pricing, due to commodity-driven pricing in sandwich meats and hot dogs. In pizza, net revenues increased due to the volume growth in our *DiGiorno* and *California Pizza Kitchen* premium brands and higher commodity-driven pricing.

Segment operating income increased \$5 million (4.6%), due primarily to higher net pricing and favorable volume/mix, which was partially offset by higher input costs (primarily higher commodity costs).

U.S. Grocery

	For the Three Months Ended March 31,		<u>\$ change</u>	<u>% change</u>
	<u>2008</u>	<u>2007</u>		
	(in millions; 2007 restated)			
Net revenues	\$ 792	\$ 781	\$ 11	1.4%
Segment operating income	254	247	7	2.8%

Net revenues increased \$11 million (1.4%), due to higher net pricing (4.2 pp) and favorable mix (1.5 pp), partially offset by lower volume (4.3 pp). Net revenues increased due to higher commodity-driven pricing across our key categories, primarily *Kraft* macaroni & cheese dinners and pourable and spoonable salad dressings. Net revenues growth was partially offset by lower shipments in ready-to-eat desserts, pourable and spoonable salad dressings and barbecue sauce.

Segment operating income increased \$7 million (2.8%), due primarily to higher net pricing and lower fixed manufacturing costs, partially offset by unfavorable volume/mix, higher commodity costs and higher marketing, administration and research costs (including higher marketing support costs).

U.S. Snacks & Cereals

	For the Three Months Ended March 31,		<u>\$ change</u>	<u>% change</u>
	<u>2008</u>	<u>2007</u>		
	(in millions; 2007 restated)			
Net revenues	\$ 1,430	\$ 1,396	\$ 34	2.4%
Segment operating income	168	234	(66)	(28.2%)

Net revenues increased \$34 million (2.4%), due to higher net pricing (2.2 pp), higher volume (0.5 pp) and the impact of our Danone Biscuit acquisition (0.4pp), partially offset by the impact of the divestiture of our hot cereal assets and trademarks (0.7 pp). Biscuit net revenues increased, driven by higher net pricing and higher volume. Biscuit volume growth was due to base business gains in *Oreo* Cookies and *Ritz* Crackers, as well as new product introductions including *Oreo Cakesters*, *Candy Bites 100 Calorie Packs*, and *Chips Ahoy!* and *Nutter Butter* Big & Soft Cookies. Ready-to-eat cereal net revenues increased, driven by higher net pricing and volume gains in Kids cereals. Snack bars net revenues were lower primarily due to volume declines in *South Beach Living* bars.

Segment operating income decreased \$66 million (28.2%), due primarily to higher input costs (primarily higher commodity costs), higher marketing, administration and research costs and the 2007 gain on the divestiture of our hot cereal assets and trademarks, partially offset by higher net pricing and favorable volume/mix.

Canada & N.A. Foodservice

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	March 31,			
	<u>2008</u>	<u>2007</u>		
	(in millions; 2007 restated)			
Net revenues	\$ 1,050	\$ 908	\$ 142	15.6%
Segment operating income	111	82	29	35.4%

Net revenues increased \$142 million (15.6%), due primarily to favorable foreign currency (9.9 pp), higher net pricing (4.0 pp) and higher volume (2.5 pp), partially offset by the impact of divestitures (0.7 pp). In Canada, net revenues growth was primarily driven by volume gains across most retail businesses and favorable foreign currency movements. In N.A. Foodservice, net revenues growth was primarily driven by higher commodity-driven pricing and favorable foreign currency movements.

Segment operating income increased \$29 million (35.4%), due primarily to higher net pricing, favorable foreign currency, favorable volume/mix and lower fixed manufacturing costs, partially offset by higher commodity costs and higher Restructuring Program costs.

European Union

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	March 31,			
	<u>2008</u>	<u>2007</u>		
	(in millions)			
Net revenues	\$ 2,719	\$ 1,750	\$ 969	55.4%
Segment operating income	170	118	52	44.1%

Net revenues increased \$969 million (55.4%), due to the impacts of our Danone Biscuit acquisition (33.5 pp), favorable foreign currency (13.3 pp), higher volume (5.8 pp), favorable mix (2.1 pp) and higher net pricing (1.6 pp), partially offset by the impact of divestitures (0.9 pp). Net revenues growth was driven by volume gains and favorable mix in chocolate, coffee and cheese. Higher commodity-driven pricing was partially offset by higher promotional spending (primarily in chocolate).

Segment operating income increased \$52 million (44.1%), due primarily to the impact of our Danone Biscuit acquisition, favorable volume/mix, higher net pricing and favorable foreign currency, partially offset by higher commodity costs and the net loss on the divestitures of two small operations in Spain.

Developing Markets

	For the Three Months Ended		<u>\$ change</u>	<u>% change</u>
	March 31,			
	<u>2008</u>	<u>2007</u>		
	(in millions)			
Net revenues	\$ 1,620	\$ 1,134	\$ 486	42.9%
Segment operating income	148	93	55	59.1%

Net revenues increased \$486 million (42.9%), due primarily to the impacts of our Danone Biscuit acquisition (11.3 pp), favorable foreign currency (9.9 pp), higher net pricing (9.1 pp), higher volume (8.4 pp) and favorable mix (4.2 pp). In Eastern Europe, Middle East & Africa, net revenues increased, driven by volume growth in chocolate, cheese, biscuits and coffee categories, higher net pricing across the region, our Danone Biscuit acquisition and favorable foreign currency. In Latin America, net revenues increased, driven by higher pricing, favorable volume/mix and favorable foreign currency in Brazil; favorable volume/mix and higher pricing in Argentina; and higher pricing and favorable volume/mix in Venezuela. In Asia Pacific, net revenues increased, due primarily to our Danone Biscuit acquisition, higher volume in Southeast Asia, China and Australia and favorable foreign currency.

Segment operating income increased \$55 million (59.1%), due primarily to higher net pricing, favorable volume/mix, the impact of our Danone Biscuit acquisition and favorable foreign currency, partially offset by higher commodity costs and higher marketing, administration and research costs (including higher marketing support).

Commodity Trends

We are a major purchaser of dairy, coffee, cocoa, wheat, corn products, soybean and vegetable oils, nuts, meat products, and sugar and other sweeteners. We also use significant quantities of glass, plastic and cardboard to package our products, and natural gas for our factories and warehouses. We continuously monitor worldwide supply and cost trends of these commodities so we can act quickly to obtain ingredients and packaging needed for production.

During the first quarter of 2008, our aggregate commodity costs rose significantly as a result of higher dairy, coffee, cocoa, wheat, soybean oil and packaging costs. For the first quarter of 2008, our commodity costs were approximately \$460 million higher than in the first quarter of 2007, with dairy costs accounting for approximately \$200 million of the overall increase. We expect the higher cost environment to continue, particularly for dairy, grains, energy and packaging.

Liquidity

We believe that our cash from operations, our existing \$4.5 billion credit facility and our authorized long-term financing will provide sufficient liquidity to meet our working capital needs (including the cash requirements of the Restructuring Program), planned capital expenditures, future contractual obligations, authorized share repurchases and payment of our anticipated quarterly dividends.

Net Cash Provided by Operating Activities:

During the first quarter of 2008, operating activities provided \$217 million net cash, compared with \$161 million in the comparable 2007 period. Operating cash flows increased in the first three months of 2008 in comparison with the same period in 2007 primarily because of \$128 million in lower working capital costs (principally due to the timing of payments for income taxes and accrued liabilities, partially offset by higher commodity costs). The decrease in working capital costs was partially offset by lower earnings.

Net Cash (Used in) / Provided by Investing Activities:

During the first quarter of 2008, net cash used in investing activities was \$294 million, compared with \$26 million provided by investing activities in the first quarter of 2007. The increase in cash used in investing activities primarily relates to lower proceeds from divestitures and higher capital expenditures in 2008. During the first quarter of 2008, we made \$11 million in disbursements on divestitures of two small operations in Spain. During the first quarter of 2007, we divested our hot cereal assets and trademarks, and received \$200 million in proceeds.

Capital expenditures for the first quarter of 2008 were \$271 million, compared with \$180 million in the first quarter of 2007. We expect full-year capital expenditures to be in line with 2007 expenditures of \$1.2 billion, including capital expenditures required for the Restructuring Program and systems investments. We expect to fund these expenditures with cash from operations.

Net Cash Provided by / (Used in) Financing Activities:

During the first quarter of 2008, financing activities provided \$99 million net cash, compared with \$176 million used in financing activities during the first quarter of 2007. The increase in net cash provided by financing activities is due primarily to the \$4.5 billion in proceeds from our long-term debt offering and \$1.1 billion in net commercial paper issuances, partially offset by a \$4.5 billion payment on the bridge facility used to fund our Danone Biscuit acquisition and \$650 million in Common Stock share repurchases.

Borrowing Arrangements:

At December 31, 2007, we had €3.8 billion (approximately \$5.5 billion) borrowed under the 364-day bridge facility agreement we used to acquire Danone Biscuit ("Danone Biscuit Bridge Facility"). According to the credit agreement, we are required to repay borrowings with the net cash proceeds from debt offerings having a maturity of greater than one year. As such, we repaid €2.8 billion (approximately \$4.5 billion) of the Danone Biscuit Bridge Facility with the proceeds from our March 20, 2008 debt issuance. At March 31, 2008, we had €0.9 billion (approximately \$1.5 billion) of outstanding borrowings under this facility, which we intend to repay with proceeds from the issuance of investment grade bonds or other securities.

We maintain a revolving credit facility that we have historically used for general corporate purposes and to support our commercial paper issuances. The \$4.5 billion, multi-year revolving credit facility expires in April 2010. No amounts were drawn on this facility at March 31, 2008.

We must maintain a net worth of at least \$20.0 billion under the terms of our revolving credit facility. At March 31, 2008, our net worth was \$27.3 billion. We expect to continue to meet this covenant. The revolving credit facility has no other financial covenants, credit rating triggers or provisions that could require us to post collateral as security.

In addition to the above, some of our international subsidiaries maintain primarily uncommitted credit lines to meet short-term working capital needs. Collectively, these credit lines amounted to \$1.6 billion at March 31, 2008. Borrowings on these lines amounted to \$313 million at March 31, 2008, and \$250 million at December 31, 2007.

Debt:

Our total debt was \$22.7 billion at March 31, 2008, and \$21.0 billion at December 31, 2007. Our debt-to-capitalization ratio was 0.45 at March 31, 2008, and 0.43 at December 31, 2007.

On March 20, 2008, we issued €2.85 billion (approximately \$4.50 billion) of senior unsecured notes. We used the net proceeds (€2.83 billion) from the sale of the offered securities to repay a portion of our Danone Biscuit Bridge Facility. Refer to Note 4, *Debt and Borrowing Arrangements*, for further details of the €2.85 billion debt offering.

We refinance long-term and short-term debt from time to time. The nature and amount of our long-term and short-term debt and the proportionate amount of each varies as a result of future business requirements, market conditions and other factors. At March 31, 2008, we had approximately \$5.5 billion remaining in long-term financing authority from our Board of Directors, of which €0.9 billion (approximately \$1.5 billion) was earmarked for the refinancing of our Danone Biscuit Bridge Facility.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the guarantees and contractual obligations that are discussed below and in our Form 10-K/A for the year ended December 31, 2007.

Guarantees:

As discussed in Note 12, *Commitments and Contingencies*, we have third-party guarantees because of our acquisition, divestiture and construction activities. As part of those transactions, we guarantee that third parties will make contractual payments or achieve performance measures. At March 31, 2008, the maximum potential payments under our third-party guarantees were \$32 million, of which \$8 million have no specified expiration dates. Substantially all of the remainder expire at various times through 2016. The carrying amounts of these guarantees were \$26 million on our condensed consolidated balance sheet at March 31, 2008.

In addition, at March 31, 2008, we were contingently liable for \$193 million of guarantees related to our own performance. These include letters of credit related to dairy commodity purchases and guarantees related to the payment of custom duties and taxes, and other letters of credit.

Guarantees do not have, and we do not expect them to have, a significant impact on our liquidity.

Aggregate Contractual Obligations:

Our Form 10-K/A for the year ended December 31, 2007 contains a table that summarizes our known obligations to make future payments. Other than the items discussed below, there have been no significant changes to our future payment obligations since December 31, 2007.

The following table summarizes our contractual obligations with respect to long-term debt, including capital leases, and interest expense at March 31, 2008:

	Payments Due for the Year Ended March 31,				2014 and Thereafter
	Total	2009	2010-11 (in millions)	2012-13	
Long-term debt ⁽¹⁾	\$ 18,114	\$ 708	\$ 1,253	\$ 7,609	\$ 8,544
Interest expense ⁽²⁾	9,900	1,075	2,051	1,602	5,172
Capital leases	61	8	15	11	27

- (1) Amounts represent the expected cash payments of our long-term debt and do not include unamortized bond premiums or discounts.
- (2) Amounts represent the expected cash payments of our interest expense on our long-term debt. Interest calculated on our variable rate debt was forecasted using a LIBOR forward curve analysis as of March 31, 2008. Interest calculated on our euro notes was forecasted using the euro to U.S. dollar exchange rate as of March 31, 2008. An insignificant amount of interest expense was excluded from the table for a portion of our foreign debt due to the complexities involved in forecasting expected interest payments.

Equity and Dividends

Stock Repurchases:

Our Board of Directors authorized the following Common Stock repurchase program. We are not obligated to repurchase any of our Common Stock and may suspend any program at our discretion. We made these repurchases of our Common Stock in open market transactions.

Share Repurchase Program authorized by the Board of Directors	\$5.0 billion
Authorized period for repurchase	April 2007 – March 2009
Aggregate cost of shares repurchased in first quarter 2008 (millions of shares)	\$650 million (21.3 shares)
Aggregate cost of shares repurchased life-to-date under program (millions of shares)	\$4.1 billion (127.0 shares)

As of March 31, 2008, we had \$850 million remaining under our \$5.0 billion share repurchase program and we expect to complete the program before the authorization expires in March 2009.

Stock Based Compensation:

Beginning in 2008, we changed our annual and long-term incentive compensation programs to further align them with shareholder returns. Under the annual incentive program, we now grant equity in the form of both restricted stock and stock options. The restricted stock will continue to vest 100% after three years, and the stock options will vest one-third each year over three years. Additionally, we changed our long-term incentive plan from a cash-based program to a share-based program.

In January 2008, we granted 1.4 million shares of stock in connection with our long-term incentive plan. The market value per share was \$32.26 on the date of grant, and the shares vest based on varying performance, market and service vesting conditions. The unvested shares have no voting rights and do not pay dividends.

In February 2008, as part of our annual incentive program, we issued 3.4 million shares of restricted stock and stock rights to eligible U.S. and non-U.S. employees. Restrictions on these shares and rights lapse in the first quarter of 2011. The market value per restricted share or right was \$29.49 on the date of grant. Also, as part of our annual incentive program, we granted 13.5 million stock options to eligible U.S. and non-U.S. employees at an exercise price of \$29.49. The stock options vest one-third each year, beginning in 2009.

Additionally, we issued 0.1 million off-cycle shares of restricted stock and stock rights during the first quarter of 2008. The weighted-average market value per restricted share or right was \$31.18 on the date of grant. The total number of restricted shares and rights issued in the first quarter of 2008 was 4.9 million, including those issued as part of our long-term incentive plan.

Dividends:

We paid dividends of \$415 million in the first quarter of 2008 and \$409 million in the first quarter of 2007. The 1% increase reflects a higher dividend rate in 2008, partially offset by a lower number of shares outstanding because of share repurchases. As a result, our present annualized dividend rate is \$1.08 per common share. The declaration of dividends is subject to the discretion of our Board of Directors and depends on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors that our Board of Directors deems relevant to its analysis and decision-making.

2008 Outlook

During our quarterly earnings call, we reaffirmed that we expect diluted EPS of at least \$1.56 for 2008. Our guidance reflects \$0.34 per diluted share in costs related to the Restructuring Program, up from \$0.19 in 2007. Our guidance reflects the inclusion of the Danone Biscuit business for 2008, but does not include the impact of our agreement to merge our *Post* cereals business with Ralcorp Holdings, Inc.

The factors described in the "Risk Factors" section of our Form 10-K/A for the year ended December 31, 2007, represent continuing risks to these forecasts.

Significant Accounting Estimates

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies are described in Note 1 to our consolidated financial statements in our 2007 Form 10-K/A. Our significant accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2007 Form 10-K/A. The impact of new accounting standards is discussed in the following section. There were no other changes in our accounting policies in the current period that had a material impact on our financial statements.

New Accounting Standards

See Notes 1 and 7 to the condensed consolidated financial statements for a discussion of new accounting standards.

Contingencies

See Note 12, *Commitments & Contingencies*, and Part II – Other Information, Item 1. Legal Proceedings for a discussion of contingencies.

Forward-Looking Statements

This report contains forward-looking statements regarding our intent to merge our *Post* cereals business with Ralcorp, the closing date and that closing is subject to customary closing conditions, the number of employees we anticipate will join Ralcorp, the amount of Ralcorp stock our shareholders will own, that the transaction is expected to be tax-free to our U.S. shareholders, the effects depending on whether we determine to do a spin-off or a split-off and the amount of cash we will receive; with regard to our acquisition of Danone Biscuit, the timing of finalizing appraisals; with regard to our Restructuring Program, our pre-tax charges, the number of facilities we intend to close and the number of positions we will eliminate, the use of cash to pay approximately \$1.7 billion of the charges, the amount of cumulative, annualized savings and the amount we expect to spend in capital to implement the program; with regard to implementing our new operating structure, the intent to simplify, streamline and increase accountability to generate reliable growth for Kraft; the number of positions we will eliminate in connection with severance initiatives; our ability to reorganize our European Union segment to function on a pan-European centralized category management and value chain model; expected annual lost tax benefits due to filing separately from Altria; our expectation that the higher cost environment will continue, particularly

for dairy, grains, energy and packaging; our expectation for, and how we intend to fund, 2008 capital expenditures; our intent to repay borrowings under the Danone Biscuit Bridge Facility from the proceeds of the issuance of investment grade bonds or other securities; our expectation to continue to meet financial covenants under our revolving credit facility; the effect of guarantees on our liquidity; our belief regarding our liquidity; our expectation to complete the current authorization under our share repurchase program before the authorization expires in March 2009; our 2008 Outlook, specifically diluted EPS, costs, savings and spending related to our Restructuring Program; our 2008 effective tax rate; our expectation that the provisions of SFAS Nos. 141(R) and 157 will not have a material impact; and our belief that the final outcome of our legal proceedings will not materially affect our financial results.

These forward-looking statements involve risks and uncertainties, and the cautionary statements set forth below and those contained in the "Risk Factors" found in our Form 10-K/A for the year ended December 31, 2007, identify important factors that could cause actual results to differ materially from those predicted in any such forward-looking statements. Such factors, include, but are not limited to, continued higher input costs, pricing actions, increased competition, our ability to differentiate our products from private label products, increased costs of sales, our ability to realize the expected cost savings and spending from our planned Restructuring Program, difficulty in obtaining materials from our suppliers, the ability to supply our products and meet demand for our products, our indebtedness and our ability to pay our indebtedness, unexpected safety or manufacturing issues, FDA or other regulatory actions or delays, unanticipated expenses such as litigation or legal settlement expenses, our inability to successfully integrate the Danone Biscuit business, our failure to consummate the *Post* merger, a shift in our product mix to lower margin offerings, risks from operating internationally, our ability to protect our intellectual and other proprietary rights, our ability to retain key employees and tax law changes. We disclaim and do not undertake any obligation to update or revise any forward-looking statement in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As Kraft operates globally, we use certain financial instruments to manage our foreign currency exchange rate and commodity price risks. We monitor and manage these exposures as part of our overall risk-management program. Our risk management program focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on our operating results. We maintain foreign currency and commodity price risk management policies that principally use derivative instruments to reduce significant, unanticipated earnings fluctuations that may arise from volatility in foreign currency exchange rates and commodity prices. We also sell commodity futures to unprice future purchase commitments. We occasionally use related futures to cross-hedge a commodity exposure. We are not a party to leveraged derivatives and, by policy, do not use financial instruments for speculative purposes. Refer to Note 11, *Financial Instruments*, for further details of our foreign currency and commodity price risk management policies and the types of derivative instruments we use to hedge those exposures.

There were no significant changes in our commodity or foreign currency exposures since December 31, 2007. Additionally, there were no changes in the types of derivative instruments we use to hedge those exposures.

Item 4. Controls and Procedures.

a) Evaluation of Disclosure Controls and Procedures

Management, together with our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. We acquired the global biscuit business of Groupe Danone S.A. ("Danone Biscuit") on November 30, 2007, and it represented approximately 13.9% of our total assets as of March 31, 2008. As the acquisition occurred during the last 12 months, the scope of our assessment of the effectiveness of internal control over financial reporting does not include Danone Biscuit. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from our scope in the year of acquisition. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective.

b) Changes in Internal Control Over Financial Reporting

Management, together with our Chief Executive Officer and Chief Financial Officer, evaluated the changes in our internal control over financial reporting during the quarter ended March 31, 2008. We determined that there were no changes in our internal control over financial reporting during the quarter ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are defendants in a variety of legal proceedings. Plaintiffs in a few of those cases seek substantial damages. We cannot predict with certainty the results of these proceedings. However, we believe that the final outcome of these proceedings will not materially affect our financial results.

The patent infringement lawsuit filed on August 27, 2007 by The Procter & Gamble Company (“P&G”) in the U.S. District Court for the Northern District of California (“ND California Court”) against our wholly owned subsidiary, Kraft Foods Global, Inc. (“KFGI”), alleging infringement of P&G’s U.S. Patent Number 7,169,418 (“the P&G 418 Patent”) remains stayed in that court. Subsequent to the granting of the stay, our wholly owned subsidiary, Kraft Foods Holdings, Inc. (“KFHI”), filed a lawsuit against P&G in the U.S. District Court for the Western District of Wisconsin (“WD Wisconsin Court”) alleging infringement of KFHI’s U.S. Patent Number 7,074,443, titled “Vented Can Overcap.” That matter is pending and is expected to go to trial in September 2008. On October 31, 2007, P&G filed a counter claim in the WD Wisconsin Court against KFGI and KFHI alleging infringement of its U.S. Patent Number 7,169,419, entitled “Packaging System to Provide Fresh Packed Coffee” (“P&G 419 Patent”). The WD Wisconsin Court, noting similarities between the P&G 419 Patent and the P&G 418 Patent, granted KFHI’s motion to transfer the P&G 419 Patent counterclaim to the ND California Court on January 25, 2008. On March 5, 2008, KFHI filed a motion to stay the lawsuit alleging infringement of the P&G 419 Patent for essentially the same reasons that the P&G 418 Patent suit was stayed. That motion is now pending in the ND California Court.

Item 1A. Risk Factors.

There were no material changes to the risk factors disclosed in our Form 10-K/A for the year ended December 31, 2007, in response to Item 1A, Risk Factors, to Part I of our report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Our share repurchase program activity for each of the three months ended March 31, 2008 was:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)(b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
January 1-31, 2008	680,000	\$ 29.32	106,336,803	\$ 1,480,061,343
February 1-29, 2008	9,790,000	\$ 30.05	116,126,803	\$ 1,185,897,851
March 1-31, 2008	<u>10,842,255</u>	\$ 30.98	126,969,058	\$ 850,000,012
Pursuant to Publicly Announced Plans or Programs	21,312,255			
January 1-31, 2008 (c)	265	\$ 32.81		
February 1-29, 2008 (c)	1,356,860	\$ 29.49		
March 1-31, 2008 (c)	<u>45,719</u>	\$ 30.69		
For the Quarter Ended March 1-31, 2008	<u><u>22,715,099</u></u>	\$ 30.44		

- (a) Our two-year, \$5.0 billion share repurchase program began on March 30, 2007. We are not obligated to acquire any amount of our Common Stock and may suspend the program at our discretion.
- (b) Aggregate number of shares repurchased under the share repurchase program as of the end of the period presented.
- (c) Shares tendered to us by employees who vested in restricted stock and rights, and used shares to pay the related taxes. As such, these are non-cash transactions.

Item 6. Exhibits.

- 1.1 Subscription Agreement, among Kraft Foods Inc., Credit Suisse Securities (Europe) Limited, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Société Générale, UBS Limited, ABN AMRO Bank N.V., Banca IMI S.p.A., BBVA Securities, Inc., BNP Paribas and Lehman Brothers International (Europe), dated March 18, 2008.
- 1.2 Agency Agreement, among Kraft Foods Inc., Deutsche Bank Luxembourg S.A., as registrar, and the transfer agent and paying agents named therein, dated as of March 20, 2008.
- 4.1 Form of Global Note Certificate for €2,000,000,000 5.75% Notes due 2012.
- 4.2 Form of Global Note Certificate for €850,000,000 6.25% Notes due 2015.
- 10.1 Kraft Foods Inc. 2005 Performance Incentive Plan, as revised April 1, 2008.*
- 10.2 Kraft Foods Inc. Change in Control Plan for Key Executives, as revised April 1, 2008.*
- 12 Statement regarding computation of ratios of earnings to fixed charges.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 32.1 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Exhibits 10.1 and 10.2 are re-filed with this Form 10-Q as revised to correct inadvertent administrative errors.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KRAFT FOODS INC.

/s/ TIMOTHY R. MCLEVISH

Timothy R. McLevish
Executive Vice President and
Chief Financial Officer

May 2, 2008

Dated 18 March 2008

KRAFT FOODS INC.
and
CREDIT SUISSE SECURITIES (EUROPE) LIMITED
and
GOLDMAN SACHS INTERNATIONAL
and
HSBC BANK PLC
and
J.P. MORGAN SECURITIES LTD.
and
SOCIÉTÉ GÉNÉRALE
and
UBS LIMITED
and
ABN AMRO BANK N.V.
and
BANCA IMI S.P.A.
and
BBVA SECURITIES, INC.
and
BNP PARIBAS
and
LEHMAN BROTHERS INTERNATIONAL (EUROPE)

SUBSCRIPTION AGREEMENT

relating to
€2,000,000,000 5.75 per cent. Notes due 2012
€850,000,000 6.25 per cent. Notes due 2015

Linklaters

Ref: DMZL/ANN

Linklaters LLP

This Agreement is made on 18 March 2008 between:

- (1) KRAFT FOODS INC. (the “Issuer”);
- (2) CREDIT SUISSE SECURITIES (EUROPE) LIMITED, GOLDMAN SACHS INTERNATIONAL, HSBC BANK PLC, J.P. MORGAN SECURITIES LTD. (“JPMorgan”), SOCIÉTÉ GÉNÉRALE and UBS LIMITED (together, the “Joint Lead Managers”); and
- (3) ABN AMRO BANK N.V., BANCA IMI S.P.A., BBVA SECURITIES, INC., BNP PARIBAS and LEHMAN BROTHERS INTERNATIONAL (EUROPE) (together with the Joint Lead Managers, the “Managers”).

Whereas the Issuer proposes to issue (i) €2,000,000,000 5.75 per cent. Notes due 2012 (the “2012 Fixed Rate Notes”) and (ii) €850,000,000 6.25 per cent. Notes due 2015 (the “2015 Fixed Rate Notes”)(together, the “Notes”, which expression, where the context so admits, shall include the global notes in registered form (the “Global Note Certificates”), to be delivered in respect thereof).

It is agreed as follows:

1 Issue of the Notes

- 1.1 **Agreement to Issue:** Subject to the terms and conditions hereof the Issuer agrees to issue the Notes on 20 March 2008 or such later date, not being later than 3 April 2008 as the Issuer and the Joint Lead Managers, on behalf of the Managers, may agree (the “Closing Date”), to the Managers or as they may direct. The Notes will be issued at a price equal to (i) 99.732 per cent. of the principal amount of the 2012 Fixed Rate Notes and (ii) 99.553 per cent. of the principal amount of the 2015 Fixed Rate Notes (each, the “Issue Price”).
- 1.2 **The Notes:** The Issuer will, not later than the Closing Date, enter into a fiscal agency agreement (the “Fiscal Agency Agreement”) with Deutsche Bank AG, London Branch as fiscal agent and the other agents referred to therein substantially in the form of the draft dated 18 March 2008, with such changes thereto as may be approved by the Joint Lead Managers. The Notes will be issued in accordance with the terms of the Fiscal Agency Agreement and will be in the form set out therein. This Agreement and the Fiscal Agency Agreement are together referred to herein as the “Agreements”.
- 1.3 **Prospectus:** The Issuer confirms that it has prepared a prospectus dated 18 March 2008 (the “Prospectus”) for use in connection with the offering of the Notes and hereby authorises the Managers to distribute copies thereof in connection with the offering and sale of the Notes, copies of it in preliminary form dated 29 February 2008 (the “Preliminary Prospectus”) having already been distributed with the consent of the Issuer.
- 1.4 **Offer:** The Issuer confirms that it has authorised the Joint Lead Managers to offer the Notes on its behalf to the Managers for subscription at the relevant Issue Price less the combined management and underwriting commission referred to in Clause 9, subject to signature of this Agreement.

2 Stabilisation

- 2.1 **Authority:** JPMorgan (the “Stabilising Manager”) for its own account may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in doing so JPMorgan shall act as principal and not as agent of the Issuer and in

no circumstances shall the Issuer be obliged to issue more than (i) €2,000,000,000 in principal amount of the 2012 Fixed Rate Notes and (ii) €850,000,000 in principal amount of the 2015 Fixed Rate Notes. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Such stabilisation shall be conducted in accordance with all applicable laws and rules.

2.2 **Stabilisation Losses:** As between the Issuer and the Stabilising Manager, any loss resulting from over-allotment and stabilisation shall be borne, and any profit arising therefrom shall be retained, by the Stabilising Manager.

3 Agreements by the Managers

3.1 **Subscription:** The Managers jointly and severally agree to subscribe and pay for the Notes on the Closing Date at the Issue Price less the combined management and underwriting commission referred to in Clause 9, all on the terms set forth herein.

3.2 **Selling Restrictions:** Each Manager severally (and not jointly) represents and agrees that it has complied and will comply with the selling restrictions set out in the Schedule hereto.

3.3 **Agreement Among Managers:** The Managers agree as between themselves that they will be bound by and will comply with the International Primary Market Association Standard Form Agreement Among Managers version 1 New York law (the “**Agreement Among Managers**”) and further agree that references in the Agreement Among Managers to the “**Lead Manager**” shall mean the Joint Lead Managers, references to the “**Settlement Lead Manager**” shall mean JPMorgan and references to the “**Stabilising Manager**” shall mean JPMorgan.

4 Listing

4.1 **Listing and Trading:** References in this Agreement to Notes being or to be “listed on the Irish Stock Exchange” or the “Listing” shall be to Notes being or to be admitted to the official list of The Irish Stock Exchange Limited (the “**Irish Stock Exchange**”) and admitted to trading on the European Economic Area Regulated Market of the Irish Stock Exchange.

4.2 **Application for Listing:** The Issuer confirms that it has made or caused to be made an application for the Notes to be listed on the official list of the Irish Stock Exchange.

4.3 **Supply of Information:** The Issuer agrees to deliver to the Irish Financial Services Regulatory Authority (the “**Financial Regulator**”) and the Irish Stock Exchange copies of the Listing Prospectus and such other documents, information and undertakings as may be required for the purpose of obtaining the Listing.

4.4 **Maintenance and Listing:** The Issuer agrees to use its best endeavours to maintain the Listing for as long as any of the Notes are outstanding. If, however, the Listing becomes unduly onerous, the Issuer will obtain, and will thereafter use its best endeavours to obtain, and thereafter to maintain a quotation for, or listing of, the Notes on such other stock exchange as is commonly used for the quotation or listing of debt securities as it may decide in consultation with the Joint Lead Managers.

4.5 **Approval of Prospectus:** The Issuer confirms that the Prospectus has been approved by the Financial Regulator as a prospectus for the purposes of the EU Prospectus Directive

(2003/71/EC) and Commission Regulation (EC) No.809/2004 (the “**Prospectus Directive**”). All references in this Agreement to a Directive include any relevant implementing measure of each Member State of the European Economic Area which has implemented such Directive.

5 **Representations and Warranties**

The Issuer represents and warrants to and with the Managers and each of them that:

- 5.1 **Incorporation:** it is duly incorporated and validly existing and in good standing under the laws of the Commonwealth of Virginia with power and authority to own and lease its properties and conduct its business as described in the Preliminary Prospectus and the Prospectus, and is duly qualified to do business as a foreign corporation in good standing in those jurisdictions in which its ownership or lease of property or conduct of business requires such qualification;
- 5.2 **Significant Subsidiary:** each subsidiary of the Issuer that is a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) (the “**Significant Subsidiaries**”) has been duly incorporated or organised, as the case may be, and is validly existing as a corporation or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its incorporation or organisation, with power and authority to own and lease its properties and conduct its business as described in the Preliminary Prospectus and the Prospectus; and each Significant Subsidiary is duly qualified to do business as a foreign corporation or limited liability company, as the case may be, in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification; except where the failure to be so qualified or be in good standing would not reasonably be expected to individually or in the aggregate have a material adverse effect on the condition (financial or other), business, properties or results of operations of the Issuer and its subsidiaries taken as a whole (“**Material Adverse Effect**”); and all of the issued and outstanding capital stock or other equity interests of each Significant Subsidiary has been duly authorised for issuance and validly issued and is fully paid and non-assessable; and the capital stock or limited liability company interests of each Significant Subsidiary owned by the Issuer, directly or through subsidiaries, is owned free from claims, liens, encumbrances and defects;
- 5.3 **Validity of Agreements:** this Agreement has been duly authorised, executed and delivered by the Issuer and constitutes, and the Fiscal Agency Agreement has been duly authorised by the Issuer and on the Closing Date will constitute, valid, legal, binding and enforceable obligations of the Issuer except to the extent enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium or other similar laws of general applicability relating to or affecting the enforcement of creditors’ rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law);
- 5.4 **Validity of Notes:** the Notes have been duly authorised by the Issuer and, when duly executed, authenticated, issued and delivered in accordance with the Fiscal Agency Agreement, will constitute valid, legal, binding and enforceable obligations of the Issuer except to the extent enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium or other similar laws of general applicability relating to or affecting the enforcement of creditors’ rights and by the effect of general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law);

- 5.5 **Consents:** no consent, approval, authorisation, or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by the Agreements in connection with the issuance and sale of the Notes by the Issuer, except (i) such as have been obtained or made, as the case may be, (ii) such as may be required under applicable state securities laws and (iii) such as may be required under applicable foreign securities laws;
- 5.6 **Compliance:** the execution and delivery of the Agreements, the issue of the Notes, the carrying out of the other transactions contemplated by the Agreements and compliance with their terms do not and will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Issuer or any subsidiary of the Issuer pursuant to (i) any law, any statute, any rule, regulation or order of any governmental agency or body or any court having jurisdiction over the Issuer or any subsidiary of the Issuer or any of their properties, (ii) any agreement or instrument to which the Issuer or any such subsidiary is a party or by which the Issuer or any such subsidiary is bound or to which any of the properties of the Issuer or any such subsidiary is subject, or (iii) the charter or by-laws of the Issuer or any such Significant Subsidiary, which breach, violation, default, lien, charge or encumbrance, in the case of (i) and (ii) only, would have a Material Adverse Effect or have a material adverse effect on the transactions contemplated by this Agreement, and the Issuer has full power and authority to authorise, issue and sell the Notes as contemplated by this Agreement;
- 5.7 **Prospectus:** (i) the Preliminary Prospectus at the date thereof contained and the Prospectus contains all information with respect to the Issuer and the Issuer and its subsidiaries and affiliates taken as a whole (the “**Group**”) and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attaching to the Notes), (ii) the statements contained in the Preliminary Prospectus as at the date thereof, the Prospectus are in every material particular true and accurate and not misleading, (iii) the opinions, predictions and intentions expressed in the Preliminary Prospectus as at the date thereof and the Prospectus with regard to the Issuer and the Group are honestly held or made, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer and the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Preliminary Prospectus or the Prospectus misleading, (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements, (vi) the Preliminary Prospectus as at the date thereof did not and the Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and (vii) the Prospectus has been made available to the public as required by the Prospectus Directive;
- 5.8 **Financial Statements:** the consolidated financial statements of the Issuer and its consolidated subsidiaries taken as a whole (the “**Consolidated Group**”) for the two years ended 31 December 2007, present fairly, in all material respects, the combined or consolidated financial position of the Issuer and its subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown and all such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis during the periods involved (except for changes required by changes in such accounting principles);

- 5.9 No Material Adverse Change:** save as disclosed in the Prospectus, since 31 December 2007 there has been no change (nor any development or event involving a prospective change of which the Issuer is aware) which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of the Issuer or of the Consolidated Group, respectively and there has been no extraordinary dividend or extraordinary distribution of any kind declared, paid or made by the Issuer on any class of its capital stock;
- 5.10 Title to Properties:** except as would not individually or in the aggregate have a Material Adverse Effect, the Issuer and its Significant Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects and the Issuer and its Significant Subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions; and each of the Issuer and the Significant Subsidiaries own or lease all such properties as are necessary to the conduct of their operations as presently conducted;
- 5.11 Certificates, Authorities and Permits:** the Issuer and its Significant Subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to the Issuer or any of its Significant Subsidiaries, would reasonably be expected to individually or in the aggregate have a Material Adverse Effect;
- 5.12 Labour Disputes:** no labour dispute with the employees of the Issuer or any subsidiary exists or, to the knowledge of the Issuer, is imminent that the Issuer reasonably expects to have a Material Adverse Effect;
- 5.13 Intellectual Property Rights:** except as would not reasonably be expected to individually or in the aggregate have a Material Adverse Effect, the Issuer and its subsidiaries own, possess (through licence or otherwise) or can acquire on reasonable terms, trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, “**Intellectual Property Rights**”) necessary to conduct the business now operated by them, or presently employed by them, and neither the Issuer nor any subsidiary has received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights;
- 5.14 Environmental Laws:** neither the Issuer nor any of its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, “**Environmental Laws**”), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would individually or in the aggregate have a Material Adverse Effect; and the Issuer is not aware of any pending investigation which might lead to such a claim;
- 5.15 Litigation:** save as disclosed in the Prospectus, there are no pending actions, suits or proceedings against or affecting the Issuer or any of its subsidiaries or any of their respective properties which, if determined adversely to the Issuer or any such subsidiary, could
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individually or in the aggregate have a Material Adverse Effect or would materially and adversely affect the ability of the Issuer to perform its obligations under the Agreements or the Notes or which are otherwise material in the context of the issue or offering of the Notes and, to the Issuer's knowledge, no such actions, suits or proceedings are threatened or contemplated;

- 5.16 Investment Company:** the Issuer is not and, after giving effect to the offering and sale of the Notes and the application of the proceeds as described in the Preliminary Prospectus and the Prospectus, will not be an "investment company" as defined in the U.S. Investment Company Act of 1940, as amended (the "1940 Act");
- 5.17 Internal Controls:** the Issuer maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")) that complies with the requirements of the Exchange Act and has been designed by the Issuer's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Issuer has carried out evaluations of the effectiveness of its internal control over financial reporting as required by Rule 13a-15 under the Exchange Act and as of 31 December 2007 such internal control over financial reporting is effective, and the Issuer is not aware of any material weaknesses in its internal control over financial reporting. Since 31 December 2007, there has been no change in the Issuer's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting;
- 5.18 Disclosure Controls and Procedures:** the Issuer maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Issuer and its subsidiaries is made known to the Issuer's principal executive officer and principal financial officer by others within those entities; such disclosure controls and procedures were effective for the period ended 31 December 2007 as included within the Preliminary Prospectus and the Prospectus; and since such date, there has been no change to the Issuer's disclosure controls and procedures that has materially affected, or is reasonably likely to materially affect, the Issuer's disclosure controls and procedures;
- 5.19 Sarbanes-Oxley Act:** there is and has been no failure on the part of the Issuer and any of the Issuer's directors or officers, in their capacities as such, to comply in all material respects with the provisions of the U.S. Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act");
- 5.20 Event of Default:** no event has occurred or circumstance arisen which, had the Notes already been issued, might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default" in the Prospectus;
- 5.21 Directed Selling Efforts, General Solicitation and General Advertising:** neither the Issuer nor its affiliates nor any persons acting on its or their behalf (which for the avoidance of doubt shall not include any Manager) have engaged or will engage in any general solicitation or general advertising (as the terms are used in Rule 502(c) under the Securities Act) in the United States in connection with the offering of the Notes nor any directed selling efforts (as defined in Regulation S under the Securities Act) with respect to the Notes and it and they have complied and will comply with the offering restrictions requirement of such Regulation;

- 5.22 Foreign Corrupt Practices Act:** neither the Issuer nor any of its subsidiaries nor, to the knowledge of the Issuer, any director, officer, agent, employee or affiliate of the Issuer or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the “**FCPA**”), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorisation of the payment of any money, or other property, gift, promise to give, or authorisation of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Issuer, its subsidiaries and, to the knowledge of the Issuer, its affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith;
- 5.23 Money Laundering Laws:** the operations of the Issuer and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping in all material respects and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Issuer or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Issuer, threatened; and
- 5.24 OFAC:** neither the Issuer nor any of its subsidiaries nor, to the knowledge of the Issuer, any director, officer, agent, employee or affiliate of the Issuer or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“**OFAC**”); and the Issuer will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

6 Covenants of the Issuer

The Issuer agrees with the Managers that:

- 6.1 Delivery of Prospectuses:** the Issuer will deliver to the Managers, without charge, on the date hereof and hereafter from time to time as requested, such number of printed copies of the Prospectus as the Managers may reasonably request;
- 6.2 Supplements or Amendments:** (i) if at any time during the relevant period for the purpose of the Prospectus Directive there arises or is noted a significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus, the Issuer will promptly inform the Joint Lead Managers and will prepare and submit to the Irish Stock Exchange and the Financial Regulator for its approval (and subsequently make available to the public) a supplement or amendment to the Prospectus containing details of the significant new factor,

mistake or inaccuracy so as to comply with the requirements of the Prospectus Directive without charge to the Managers and (ii) without prejudice to its obligations under sub-paragraph (i), if at any time prior to the completion (in the opinion of the Joint Lead Managers) of the distribution of the Notes, any other event shall have occurred as a result of which the Prospectus, as then amended or supplemented, would include a statement of fact which is not true and accurate in all material respects or omit any fact the omission of which would make misleading in any material respect any statement therein, or if for any other reason it shall be necessary to amend or supplement the Prospectus, then the Issuer will promptly inform the Joint Lead Managers and shall at the request of the Joint Lead Managers prepare and submit to the Irish Stock Exchange and the Financial Regulator for their approval (and subsequently make available to the public) a supplement or amendment to the Prospectus, containing details of the untrue or inaccurate statement of fact or omission, without charge to the Managers. The Issuer will deliver to the Managers, without charge, such number of printed copies of such supplement or amendment to the Prospectus as the Managers may reasonably request;

6.3 Stabilisation: the Issuer authorises the Joint Lead Managers and the Stabilising Manager to make adequate public disclosure of the information required by European Union Commission Regulation (EC) 2273/2003;

6.4 Representations and Warranties: without prejudice to its obligations under Clause 6.2, the Issuer will notify the Managers promptly of any change affecting any of its representations, warranties, agreements and indemnities herein at any time prior to payment being made to the Issuer on the Closing Date and take such steps as may be reasonably requested by the Joint Lead Managers to remedy and/or publicise the same; and

6.5 Announcements: subject to Clause 6.3, between the date hereof and the Closing Date (both dates inclusive) the Issuer will use reasonable efforts to consult with the Joint Lead Managers on behalf of the Managers (only to the extent that such consultation is practicable) before making any official announcement which would have an adverse effect on the marketability of the Notes.

7 Conditions Precedent

The obligation of the Managers under this Agreement to subscribe for the Notes is subject to the following conditions precedent:

7.1 Other Agreements: the execution and delivery by all parties thereto of the Fiscal Agency Agreement on or prior to the Closing Date;

7.2 Listing: the Listing shall have been approved by the Irish Stock Exchange and the Financial Regulator on or prior to the Closing Date, subject only to the issue of the Global Note Certificates;

7.3 Legal Opinions: on or prior to the Closing Date, there having been delivered to the Managers opinions, in form and substance satisfactory to the Joint Lead Managers, dated the Closing Date, of (i) Clifford Chance LLP, legal advisers to the Issuer as to United States and New York law, (ii) Hunton & Williams LLP, legal advisers to the Issuer as to Virginia law and (iii) Linklaters LLP, legal advisers to the Managers as to United States law;

7.4 Auditors' Letters: on the date of (i) this Agreement and (ii) the Closing Date, there having been delivered to the Managers letters, in form and substance satisfactory to the Joint Lead

Managers, dated the date of (i) this Agreement and (ii) the Closing Date, respectively, and addressed to the Managers from PricewaterhouseCoopers LLP, the independent auditors of the Issuer;

7.5 **Authorisation:** on or prior to the Closing Date, there having been delivered to the Joint Lead Managers, on behalf of the Managers, a copy, certified by a duly authorised signatory of the Issuer of:

7.5.1 the constitutive documents of the Issuer; and

7.5.2 the resolution of the Board of Directors of the Issuer dated 4 October 2007 authorising the execution of this Agreement and the Fiscal Agency Agreement, the issue of the Notes and the entry into and performance of the transactions contemplated hereby and thereby;

7.6 **Compliance:** at the Closing Date (i) the representations and warranties of the Issuer herein being true, accurate and correct at, and as if made on, the Closing Date and the Issuer having performed all of its obligations hereunder to be performed on or before the Closing Date and (ii) there having been delivered to the Managers a certificate signed by a duly authorised officer of the Issuer, dated the Closing Date, to the effect set out in sub-paragraph (i) and confirming that, since the date of this Agreement, there has been no change (nor any development or event involving a prospective change of which the Issuer is aware) which is materially adverse to the condition (financial or other), prospects, results of operations or general affairs of the Issuer; and

7.7 **Rating:** from and including the date of this Agreement to and including the Closing Date there having been no public announcement from an internationally recognised rating agency that such agency has revised downwards, withdrawn or placed on review or “creditwatch” with negative implications (or other similar publication of review or change of its outlook by the relevant rating agency) any existing credit rating assigned to the Notes or other long term debt of the Issuer.

The Joint Lead Managers, on behalf of the Managers, may, at their discretion, waive compliance with the whole or any part of this Clause 7.

8 Closing

8.1 **Issue of Notes:** Not later than 10 a.m. (Central European time) on the Closing Date (or such other time on the Closing Date as may be agreed between the Joint Lead Managers, on behalf of the Managers, and the Issuer) the Issuer will issue and deliver to the Managers or their order the Global Note Certificates.

8.2 **Payment:** Against such registration and delivery the Managers will pay to the Issuer the net subscription moneys for the Notes (being the aggregate amount payable for the Notes calculated as the Issue Price less the commissions referred to in Clause 9). Such payment shall be made by the common depository (the “**Common Depository**”) in euro in immediately available funds to the account of the Issuer, Kraft Foods Inc., account number 1187-7224, IBAN Number GB14CITI118500811877224, designated Kraft Foods Inc., with Citibank, N.A., London, swift code CITIGB2L. Such payment shall be evidenced by a confirmation by the Common Depository that it has so made that payment.

9 Commissions

In consideration of the obligations undertaken herein by the Managers, the Issuer agrees to pay to the Managers a combined management and underwriting commission of (i) 0.30 per cent. of the principal amount of the 2012 Fixed Rate Notes and (ii) 0.35 per cent. of the principal amount of the 2015 Fixed Rate Notes. Such commissions shall be deducted from the subscription moneys for the Notes as provided in Clause 8.2.

10 Expenses

10.1 Issuer's Expenses: The Issuer will pay the costs and expenses relating to the issue of the Notes including, *inter alia*, (i) the costs of the preparation, production and printing of the Notes, the Preliminary Prospectus, the Prospectus and any supplement or amendment thereto, the Agreements and all other documents relating to the issue of the Notes, (ii) the costs of the initial delivery and distribution (including transportation, packaging and insurance) of the Notes, (iii) the costs of listing the Notes on the Irish Stock Exchange, (iv) the costs of all advertising in relation to the issue of the Notes approved by the Issuer and the Joint Lead Managers, on behalf of the Managers, or required in connection with the Listing referred to in Clause 4, (v) the fees and expenses of the Fiscal Agent and the Paying Agents in relation to the preparation and execution of the Agreements, the issue of the Notes and the performance of their duties under the Agreements, (vi) the costs of obtaining ratings for the Notes from any rating agency, (vii) the costs and expenses incurred in connection with any "roadshow" presentations to prospective investors and (viii) any stamp duty or other issue, transaction, value added or similar tax, fund or duty (including court fees) payable in connection with the issue and distribution of the Notes or the execution of the Agreements.

10.2 Expense Letter: Upon presentation by JPMorgan and/or any other Joint Lead Manager through JPMorgan (being agreed that all invoices are to be presented at the same time), of an invoice, the Issuer will pay promptly after the Closing Date to the Joint Lead Managers the costs specified in a letter dated the date of this Agreement between the Issuer and the Joint Lead Managers in respect of their legal and other expenses incurred in connection with the issue of the Notes.

11 Indemnification and Contribution

11.1 The Issuer will indemnify and hold harmless each Manager, its partners, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Manager may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Prospectus or the Preliminary Prospectus, or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Manager for any legal or other expenses reasonably incurred by such Manager in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Issuer will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Issuer

by any Manager specifically for use therein, it being understood and agreed that the only such information furnished by any Manager consists of the information described as such in or pursuant to this Agreement (the “**Manager Information**”).

For the purposes of this Clause 11, “Manager Information” includes the names of the Managers as they appear on the front cover and the “Subscription and Sale” section of each of the Preliminary Prospectus and Prospectuses.

- 11.2** Each Manager will severally and not jointly indemnify and hold harmless the Issuer, its directors and officers and each person, if any, who controls the Issuer within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities to which the Issuer may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Prospectus, the Preliminary Prospectus, or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with the Manager Information, and will reimburse any legal or other expenses reasonably incurred by the Issuer in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred.
- 11.3** Promptly after receipt by an indemnified party under this Clause 11 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under Clause 11.1 or 11.2, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under Clause 11.1 or 11.2. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defence thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defence thereof, the indemnifying party will not be liable to such indemnified party under this Clause 11 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defence thereof other than reasonable costs of investigation. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel and local counsel at any time for any indemnified party in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances. No indemnifying party shall (i) without the prior written consent of the indemnified party, settle, compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (A) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (B) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled

with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment in accordance with the provisions of this Clause 11.

- 11.4** If the indemnification provided for in Clause 11 is unavailable or insufficient to hold harmless an indemnified party under Clause 11.1 or 11.2, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in Clause 11.1 or 11.2 (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer on the one hand and the Managers on the other from the offering of the Notes or (ii) if the allocation provided by (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in (i) but also the relative fault of the Issuer on the one hand and the Managers on the other in connection with the statements or omissions which resulted in such Loss as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the Managers on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Issuer bear to the total commissions received by the Managers. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer, on the one hand, or the Managers, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this Clause 11.4 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this Clause 11.4. Notwithstanding the provisions of this Clause 11.4, no Manager shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Manager has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

12 Termination

- 12.1 Managers' Ability to Terminate:** Notwithstanding anything herein contained, the Joint Lead Managers on behalf of the Managers may, by notice to the Issuer given at any time prior to payment of the net subscription moneys for the Notes to the Issuer, terminate this Agreement in any of the following circumstances:

- 12.1.1** if there shall have come to the notice of the Managers any material breach of, or any event rendering untrue or incorrect in any material respect, of the warranties and representations contained in Clause 5 (or any deemed repetition thereof) or failure to perform any of the Issuer's covenants or agreements in this Agreement; or
- 12.1.2** if any of the conditions specified in Clause 7 has not been satisfied or waived by the Joint Lead Managers, on behalf of the Managers; or

12.1.3 if in the opinion of the Joint Lead Managers (after such consultation with the Issuer as may be reasonably practicable in the circumstances), there shall have been such a change in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would be in their view likely to prejudice materially the success of the offering and distribution of the Notes or dealings in the Notes in the secondary market.

12.2 Consequences of Termination: Upon such notice being given this Agreement shall terminate and be of no further effect and no party hereto shall be under any liability to any other in respect of this Agreement, except that the Issuer shall remain liable under Clause 10 for the payment of the costs and expenses already incurred or incurred in consequence of such termination, the Managers shall remain liable under Clause 3.2 and the obligations of the Issuer pursuant to Clause 13, which would have continued had the arrangements for the subscription and issue of the Notes been completed, shall continue.

13 Survival of Representations etc.

The provisions of this Agreement shall continue in full force and effect notwithstanding completion of the arrangements for the subscription and issue of the Notes or any investigation made by or on behalf of any party to this Agreement.

14 No Fiduciary Duties

The Issuer acknowledges and agrees that each Manager is acting solely pursuant to a contractual relationship with the Issuer on an arm's length basis with respect to the issue, offer and sale of the Notes (including in connection with determining the terms of the issue, offer and sale of the Notes) and not as a financial advisor or a fiduciary to the Issuer or any other person. Additionally, the Issuer acknowledges that the Managers are not advising the Issuer or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Issuer shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Managers shall have no responsibility or liability to the Issuer with respect thereto. The Issuer further acknowledges and agrees that any review by the Managers of the Issuer, the issue, offer and sale of the Notes, the terms of the Notes and other matters relating thereto will be performed solely for the benefit of the Managers and shall not be on behalf of the Issuer or any other person. The foregoing is without prejudice to any obligation of the Joint Lead Managers to make recommendations to the Issuer concerning the pricing and allocation of the offering in accordance with applicable rules of the U.K. Financial Services Authority.

15 Notices

15.1 Methods of Communication: All communications hereunder shall be by fax, in writing delivered by hand or by electronic communication and shall be deemed to have been given if mailed or transmitted and confirmed by any standard form of telecommunication to the following addresses:

if to the Issuer, addressed to it at:

Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093

Attention: Vice President and Corporate Secretary
Facsimile: +1 (847) 646-2950

with a copy to:

Kraft Foods Global, Inc.
Three Lakes Drive
Northfield, Illinois 60093

Attention: Senior Manager Treasury & Controls, NF333
Facsimile: +1 (847) 646-3173

and

Kraft Foods Finance Europe AG
P.O. Box 855
Chollerstrasse 4
CH-6301 Zug
Switzerland

Attention: Director Treasury International
Facsimile: +41 41 741 76 35

and if to the Managers, addressed to them care of the Joint Lead Managers at:

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Facsimile: +44 (0)20 7905 6128
E-mail: tmg.documentation@credit-suisse.com
Attention: MTN Trading Desk

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC2A 2BB
United Kingdom

Facsimile: +44 (0)20 7774 2330
Attention: Syndicate Desk

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Facsimile: +44 (0)20 7992 4973
E-mail: transaction.management@hsbcib.com
Attention: Transaction Management Group

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Facsimile: +44 (0)20 7325 8270
E-mail: headof.teg@jpmorgan.com
Attention: Head of Debt Syndicate and Head of Transaction Execution Group

Société Générale
17, Cours Valmy
92987 Paris La Défense Cedex
France

Facsimile: +33 1 42 13 7809
Attention: CAFI/SYN/CAP/BND

UBS Limited
100 Liverpool Street
London EC2M 2RH
United Kingdom

Facsimile: +44 (0)20 7567 2477
Attention: Fixed Income Syndicate

- 15.2 Deemed Receipt:** A communication will be deemed received (if by fax) when the relevant receiver confirms receipt, (if in writing) when delivered, (if by electronic communication) when the relevant receipt of such communication being read is given or where no read receipt is requested by the sender, if no delivery failure notification is received by the sender within 24 hours of sending such communication, in each case in the manner required by this Clause 15.2; provided that any communication which is received outside business hours or on a non-business day in the place of receipt shall be deemed received at the opening of business on the next following business day in such place. Any communication to be delivered to any party under this Agreement which is to be sent by fax or by electronic communication will be written legal evidence.

15.3 Definitions

For the purposes of this Agreement, the term “affiliate” means, with respect to a specified person or entity, any other person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified person or entity, and the term “control” (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of (i) the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise or (ii) 50 per cent. or more of the issued share capital of an entity.

16 Time

Time shall be of the essence of this Agreement.

17 Governing Law and Jurisdiction

17.1 Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, including Article 5, Title 14, Section 5-1401 of the General Obligations Law of the State of New York.

17.2 Jurisdiction: The federal and state courts in the Borough of Manhattan in The City of New York are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

17.3 Waiver of Jury Trial: The Issuer and the Managers waive, to the fullest extent permitted by applicable law, any right they may have to a trial by jury in any Proceedings (whether based on contract, tort or any other theory).

18 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original.

In witness whereof this Agreement has been entered on the date stated at the beginning.

KRAFT FOODS INC.

By: /S/ TIMOTHY R. McLEVISH

CREDIT SUISSE SECURITIES (EUROPE) LIMITED

GOLDMAN SACHS INTERNATIONAL

HSBC BANK PLC

SOCIÉTÉ GÉNÉRALE

UBS LIMITED

ABN AMRO BANK N.V.

BANCA IMI S.P.A.

BBVA SECURITIES, INC.

BNP PARIBAS

LEHMAN BROTHERS INTERNATIONAL (EUROPE)

Each by its duly authorised attorney:

/S/ LESLIE BAIKIE

J.P. MORGAN SECURITIES LTD.

By: /S/ LESLIE BAIKIE

Schedule

Each Manager severally (and not jointly) agrees as follows:

- 1 **United States:** Each Manager understands that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager represents that it has offered and sold the Notes, and agrees that it will offer and sell the Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Manager agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in this paragraph have the meanings given to them by Regulation S.
 - 2 **United Kingdom:** Each Manager represents and agrees that:
 - 2.1 it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
 - 2.2 it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.
 - 3 **General:** Each Manager severally acknowledges that no representation is made by the Issuer or any Manager that any action has been or will be taken in any jurisdiction by the Issuer or any Manager that would permit a public offering of the Notes, or possession or distribution of the Preliminary Prospectus or the Prospectus in any country or jurisdiction where action for that purpose is required. Each Manager will comply to the best of its knowledge and belief in all material respects with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Preliminary Prospectus or the Prospectus, in all cases at its own expense unless agreed otherwise.
-

KRAFT FOODS INC.

EUR 2,000,000,000 5.75 per cent. Notes due 2012
EUR 850,000,000 6.25 per cent. Notes due 2015

AGENCY AGREEMENT

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BETWEEN

- (1) **KRAFT FOODS INC.** (the “**Issuer**”);
- (2) **DEUTSCHE BANK, LUXEMBOURG, S.A.** as registrar (the “**Registrar**”);
- (3) **DEUTSCHE BANK AG, LONDON BRANCH** as fiscal agent (the “**Fiscal Agent**” and together with any other paying agent appointed pursuant to this agreement, the “**Paying Agents**”); and
- (4) **DEUTSCHE BANK AG, LONDON BRANCH** as transfer agent (the “**Transfer Agent**”).

WHEREAS

- (A) The Issuer has authorised the creation and issue of EUR 2,000,000,000 in aggregate principal amount of 5.75 per cent. notes due 2012 (the “**2012 Fixed Rate Notes**”) and EUR 850,000,000 in aggregate principal amount of 6.25 per cent. notes due 2015 (the “**2015 Fixed Rate Notes**” and, together with 2012 Fixed Rate Notes, the “**Notes**”, and each a “**Note**”).
- (B) The Notes will be in registered form and in the denomination of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof. The 2012 Fixed Rate Notes and the 2015 Fixed Rate Notes will each be represented by a global certificate (a “**Global Note Certificate**”), which will be exchangeable for individual note certificates (“**Individual Note Certificates**” and, together with the Global Note Certificates, “**Note Certificates**”) in the circumstances specified therein.
- (C) The Issuer, the Registrar, the Paying Agents and the Transfer Agents wish to record certain arrangements which they have made in relation to the Notes.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement, the following expressions have the following meanings:

“**Agents**” means the Fiscal Agent, the Registrar, the Transfer Agents and the Paying Agents and “**Agent**” means any one of the Agents;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*, Luxembourg;

“**Clearing Systems**” means Euroclear and Clearstream, Luxembourg;

“**Conditions**” means the Terms and Conditions of the Notes (as scheduled to this Agreement and as modified from time to time in accordance with their terms), and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof;

“**EUR**”, “**€**” and “**EURO**” denote the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**Local Banking Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in New York City and on which the TARGET System is open;

“**Local Time**” means the time in the city in which the Fiscal Agent has its Specified Office;

“**Paying Agent**”, “**Fiscal Agent**”, “**Registrar**” and “**Transfer Agent**” include any successors thereto appointed from time to time in accordance with Clause 13 and “**Paying Agent**” and “**Transfer Agent**” means any one of the Paying Agents and the Transfer Agents, respectively;

“**Regulations**” means the regulations concerning the transfer of Notes as the same may from time to time be promulgated by the Issuer and approved by the Registrar (the initial such regulations being set out in Schedule 5 (*Regulations concerning transfers and registration of Notes*));

“**Replacement Agent**” means the Registrar;

“**Required Agent**” means any Paying Agent or Transfer Agent (which expression shall include, for the purposes of this definition only, the Registrar) which is the sole remaining Paying Agent or (as the case may be) Transfer Agent with its Specified Office in any city where a stock exchange on which the Notes are listed requires there to be a Paying Agent or (as the case may be) a Transfer Agent;

“**Specified Office**” means, in relation to any Agent:

- (a) the office specified against its name in Schedule 6 (*Specified Offices of the Agents*); or
- (b) such other office as such Agent may specify in accordance with Clause 12.8 (*Changes in Specified Offices*);

1.2 **Meaning of outstanding**

For the purposes of this Agreement and the Conditions (but without prejudice to its status for any other purpose), a Note shall be considered to be “outstanding” unless one or more of the following events has occurred:

- 1.2.1 it has been redeemed in full, or purchased under Condition 5(e) (*Redemption and Purchase—Purchase*), and in either case has been cancelled in accordance with Condition 5(f) (*Redemption and Purchase—Cancellation*);
- 1.2.2 the due date for its redemption in full has occurred and all sums due in respect of such Note (including all accrued interest) have been received by the Fiscal Agent and remain available for payment against presentation and surrender of the relevant Note Certificate;
- 1.2.3 all claims for principal and interest in respect of such Note have become void under Condition 9 (*Prescription*);
- 1.2.4 for the purposes of Schedule 4 (*Provisions for Meetings of the Noteholders*) only, it is held by, or by any person for the benefit of, the Issuer; *Provided, however, that, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) Condition 13 (Meetings of Noteholders; Modification) and Schedule 4 (Provisions for Meetings of the Noteholders), those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or any Subsidiary for the benefit of the Issuer or any Subsidiary shall (unless and until ceasing to be so held) be deemed not to remain outstanding.*

1.3 **Clauses and Schedules**

Any reference in this Agreement to a Clause or a sub-clause or a Schedule is, unless otherwise stated, to a clause or sub-clause hereof or a schedule hereto.

1.4 **Principal and interest**

In this Agreement, any reference to principal includes premium and any reference to principal or interest includes any additional amounts payable in relation thereto under the Conditions.

1.5 **Time zone**

Any reference in this Agreement to “a.m.” and “p.m.” shall mean, unless otherwise indicated, any time between midnight and noon and between noon and midnight, as appropriate, in London.

1.6 **Terms defined in the Conditions**

Terms and expressions used but not defined herein have the respective meanings given to them in the Conditions.

1.7 **Statutes**

Any reference in this Agreement to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall

be construed as a reference to such statute, provision, statutory instrument, order or regulation as the same may have been, or may from time to time be, amended or re-enacted.

1.8 Headings

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Agreement.

2. APPOINTMENT OF THE AGENTS

2.1 Appointment

The Issuer appoints each Agent as its agent in relation to the Notes for the purposes specified in this Agreement and in the Conditions.

2.2 Acceptance of appointment

Each Agent accepts its appointment as agent of the Issuer in relation to the Notes and agrees to comply with the provisions of this Agreement.

2.3 Obligations and Duties of the Agents

The obligations and duties of the Agents under this Agreement shall be several and not joint.

2.4 Additional Duties

The Agents shall perform such duties as are set out in this Agreement together with such additional duties (if any) as may be set out in the Conditions and such other duties as are reasonably incidental hereto or thereto. No obligations or duties of the Agents which are not expressly stated herein or in the Conditions shall be implied.

3. THE NOTES; AUTHENTICATION

3.1 Global Note Certificate

Each Global Note Certificate shall:

3.1.1 be in substantially the form set out in Schedule 1, as applicable, (*Forms of Global Note Certificates*); and

3.1.2 be executed manually or in facsimile by or on behalf of the Issuer and authenticated manually by or on behalf of the Registrar.

3.2 Individual Note Certificates

Each Individual Note Certificate shall:

3.2.1 be in substantially the form set out in Schedule 2, as applicable, (*Forms of Individual Note Certificates*);

3.2.2 have a unique certificate number printed thereon;

3.2.3 be executed manually or in facsimile by or on behalf of the Issuer and authenticated manually by or on behalf of the Registrar; and

3.2.4 otherwise be in accordance with the format from time to time specified by the International Primary Market Association or any successor body thereto.

3.3 Signatures

Any signature on a Note Certificate shall be that of a person who is at the time of the creation and issue of the Notes an authorised signatory for such purpose of the Issuer notwithstanding that such person has for any reason (including death) ceased to be such an authorised signatory at the time at which such Note Certificate is delivered.

3.4 The Global Note Certificate to be deposited with nominee for common depositary

Each Global Note Certificate shall be deposited with, and registered in the name of, a nominee for a common depositary for the Clearing Systems.

3.5 Availability of Individual Note Certificates

If the Issuer is required to deliver Individual Note Certificates pursuant to the terms of the Global Note Certificate, the Issuer shall promptly arrange for a stock of Individual Note Certificates (unauthenticated and with the names of the registered Holders left blank but executed on behalf of the Issuer and otherwise complete) to be made available to the Registrar. The Issuer shall also arrange for such Global Note Certificates and Individual Note Certificates as are required to enable the Registrar and the Replacement Agent to perform their respective obligations under Clause 4 (*Exchanges of Global Note Certificates for Individual Note Certificates*), Clause 5 (*Transfers of Notes*) and Clause 6 (*Replacement Note Certificates*) to be made available to or to the order of the Registrar and the Replacement Agent from time to time.

3.6 Authority to authenticate

Each of the Registrar and the Replacement Agent is authorised by the Issuer to authenticate the Global Note Certificates and the Individual Note Certificates by the signature of any of its officers or any other person duly authorised for the purpose by the Registrar or (as the case may be) the Replacement Agent.

3.7 Duties of the Registrar and the Replacement Agent

The Registrar and the Replacement Agent shall hold in safe custody all unauthenticated Global Note Certificates and Individual Note Certificates delivered to it in accordance with Clause 3.5 (*Availability of Individual Note Certificates*) and shall ensure that they are authenticated and delivered only in accordance with the terms hereof, of the Global Note Certificate (if applicable) and of the Conditions.

4. EXCHANGES OF GLOBAL NOTE CERTIFICATE FOR INDIVIDUAL NOTE CERTIFICATES

If the Global Note Certificate becomes exchangeable for Individual Note Certificates in accordance with its terms, the Registrar shall authenticate and deliver to each person designated by a Clearing System a Individual Note Certificate in accordance with the terms of this Agreement and the Global Note Certificate.

5. TRANSFERS OF NOTES

5.1 Maintenance of the Register

The Registrar shall maintain in relation to the Notes a register (the “**Register**”), which shall be kept at its Specified Office in accordance with the Conditions and be made available by the Registrar to the Issuer and the other Agents for inspection and for the taking of copies or extracts therefrom at all reasonable times. The Register shall show the aggregate principal amount, serial numbers and dates of issue of Note Certificates, the names and addresses of the initial Holders thereof and the dates of all transfers to, and the names and addresses of, all subsequent Holders thereof, all cancellations of Note Certificates and all replacements of Note Certificates.

5.2 Registration of transfers in the Register

The Registrar shall receive requests for the transfer of Notes in accordance with the Conditions and the Regulations and shall make the necessary entries in the Register.

5.3 Transfer Agents to receive requests for transfers of notes

Each of the Transfer Agents shall receive requests for the transfer of Notes in accordance with the Conditions and the Regulations and assist, if required, in the issue of new Note Certificates to give effect to such transfers and, in particular, upon any such request being duly made, shall promptly notify the Registrar of:

5.3.1 the aggregate principal amount of the Notes to be transferred;

5.3.2 the name(s) and addresses to be entered on the Register of the Holder(s) of the new Note Certificate(s) to be issued in order to give effect to such transfer; and

5.3.3 the place and manner of delivery of the new Note Certificate(s) to be delivered in respect of such transfer

and shall forward the Note Certificate(s) relating to the Notes to be transferred (with the relevant form(s) of transfer duly completed) to the Registrar with such notification.

6. REPLACEMENT NOTE CERTIFICATES

6.1 Delivery of Replacements

Subject to receipt of replacement Global Note Certificates and/or Individual Note Certificates (as the case may be), the Replacement Agent shall, upon and in accordance with the instructions of the Issuer (which instructions may, without limitation, include terms as to the payment of expenses and as to evidence, security and indemnity), complete, authenticate and deliver a Global Note Certificate or Individual Note Certificate which the Issuer has determined to issue as a replacement for any Global Note Certificate or Individual Note Certificate which has been mutilated or defaced or which has been or is alleged to have been destroyed, stolen or lost; *provided, however, that* a Replacement Agent shall not deliver any Global Note Certificate or Individual Note Certificate as a replacement for any Global Note Certificate or Individual Note Certificate which has been mutilated or defaced otherwise than against surrender of the same and shall not issue any replacement Global Note Certificate or Individual Note

Certificate until the applicant has furnished the Replacement Agent with such evidence and indemnity as the Issuer and/or the Replacement Agent may reasonably require and has paid such costs and expenses as may be incurred in connection with such replacement.

6.2 Replacements to be Numbered

Each replacement Global Note Certificate or Individual Note Certificate delivered hereunder shall bear a unique serial number.

6.3 Cancellation and destruction

Each Replacement Agent shall cancel and destroy each mutilated or defaced Global Note Certificate or Individual Note Certificate surrendered to it in respect of which a replacement has been delivered.

6.4 Notification

Each Replacement Agent shall notify the Issuer and the other Agents of the delivery by it of any replacement Global Note Certificate or Individual Note Certificate, specifying the serial number thereof and the serial number (if any and if known) of the Global Note Certificate or Individual Note Certificate which it replaces and confirming (if such is the case) that the Global Note Certificate or Individual Note Certificate which it replaces has been cancelled and destroyed.

7. PAYMENTS TO THE FISCAL AGENT

7.1 Issuer to pay Fiscal Agent

In order to provide for the payment of principal and interest in respect of the Notes as the same becomes due and payable, the Issuer shall pay to the Fiscal Agent, on or before the date on which such payment becomes due, an amount equal to the amount of principal and/or (as the case may be) interest falling due in respect of the Notes on such date.

7.2 Manner and time of payment

Each amount payable under Clause 7.1 (*Issuer to pay Fiscal Agent*) shall be paid unconditionally by credit transfer in EURO and in same day, freely transferable, cleared funds not later than 10.00 a.m. (London time) on the relevant day to such account with such bank in London as the Fiscal Agent may from time to time by notice to the Issuer specify for such purpose, *provided, however, that* any subsequent change in such account shall be communicated to the Issuer at least 30 days prior to the date when it becomes effective. The Issuer shall, before 10.00 a.m. (London time) on the due date of each payment by it under Clause 7.1 (*Issuer to pay Fiscal Agent*), procure that the bank effecting payment for it confirms by authenticated SWIFT message to the Fiscal Agent the payment instructions relating to such payment.

7.3 Exclusion of liens and interest

The Fiscal Agent shall be entitled to deal with each amount paid to it under this Clause 7 (*Payments to the Fiscal Agent*) in the same manner as other amounts paid to it as a banker by its customers; *provided, however, that:*

7.3.1 it shall not exercise against the Issuer any lien, right of set-off or similar claim in respect thereof; and

7.3.2 it shall not be liable to any person for interest thereon.

No monies held by any Agent need to be segregated except as required by law.

7.4 Application by Fiscal Agent

The Fiscal Agent shall apply each amount paid to it hereunder in accordance with Clause 8 (*Payments to Noteholders*) and shall not be obliged to repay any such amount unless the claim for the relevant payment becomes void under Condition 9 (*Prescription*), in which event it shall refund at the written request of the Issuer such portion of such amount as relates to such payment by paying the same by credit transfer in EURO to such account with such bank in London as the Issuer has by notice to the Fiscal Agent specified for the purpose.

7.5 Failure to confirm payment instructions

If the Fiscal Agent has not, by 12.00 noon (London time) on the due date of any payment to it under Clause 7.1 (*Issuer to pay Fiscal Agent*), received confirmation of the relevant payment instructions referred to in Clause 7.2 (*Manner and time of payment*), it shall forthwith notify the Issuer and the other Paying Agents. If the Fiscal Agent subsequently receives confirmation of such payment instructions, it shall forthwith notify the Issuer and the other Paying Agents.

8. PAYMENTS TO NOTEHOLDERS

8.1 Payments by Paying Agents

Each Paying Agent acting through its Specified Office shall make payments of principal and interest in respect of Notes in accordance with the Conditions and, so long as the Notes are evidenced by the Global Note Certificates, the terms thereof; *provided, however, that:*

8.1.1 if any Global Note Certificate or Individual Note Certificate is presented or surrendered for payment to any Paying Agent and such Paying Agent has delivered a replacement therefor or has been notified that the same has been replaced, such Paying Agent shall forthwith notify the Issuer of such presentation or surrender and shall not make payment against the same until it is so instructed by the Issuer and has received the amount to be so paid;

8.1.2 a Paying Agent shall not be obliged (but shall be entitled) to make such payments if:

(a) in the case of the Fiscal Agent, it has not received the full amount of any payment due to it under Clause 7.1 (*Issuer to pay Fiscal Agent*)

provided, however, that the Fiscal Agent shall notify the Issuer without any delay that it has not received the full amount of any such payment; or

(b) in the case of any other Paying Agent:

- (i) it has been notified and the Fiscal Agent has confirmed to it that the Issuer has been notified in accordance with Clause 7.5 (*Failure to confirm payment instructions*) that confirmation of the relevant payment instructions has not been received, unless it is subsequently notified that confirmation of such payment instructions has been received; or
- (ii) it is not able to establish that the Fiscal Agent has received (whether or not at the due time) the full amount of any payment due to it under Clause 7.1 (*Issuer to pay Fiscal Agent*).

8.1.3 each Paying Agent shall cancel each Note Certificate against presentation and surrender of which it has made full payment and shall deliver each Note Certificate so cancelled by it to, or to the order of, the Registrar; and

8.1.4 notwithstanding any other provision of this Agreement, each Paying Agent shall be entitled to make a deduction or withholding from any payment which it makes under this Agreement for or on account of any present or future taxes, duties or charges if and to the extent so required by applicable law, in which event such Paying Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted.

8.2 Exclusion of liens and commissions

No Paying Agent shall exercise any lien, right of set-off or similar claim against any person to whom it makes any payment under Clause 8.1 (*Payments by Paying Agents*) in respect thereof, nor shall any commission or expense be charged by it to any such person in respect thereof.

8.3 Reimbursement by Fiscal Agent

If a Paying Agent other than the Fiscal Agent makes any payment in accordance with Clause 8.1 (*Payments by Paying Agents*):

8.3.1 it shall notify the Fiscal Agent of the amount so paid by it and the serial number and principal amount of each Note Certificate in relation to which payment of principal or interest was made; and

8.3.2 subject to and to the extent of compliance by the Issuer with Clause 7.1 (*Issuer to pay Fiscal Agent*) (whether or not at the due time), the Fiscal Agent shall pay to such Paying Agent out of the funds received by it under Clause 7.1 (*Issuer to pay Fiscal Agent*), by credit transfer in EURO and in same day, freely transferable, cleared funds to such account with such bank in London as such Paying Agent has by notice to the Fiscal Agent specified for the purpose, an amount equal to the amount so paid by such Paying Agent.

8.4 Appropriation by Fiscal Agent

If the Fiscal Agent makes any payment in accordance with Clause 8.1 (*Payments by Paying Agents*), it shall be entitled to appropriate for its own account out of the funds received by it under Clause 7.1 (*Issuer to pay Fiscal Agent*) an amount equal to the amount so paid by it.

8.5 Reimbursement by Issuer

Subject to sub-clauses 8.1.1 and 8.1.2 (*Payments by Paying Agents*), if a Paying Agent makes a payment in respect of Notes on or after the due date for such payment under the Conditions at a time at which the Fiscal Agent has not received the full amount of the relevant payment due to it under Clause 7.1 (*Issuer to pay Fiscal Agent*) and the Fiscal Agent is not able out of funds received by it under Clause 7.1 (*Issuer to pay Fiscal Agent*) to reimburse such Paying Agent therefor (whether by payment under Clause 8.3 (*Reimbursement by Fiscal Agent*) or appropriation under Clause 8.4 (*Appropriation by Fiscal Agent*), the Issuer shall from time to time on demand pay to the Fiscal Agent for account of such Paying Agent the amount so paid out by such Paying Agent and not so reimbursed to it *provided, however, that* any payment made under this Clause 8.5 shall satisfy *pro tanto* the obligations of the Issuer under Clause 7.1 (*Issuer to pay Fiscal Agent*).

8.6 Partial payments

If at any time and for any reason a Paying Agent makes a partial payment in respect of any Global Note Certificate or any Individual Note Certificate presented for payment to it, such Paying Agent shall enface thereon a statement indicating the amount and the date of such payment. In addition, if, on any due date for payment, less than the full amount of any principal or interest is paid in respect of the Notes, the Registrar will note on the Register a memorandum of the amount and date of any payment then made and, if any Global Note Certificate or any Individual Note Certificate is presented for payment in accordance with the Conditions and no payment is then made, the date of presentation of such Global Note Certificate or (as the case may be) such Individual Note Certificate.

9. MISCELLANEOUS DUTIES OF THE AGENTS

9.1 Records

Each of the Agents shall maintain records of all documents received by it in connection with its duties hereunder and shall make such records available for inspection at all reasonable times by the Issuer and the other Agents and, in particular the Registrar shall (a) maintain a record of all Note Certificates delivered hereunder and of their redemption, payment, cancellation, mutilation, defacement, alleged destruction, theft, loss and replacement and (b) make such records available for inspection at all reasonable times by the Issuer and the other Agents, each stock exchange (if any) on which the Notes are then listed and each Clearing System.

9.2 The Agents shall make available to the Fiscal Agent and the Registrar such information as is reasonably required for the maintenance of the records referred to in Clause 9.1 (*Records*).

9.3 Cancellation

The Issuer may from time to time deliver to, or to the order of, the Registrar Note Certificates of which it or any of its Subsidiaries is the Holder for cancellation, whereupon the Registrar shall cancel the same and shall make the corresponding entries in the Register.

9.4 Notes in issue

As soon as practicable (and in any event within three months) after each date on which Notes fall due for redemption, the Registrar shall notify the Issuer of the serial numbers and principal amount of any Note Certificates against surrender of which payment has been made and of the serial numbers and principal amount of any Note Certificates (and the names and addresses of the Holders thereof) which have not yet been surrendered for payment.

9.5 Forwarding of communications

Each Agent shall promptly forward to the Issuer a copy of any notice or communication addressed to the Issuer by any Noteholder which is received by such Agent.

9.6 Publication of notices

The Registrar shall, upon and in accordance with the instructions of the Issuer received at least 10 days before the proposed publication date, arrange for the publication and delivery of any notice which is to be given to the Noteholders and shall supply a copy thereof to each other Agent, Euroclear, Clearstream, Luxembourg and any competent authority, stock exchange and/or quotation system by which the Notes have been admitted to listing, trading and/or quotation.

9.7 Documents available for inspection

The Issuer shall provide to each Agent:

9.7.1 conformed copies of this Agreement;

9.7.2 if the provisions of Condition 5(b) (*Redemption for taxation reasons*) become relevant in relation to the Notes, the documents contemplated under Condition 5(b) (*Redemption for taxation reasons*); and

9.7.3 such other documents as may from time to time be required by the Irish Financial Services Regulatory Authority and the Irish Stock Exchange to be made available at the Specified Office of the Agent having its Specified Office in London.

Each of the Agents shall make available for inspection during normal business hours at its Specified Office the documents referred to above and, upon reasonable request, will allow copies of such documents to be taken.

9.8 **Forms of Proxy and Block Voting Instructions**

The Registrar shall, at the request of the Holder of any Note, make available uncompleted and unexecuted Forms of Proxy and issue Block Voting Instructions in a form and manner which comply with the provisions of Schedule 4 (*Provisions for Meetings of the Noteholders*) to this Agreement. The Registrar shall keep a full record of completed and executed Forms of Proxy received by it and will give to the Issuer, not less than 24 hours before the time appointed for any meeting or adjourned meeting, full particulars of duly completed Forms of Proxy received by it and of Block Voting Instructions issued by it in respect of such meeting or adjourned meeting.

10. **FEES AND EXPENSES**

10.1 **Fees**

The Issuer shall pay to the Fiscal Agent for the account of the Agents such fees as have been separately agreed between the Issuer, the Fiscal Agent and the other Agents in respect of the services of the Agents hereunder (plus any applicable value added tax).

10.2 **Front-end expenses**

The Issuer shall on demand reimburse the Fiscal Agent for all reasonable expenses incurred by it in the negotiation, preparation and execution of this Agreement, and shall on demand reimburse each Agent for all reasonable expenses (including, without limitation, legal fees and any publication, advertising, communication, courier, postage and other out-of-pocket expenses) properly incurred in connection with its services hereunder (plus any applicable value added tax), other than such costs and expenses as are separately agreed to be reimbursed out of the fees payable under Clause 10.1 (*Fees*).

10.3 **Taxes**

The Issuer shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Agreement, and the Issuer shall indemnify each Agent on demand against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same. All payments by the Issuer under this Clause 10 (*Fees and Expenses*) or Clause 11.4 (*Indemnity in favour of the Agents*) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United States or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the relevant Agent of such amounts as would have been received by it if no such withholding or deduction had been required.

11. TERMS OF APPOINTMENT

11.1 Rights and powers

Each Agent may, in connection with its services hereunder:

- 11.1.1 except as ordered by a court of competent jurisdiction or otherwise required by law and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating to any Note by any person (other than a duly executed form of transfer) or any notice of any previous loss or theft thereof, but subject to sub-clause 8.1.1 (*Payments by the Paying Agents*), treat the registered Holder of any Note as its absolute owner for all purposes and make payments thereon accordingly;
- 11.1.2 assume that the terms of the Global Note Certificates and each Individual Note Certificate as issued are correct;
- 11.1.3 rely upon the terms of any notice, communication or other document believed by it to be genuine; and
- 11.1.4 engage and pay for the advice or services of any lawyers or other experts at the expense of the Issuer whose advice or services it considers necessary and rely upon any advice so obtained (and such Agent shall be protected and shall incur no liability as against the Issuer in respect of any action taken, or permitted to be taken, in accordance with such advice and in good faith) *provided however that*, to the extent Agents' rights do not conflict, one counsel or other expert should be engaged to represent all Agents, as agreed between themselves, to advise on any legal or other matter.

11.2 Extent of duties

Each Agent shall only be obliged to perform the duties set out herein. No Agent shall:

- 11.2.1 be under any fiduciary duty or other obligation towards or have any relationship of agency or trust for or with any person other than the Issuer (save insofar as that any funds received by the Fiscal Agent under Clause 7.1 (*Issuer to pay Fiscal Agent*) shall, pending their application in accordance with Clause 8.3 (*Reimbursement by Fiscal Agent*) or Clause 8.4 (*Appropriation by Fiscal Agent*) or their repayment in accordance with Clause 7.4 (*Application by Fiscal Agent*), be held by it in a segregated account which shall be held on trust for the persons entitled thereto);
- 11.2.2 be responsible for or liable in respect of the legality, validity or enforceability of the Notes or any Note Certificate (other than in respect of authentication of Note Certificates by it in accordance with this Agreement) or any act or omission of any other person (including, without limitation, any other Agent);
- 11.2.3 be liable for any consequential loss (being loss of business, goodwill, opportunity or profit);

11.2.4 have any obligation to act if it reasonably believes it will incur costs for which it will not be reimbursed *provided, however, that* it shall notify the Issuer without any delay if it holds such belief.

11.3 Freedom to transact

Each Agent may purchase, hold and dispose of Notes and may enter into any transaction (including, without limitation, any depository, trust or agency transaction) with any holders of Notes or with any other person in the same manner as if it had not been appointed as the agent of the Issuer in relation to the Notes.

11.4 Indemnity in favour of the Agents

The Issuer shall indemnify each Agent against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs, other than such costs and expenses as are separately agreed to be reimbursed out of the fees payable under Clause 10.1 (*Fees*) and otherwise than by reason of its own gross negligence or wilful misconduct, default or bad faith, as a result or arising out of or in relation to its acting as the agent of the Issuer in relation to the Notes.

11.5 Indemnity in favour of the Issuer

Each Agent shall severally indemnify the Issuer against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result of the gross negligence or wilful misconduct of such Agent or of its officers, directors or employees.

11.6 Survival

The indemnities contained in this Clause 11 shall survive the termination or expiry of this Agreement.

12. CHANGES IN AGENTS

12.1 Resignation

Any Agent may resign its appointment upon not less than 60 days' notice to the Issuer (with a copy, in the case of an Agent other than the Fiscal Agent, to the Fiscal Agent); *provided, however, that*:

12.1.1 if such resignation would otherwise take effect less than 60 days before or after the maturity date or other date for redemption of the Notes or any interest payment date in relation to the Notes, it shall not take effect until the thirtieth day following such date; and

12.1.2 in the case of the Registrar, the Fiscal Agent or a Required Agent, such resignation shall not take effect until a successor has been duly appointed consistently with Clause 12.4 (*Additional and successor agents*) or Clause 12.5 (*Agents may appoint successors*) and notice of such appointment has been given to the Noteholders.

12.2 Revocation

The Issuer may revoke its appointment of any Agent by not less than 30 days' notice to such Agent (with a copy, in the case of an Agent other than the Fiscal Agent, to the Fiscal Agent) *provided, however, that*, in the case of the Registrar, the Fiscal Agent or any Required Agent, such revocation shall not take effect until a successor has been duly appointed consistently with Clause 12.4 (*Additional and successor agents*) or Clause 12.5 (*Agents may appoint successors*) and notice of such appointment has been given to the Noteholders.

12.3 Automatic termination

The appointment of any Agent shall terminate forthwith if (a) such Agent becomes incapable of acting, (b) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of such Agent, (c) such Agent admits in writing its insolvency or inability to pay its debts as they fall due, (d) an administrator or liquidator of such Agent or the whole or any part of the undertaking, assets and revenues of such Agent is appointed (or application for any such appointment is made), (e) such Agent takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness, (f) an order is made or an effective resolution is passed for the winding-up of such Agent or (g) any event occurs which has an analogous effect to any of the foregoing. If the appointment of the Registrar, Fiscal Agent or any Required Agent is terminated in accordance with the preceding sentence, the Issuer shall forthwith appoint a successor in accordance with Clause 12.4 (*Additional and successor agents*).

12.4 Additional and successor agents

The Issuer may appoint a successor registrar or fiscal agent and additional or successor transfer agents or paying agents and shall forthwith give notice of any such appointment to the continuing Agents, the Noteholders, whereupon the Issuer, the continuing Agents, and the additional or successor registrar, principal paying agent, transfer agent or paying agent shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement.

12.5 Agents may appoint successors

If the Registrar, Fiscal Agent or any Required Agent gives notice of its resignation in accordance with Clause 12.1 (*Resignation*) and by the tenth day before the expiry of such notice a successor has not been duly appointed in accordance with Clause 12.4 (*Additional and successor agents*), the Registrar or (as the case may be) Fiscal Agent or Required Agent may itself, following such consultation with the Issuer as is practicable in the circumstances, appoint as its successor any reputable and experienced financial institution and give notice of such appointment to the Issuer, the remaining Agents and the Noteholders, whereupon the Issuer, the remaining Agents and such successor shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement.

12.6 Release

Upon any resignation or revocation taking effect under Clause 12.1 (*Resignation*) or 12.2 (*Revocation*) or any termination taking effect under Clause 12.3 (*Automatic termination*), the relevant Agent shall:

- 12.6.1 be released and discharged from its obligations under this Agreement (save that it shall remain entitled to the benefit of and subject to Clause 10.3 (*Taxes*), Clause 11 (*Terms of Appointment*) and Clause 12 (*Changes in Agents*));
- 12.6.2 in the case of the Registrar, deliver to the Issuer and to its successor a copy, certified as true and up-to-date by an officer or authorised signatory of the Registrar, of the records maintained by it in accordance with Clause 5.1 (*Maintenance of the Register*); and
- 12.6.3 forthwith (upon payment to it of any amount due to it in accordance with Clause 10 (*Fees and Expenses*) or Clause 11.4 (*Indemnity in favour of the Agents*)) transfer all moneys and papers (including any unissued Note Certificates held by it hereunder and any documents held by it pursuant to Clause 9.7 (*Documents available for inspection*)) to its successor and, upon appropriate notice, provide reasonable assistance to its successor for the discharge of its duties and responsibilities hereunder.

12.7 Merger

Any legal entity into which any Agent is merged or converted or any legal entity resulting from any merger or conversion to which such Agent is a party shall, to the extent permitted by applicable law, be the successor to such Agent without any further formality, whereupon the Issuer, the other Agents and such successor shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement. Notice of any such merger or conversion shall forthwith be given by such successor to the Issuer, the other Agents and the Noteholders.

12.8 Changes in Specified Offices

If any Agent decides to change its Specified Office (which may only be effected within the same city unless the prior written approval of the Issuer has been obtained), it shall give notice to the Issuer (with a copy to the other Agents) of the address of the new Specified Office stating the date on which such change is to take effect, which date shall be not less than 30 days after the date of such notice. The Issuer shall at its own expense not less than 14 days prior to the date on which such change is to take effect (unless the appointment of the relevant Agent is to terminate pursuant to any of the foregoing provisions of this Clause 12 (*Changes in Agents*)) on or prior to the date of such change) give notice thereof to the Noteholders.

13. **NOTICES**

13.1 **Addresses for notices**

All notices and communications hereunder shall be made in writing (by letter, or fax) and shall be sent as follows:

13.1.1 if to the Issuer, to it at:

Kraft Foods Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Vice President and Corporate Secretary
Fax: (847) 646-2950

with copy to:

Kraft Foods Global, Inc.
Three Lakes Drive
Northfield, Illinois 60093
Attention: Senior Manager Treasury & Controls, NF333
Fax: (847) 646-3173

with copy to:

Kraft Foods Finance Europe AG
P.O. Box 855
Chollerstrasse 4
CH-6301 Zug
Switzerland
Attention: Director Treasury International
Fax Number +41 41 741 76 35

13.1.2 if to an Agent, to it at the address or fax number specified against its name in Schedule 6 (*Specified Offices of the Agents*) (or, in the case of an Agent not originally a party hereto, specified by notice to the parties hereto at the time of its appointment) for the attention of the person or department specified therein;

or, in any case, to such other address or fax number or for the attention of such other person or department as the addressee has by prior notice to the sender specified for the purpose.

13.2 **Effectiveness**

Every notice or communication sent in accordance with Clause 13.1 (*Addresses for notices*) shall be effective, if sent by letter or fax, upon receipt by the addressee;

provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

13.3 Notices to Noteholders

Any notice required to be given to Noteholders under this Agreement shall be given in accordance with the Conditions; *provided, however, that*, so long as any Notes are represented by the Global Note Certificates, notices to Noteholders shall be given in accordance with the terms of the Global Note Certificates.

13.4 Notices in English

All notices and other communications hereunder shall be made in the English language or shall be accompanied by a certified English translation thereof. Any certified English translation delivered hereunder shall be certified a true and accurate translation by a professionally qualified translator or by some other person competent to do so.

14. LAW AND JURISDICTION

14.1 Governing law

This Agreement and all matters arising from or connected with it are governed by, and shall be construed in accordance with, the laws of the State of New York.

14.2 New York courts

Any state or federal court sitting in the Borough of Manhattan, the City of New York, shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) or the consequences of its nullity and that accordingly any action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with this Agreement may be brought in such New York Courts.

14.3 Appropriate forum

The parties agree that the courts referred to in Clause 14.2 (*New York courts*) are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

14.4 Waiver of jury trial

The Issuer and the Agents agree to waive to the fullest extent permitted by applicable law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement (whether based on contract, tort or any other theory). The Issuer and each of the Agents (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other party would not, in the event of Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to this Agreement have been induced to enter in this Agreement by, among other things, the mutual waivers and certifications in this Clause 14.4.

15. **MODIFICATION**

This Agreement may be amended by further agreement among the parties hereto and without the consent of the Noteholders.

16. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original. Any party may enter into this Agreement by signing any such counterpart.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first before written.

SCHEDULE 1
FORMS OF GLOBAL NOTE CERTIFICATES

PART A
FORM OF GLOBAL NOTE CERTIFICATE FOR THE 2012 FIXED RATE NOTES

ISIN: XS0353180465

KRAFT FOODS INC.
(incorporated under the laws of the Commonwealth of Virginia)

EUR 2,000,000,000
5.75 per cent. Notes due 2012

GLOBAL NOTE CERTIFICATE

1. **Introduction:** This Global Note Certificate is issued in respect of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “Notes”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement dated 20 March 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.
2. **References to Conditions:** Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes attached hereto and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.
3. **Registered holder:** This is to certify that:

BT Globenet Nominees Limited

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder (the “**Holder**”) of:

EUR 2,000,000,000
(TWO BILLION EURO)

in aggregate principal amount of Notes.

4. **Promise to pay:** The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2012 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.
5. **Exchange for Individual Note Certificates:** This Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual

note certificates (“**Individual Note Certificates**”) in substantially the form (subject to completion) set out in Schedule 2 (*Form of Individual Note Certificate*) to the Agency Agreement if any of the following events occurs:

- (a) Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Such exchange shall be effected in accordance with paragraph 7 (*Delivery of Unrestricted Individual Note Certificates*) below. The Issuer shall notify the Holder of the occurrence of any of the events specified in (a) and (b) as soon as practicable thereafter.

6. Failure to deliver Individual Note Certificates or to pay: If

- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with paragraph 7 (*Delivery of Individual Note Certificates*) below; or
- (b) any of the Notes evidenced by this Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder on the due date for payment in accordance with the terms of this Global Note Certificate,
- (c) then this Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 pm (London time) on such thirtieth day (in the case of (a)) or at 5.00 pm (London time) on such due date (in the case of (b)) and the Holder will have no further rights hereunder.

- 7. Delivery of Individual Note Certificates:** Whenever this Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Note Certificate within five business days of the delivery, by or on behalf of the Holder, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of this Global Note Certificate at the Specified Office (as defined in the Agency Agreement) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with

such exchange. In this paragraph, “business day” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

8. **Conditions apply:** Save as otherwise provided herein, the Holder of this Global Note Certificate shall have the benefit of, and be subject to, the Conditions and, for the purposes of this Global Note Certificate, any reference in the Conditions to “Note Certificate” or “Note Certificates” shall, except where the context otherwise requires, be construed so as to include this Global Note Certificate.
9. **Notices:** Notwithstanding Condition 14 (*Notices*), so long as this Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of Notes represented by this Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.
10. **Determination of entitlement:** This Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Global Note Certificate.
11. **Authentication:** This Global Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.
12. **Governing law:** This Global Note Certificate is governed by, and shall be construed in accordance with, the laws of the State of New York.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED on 20 March 2008

**AUTHENTICATED for and on behalf of
DEUTSCHE BANK LUXEMBOURG, S.A.**

as registrar without recourse, warranty
or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED BT Globenet Nominees Limited, being the registered holder of this Global Note Certificate, hereby transfers to _____ of _____, EUR _____ in principal amount of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(duly authorised)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Global Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

PART B
FORM OF GLOBAL NOTE CERTIFICATE FOR THE 2015 FIXED RATE NOTES

ISIN: XS0353181190

KRAFT FOODS INC.
(incorporated under the laws of the Commonwealth of Virginia)

EUR 850,000,000
6.25 per cent. Notes due 2015

GLOBAL NOTE CERTIFICATE

1. **Introduction:** This Global Note Certificate is issued in respect of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement dated 20 March 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.
2. **References to Conditions:** Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes attached hereto and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.
3. **Registered holder:** This is to certify that:

BT Globenet Nominees Limited

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder (the “**Holder**”) of:

EUR 850,000,000
(EIGHT HUNDRED AND FIFTY MILLION EURO)

in aggregate principal amount of Notes.

4. **Promise to pay:** The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2015 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.
5. **Exchange for Individual Note Certificates:** This Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual note certificates (“**Individual Note Certificates**”) in substantially the form (subject to completion) set out in Schedule 2 (*Form of Individual Note Certificate*) to the Agency Agreement if any of the following events occurs:
 - (a) Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.

Such exchange shall be effected in accordance with paragraph 7 (*Delivery of Unrestricted Individual Note Certificates*) below. The Issuer shall notify the Holder of the occurrence of any of the events specified in (a) and (b) as soon as practicable thereafter.

6. **Failure to deliver Individual Note Certificates or to pay:** If

(a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with paragraph 7 (*Delivery of Individual Note Certificates*) below; or

(b) any of the Notes evidenced by this Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder on the due date for payment in accordance with the terms of this Global Note Certificate,

then this Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 pm (London time) on such thirtieth day (in the case of (a)) or at 5.00 pm (London time) on such due date (in the case of (b)) and the Holder will have no further rights hereunder.

7. **Delivery of Individual Note Certificates:** Whenever this Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Note Certificate within five business days of the delivery, by or on behalf of the Holder, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Note Certificate at the Specified Office (as defined in the Agency Agreement) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

8. **Conditions apply:** Save as otherwise provided herein, the Holder of this Global Note Certificate shall have the benefit of, and be subject to, the Conditions and, for the purposes of this Global Note Certificate, any reference in the Conditions to “**Note Certificate**” or “**Note Certificates**” shall, except where the context otherwise requires, be construed so as to include this Global Note Certificate.
9. **Notices:** Notwithstanding Condition 14 (*Notices*), so long as this Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Holders of Notes represented by this Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.
10. **Determination of entitlement:** This Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Global Note Certificate.
11. **Authentication:** This Global Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.
12. **Governing law:** This Global Note Certificate is governed by, and shall be construed in accordance with, the laws of the State of New York.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED on 20 March 2008

**AUTHENTICATED for and on behalf of
DEUTSCHE BANK LUXEMBOURG, S.A.**
as registrar without recourse, warranty or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED BT Globenet Nominees Limited, being the registered holder of this Global Note Certificate, hereby transfers to _____ of _____, EUR _____ in principal amount of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(*duly authorised*)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Global Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

**SCHEDULE 2
FORMS OF INDIVIDUAL NOTE CERTIFICATES**

**PART A
FORM OF INDIVIDUAL NOTE CERTIFICATE FOR THE 2012 FIXED RATE NOTES**

Serial Number: _____

KRAFT FOODS INC.
(incorporated under the laws of the Commonwealth of Virginia)

**EUR 2,000,000,000
5.75 per cent. Notes due 2012**

This Note Certificate is issued in respect of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 20 March 2008 and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.

Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes endorsed hereon and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.

This is to certify that:

of _____

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder or, if more than one person is so registered, the first-named of such persons (the “**Holder**”) of:

EUR _____

(_____ EURO)

in aggregate principal amount of the Notes.

The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2012 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

This Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Note Certificate.

This Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED as of 20 March 2008

AUTHENTICATED for and on behalf of
DEUTSCHE BANK LUXEMBOURG, S.A.
as registrar without recourse, warranty or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED _____, being the registered holder of this Note Certificate, hereby transfers to _____ of _____ EUR _____ in principal amount of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(duly authorised)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or any integral multiple of EUR 1,000 in excess thereof.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

PART B
FORM OF INDIVIDUAL NOTE CERTIFICATE FOR THE 2015 FIXED RATE NOTES

Serial Number: _____

KRAFT FOODS INC.
(incorporated under the laws of the Commonwealth of Virginia)

EUR 850,000,000
6.25 per cent. Notes due 2015

This Note Certificate is issued in respect of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 20 March 2008 and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.

Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes endorsed hereon and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.

This is to certify that:

of _____

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder or, if more than one person is so registered, the first-named of such persons (the “**Holder**”) of:

EUR _____

(_____ EURO)

in aggregate principal amount of the Notes.

The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2015 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

This Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Note Certificate.

This Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED as of 20 March 2008

AUTHENTICATED for and on behalf of
DEUTSCHE BANK LUXEMBOURG, S.A.
as registrar without recourse, warranty or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED _____, being the registered holder of this Note Certificate, hereby transfers to _____ of _____ EUR _____ in principal amount of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(*duly authorised*)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or any integral multiple of EUR 1,000 in excess thereof.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

SCHEDULE 3
TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions (the “**Conditions**” and any reference to a “**Condition**” shall be construed accordingly) of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The EUR 2,000,000,000 5.75% Notes due 2012 (the “**2012 Fixed Rate Notes**”), and the EUR 850,000,000 6.25% Fixed Rate Notes due 2015 (the “**2015 Fixed Rate Notes**”, and together with the 2012 Fixed Rate Notes, the “**Notes**”, which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming, as the case may be, a single series therewith) of Kraft Foods Inc. (the “**Issuer**”) are the subject of a fiscal agency agreement dated March 20, 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “**Agents**” are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement subject to its detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents. The initial Specified Offices are set out below.

In these Conditions reference to “**€**”, “**EUR**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

1. Form, Denomination and Status

- (a) *Form and denomination*: The Notes are in registered form in the denominations of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status*: The Notes constitute senior, unsubordinated, unconditional and, subject as described in Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any

Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate in an amount equal to the principal amount of the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that none of the Subsidiaries will, create, assume, incur or suffer to be created, assumed or incurred any Security Interest to secure any indebtedness for borrowed money upon (i) any shares of Capital Stock issued by any Subsidiary that owns any Principal Facility to the extent such shares are owned by the Issuer or one or more Subsidiaries, or (ii) any Principal Facility, in either case without at the same time or prior thereto securing the Notes equally and rateably therewith *provided, however, that* the restrictions contained in this Condition 3 shall not be applicable to the following:

- (i) in the case of a Principal Facility, any Security Interest incurred in connection with the issuance by a state or political subdivision thereof of any securities the interest on which is exempt from United States federal income taxes by virtue of Section 103 of the United States Internal Revenue Code of 1986 or any other laws or regulations in effect at the time of such issuance;
- (ii) any Security Interest existing on March 20, 2008;
- (iii) any Security Interest on property or shares of Capital Stock existing when acquired by the Issuer or any Subsidiary (including acquisition through merger, share exchange or consolidation) or securing the payment of all or part of the purchase price, construction or improvement thereof incurred prior to, at the time of, or within 180 days after, the later of the acquisition, completion of construction or improvement or commencement of full operation of such property for the purpose of financing all or a portion of such purchase or construction or improvement; or
- (iv) any Security Interest for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any Security Interest referred to in paragraphs (i) to (iii) (inclusive) above or in this paragraph (iv); *provided, however, that* the principal amount of the indebtedness secured thereby shall not exceed the principal amount of the indebtedness

so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Security Interest so extended, renewed or replaced (plus improvements on such property).

Notwithstanding any provision of this Condition 3, the Issuer and/or any of the Subsidiaries may create or permit to subsist any Security Interest which would otherwise be prohibited by this Condition 3, provided that the indebtedness secured thereby does not at the time exceed the greater of 10% of Consolidated Capitalisation or 10% of Consolidated Net Tangible Assets.

In these Conditions:

“**Capital Stock**” of any Person means shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) the equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity;

“**Consolidated Capitalisation**” means the total of all of the assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries, less the following:

(i) current liabilities, including liabilities for indebtedness maturing more than 12 months from the date of the original creation thereof, but maturing within 12 months from the date of such consolidated balance sheet; and

(ii) deferred income tax liabilities appearing on such consolidated balance sheet;

“**Consolidated Net Tangible Assets**” means the excess over current liabilities of all assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries less goodwill and other intangible assets and the minority interests of others in Subsidiaries, all as appearing on such balance sheet;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Facility**” means all real property located within the United States and constituting part of any manufacturing plant or distribution facility owned and operated by the Issuer or any Subsidiary, together with such manufacturing plant or distribution facility, including all plumbing, electrical, ventilating, heating, cooling, lighting and other utility systems, ducts and pipes attached to or constituting a part thereof; *provided, however, that* such term shall not include trade fixtures (unless such trade fixtures are attached to the manufacturing plant or distribution facility in a manner that does not permit removal therefrom without causing substantial damage thereto), business machinery, equipment, motorised vehicles, tools, supplies and materials, security systems, cameras, inventory and other personal property and materials, and *provided further, however, that* such term shall not include any particular manufacturing plant or distribution facility as of any particular date unless the net book value thereof included in the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries exceeds 0.25% of Consolidated Capitalisation;

“**Security Interest**” means any mortgage, charge, pledge, lien, encumbrance or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means any corporation of which at least a majority of all outstanding stock or other interests having ordinary voting power in the election of directors, managers or trustees (without regard to the occurrence of any contingency) thereof is at the time, directly or indirectly, owned or controlled by the Issuer.

4. Interest

The Notes bear interest from and including March 20, 2008 (the “**Issue Date**”) at the rate of 5.75% per annum, in the case of 2012 Fixed Rate Notes (the “**2012 Fixed Rate of Interest**”) and 6.25% in the case of 2015 Fixed Rate Notes (the “**2015 Fixed Rate of Interest**”) in each case payable in arrear on March 20 in each year (each, a “**Fixed Rate Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Fixed Rate Interest Payment Date shall be EUR 57.50 in respect of each EUR 1,000 principal amount of the 2012 Fixed Rate Note and EUR 62.50 in respect of each EUR 1,000 principal amount of the 2015 Fixed Rate Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the 2012 Fixed Rate of Interest or the 2015 Fixed Rate of Interest, as applicable, to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

“**Calculation Amount**” means EUR 1,000;

“**Calculation Period**” means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period;

“**Day Count Fraction**” means:

- (i) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period divided by the number of days in such Regular Period; and
- (ii) if the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the number of days in such Regular Period; and
 - (B) the number of days in such Calculation Period falling in the next Regular Period divided by the number of days in such Regular Period;

“**Regular Date**” means March 20 in any year; and

“**Regular Period**” means each period from (and including) any Regular Date to (but excluding) the next Regular Date.

5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on March 20, 2012, in the case of the 2012 Fixed Rate Notes, and on March 20, 2015 in the case of the 2015 Fixed Rate Notes, in each case subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws, regulations or rulings of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment becomes effective on or after March 18, 2008, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; or

(ii) on or after March 18, 2008, any action is taken by a taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision of or in the United States, including any of those actions specified in Condition 5(b)(i), whether or not such action was taken or decision was rendered with respect to the Issuer, or any change, amendment, application or interpretation is officially proposed, which, in any such case, in the written opinion of independent legal counsel of recognised standing, will result in a material probability that the Issuer will become obliged to pay additional amounts with respect to the Notes, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred,

and the Issuer, in its business judgement, determines that such obligations cannot be avoided by the Issuer taking reasonable measures available to it. However, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption upon a Change of Control Triggering Event*: If a Change of Control Triggering Event occurs, unless the Issuer has otherwise exercised its right to redeem the Notes in accordance with Condition 5(b) (*Redemption for tax reasons*), each Noteholder shall have the right to require the Issuer to repurchase all or any part (equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof) of its Notes pursuant to the offer described below (the “**Change of Control Offer**”) on the terms set forth in the Conditions.

In the Change of Control Offer, the Issuer shall be required to offer payment in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase (the “**Change of Control Payment**”). Within 30 days following any Change of Control Triggering Event, the Issuer shall be required to deliver a notice to the Noteholders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered (the “**Change of Control Payment Date**”), pursuant to the procedures required by the Notes and described in such notice. The Issuer shall comply with the requirements of Rule 14e-1 under the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Notes, the Issuer shall be required to comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these Conditions by virtue of any such conflict.

On the Change of Control Payment Date, the Issuer shall be required, to the extent lawful, to:

- (i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (iii) deliver or cause to be delivered to the Fiscal Agent the Notes properly accepted together with an officers’ certificate stating the aggregate principal amount of the Notes or portions of the Notes being purchased.

The Paying Agent will promptly provide to each Noteholder the purchase price for the Notes properly tendered and deliver (or cause to be transferred by book-entry) to each Noteholder a new Individual Note Certificate (promptly authenticated) equal in principal amount to any unpurchased portion of any Individual Note Certificate surrendered; *provided that* each new Individual Note Certificate will be in a minimum principal amount of EUR 50,000 or such amount and integral multiples of EUR 1,000 in excess thereof.

The Issuer shall not be required to make an offer to repurchase the Notes upon a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and such third party purchases all Notes properly tendered and not withdrawn under its offer.

In this Condition 5(c) the following expressions have the following meanings:

“Below Investment Grade Rating Event” means the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies); *provided that* a below investment grade rating event otherwise arising by virtue of a particular grade rating event for purposes of the definition of Change of Control Triggering Event hereunder) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Noteholders in writing at their request that the reduction was the result, in whole or in part, of any event or circumstance comprising or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the below investment grade rating event).

“Board of Directors” means the board of directors of the Issuer.

“Change of Control” means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries taken as a whole to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**) other than the Issuer or one of its subsidiaries; (2) the approval by the holders of the Issuer’s common stock of any plan or proposal for the liquidation or dissolution of the Issuer; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person or Group becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of the Issuer’s voting stock; or (4) the first day on which a majority of the members of the Board of Directors are not Continuing Directors.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Continuing Directors” means, as of any date of determination, any member of the Board of Directors who (1) was a member of such Board of Directors on the date of the issuance of the notes; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election (either by a specific vote or by approval of the Issuer’s proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

“Fitch” means Fitch Ratings.

“Investment Grade Rating” means a rating equal to or higher than BBB – (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody’s and BBB – (or the equivalent) by S&P, respectively.

“Moody’s” means Moody’s Investors Service, Inc.

“Person” means any individual, firm, corporation, partnership, association, joint venture, tribunal, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation and includes a “person” as used in Section 13(d)(3) of the United States Securities Exchange Act of 1934.

“Rating Agencies” means (1) each of Fitch, Moody’s and S&P; and (2) if any of Fitch, Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons

outside of the Issuer's control, a "nationally recognised statistical rating organisation" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the United States Securities Exchange Act of 1934, selected by the Issuer (as certified by a resolution of the Board of Directors) as a replacement agency for Fitch, Moody's or S&P, or all of them, as the case may be.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption upon a Change of Control Triggering Event*) above.
- (e) *Purchase*: The Issuer or any Subsidiary may at any time purchase Notes in the open market or otherwise and at any price.
- (f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any Subsidiary shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system (the "**TARGET System**") and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(a), as long as the Notes are held in global form, payments of principal shall be made through Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") or any other relevant clearing system.
- (b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(b), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph "**business day**" means:
 - (i) a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorised or required by law, regulation or executive order to close in New York; and

- (ii) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and
- (iii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed); and
- (iv) a day on which the TARGET System is open, such day being a “**Target Settlement Day**”.

Notwithstanding this Condition 6(d), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.

- (e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

All payments of principal and interest in respect of a Note by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay to the beneficial owner of a Note such additional amounts as may be necessary to ensure that every net payment on such Note, after such withholding or deduction, will not be less than the amount provided in such Note to be then due and payable. However, no additional amounts shall be payable in respect of any Note if the beneficial owner is subject to taxation solely for reasons other than its ownership of the Note, nor shall additional amounts be payable for or on account of:

- (i) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a beneficial owner of a Note) between the beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) of a Note and the United States, including, without limitation, such beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, partner, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof; or
- (ii) any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) any withholding or deduction if such withholding or deduction could have been avoided by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

- (iv) any tax, assessment or other governmental charge which would not have been imposed if the relevant Note Certificate were presented or, as the case may be, surrendered for payment within 30 days after the Relevant Date except to the extent that the beneficial owner would have been entitled to such additional amounts if it had presented or, as the case may be, surrendered the relevant Note Certificate on the last day of such period of 30 days; or
- (v) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign private foundation or other foreign tax-exempt organisation, or being a corporation that accumulates earnings to avoid United States federal income tax; or
- (vi) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) (1) being or having been present in, or engaged in a trade or business in, the United States, (2) being treated as having been present in, or engaged in a trade or business in, the United States, or (3) having or having had a permanent establishment in the United States; or
- (vii) any tax, assessment or other governmental charge that is payable by any method other than withholding or deduction by the Issuer or any Paying Agent from payments in respect of such Note; or
- (viii) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge; or
- (ix) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later; or
- (x) any tax, assessment or other governmental charge that is imposed as a result of the failure of the Holder or beneficial owner of such Note to comply with a request to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of such Note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- (xi) any tax, assessment or other governmental charge that is imposed on a beneficial owner that (1) actually or constructively owns 10% or more of the total combined voting power of all of the Issuer's classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code"), (2) is a bank described in Section 881(c)(3)(A) of the Code or (3) is a controlled foreign corporation described in Section 881(c)(3)(C) of the Code; or
- (xii) any tax, assessment or other governmental charge that is imposed by reason of the failure of the beneficial owner to fulfil the statement requirements of Section 871(h) or Section 881(c) of the Code.

In addition, the Issuer will not pay additional amounts to a beneficial owner of a Note that is a fiduciary, partnership, limited liability company or other fiscally transparent entity, or to a beneficial owner of a Note that is not the sole beneficial owner of such Note, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the fiduciary, or a beneficial owner, partner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner, partner or member received directly its beneficial or distributive share of the payment. For purposes of this paragraph, the term "beneficial owner" includes any person holding a Note on behalf of or for the account of a beneficial owner.

In these Conditions, “**Relevant Date**” means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to (i) principal shall be deemed to include any amount (other than interest) which the Issuer may be required to offer to pay to repurchase the Notes pursuant to Condition 5(c) and (ii) principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

8. Events of Default

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 90 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Insolvency, etc.*: the Issuer commences any case or proceeding seeking to have an order for relief entered on its behalf as debtor or to adjudicate it as bankrupt or insolvent or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the Issuer applies for a receiver, custodian or trustee (other than any trustee appointed as a mortgagee or secured party in connection with the issuance of indebtedness for borrowed money of the Issuer) of it or for all or a substantial part of its property; or the Issuer makes a general assignment for the benefit of creditors; or the Issuer takes any corporate action in furtherance of any of the foregoing; or an involuntary case or other proceeding is commenced against the Issuer with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or similar official of it or any substantial part of its property; and such case or other proceeding (i) results in the entry of an order for relief or a similar order against it or (ii) continues unstayed and in effect for a period of 60 consecutive days; or
- (d) *Analogous event*: any event occurs which under the laws of the United States has an analogous effect to any of the events referred to in paragraph (c) (*Insolvency, etc.*) above;

then the Notes:

- (i) may, if such event constitutes an event described in paragraphs (a) (*Non-payment*) or (b) (*Breach of other obligations*) above, by written notice from the Holders of at least 25% in aggregate principal amount of the outstanding Notes addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality; or
- (ii) will, if such event constitutes an event described in paragraphs (c) (*Insolvency, etc.*) or (d) (*Analogous event*) above, become immediately due and payable at their principal amount together with accrued interest without further action or formality.

9. Prescription

Claims for principal and interest shall become void unless made within 10 years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and a registrar and (b) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend these proposals (each, a **“Reserved Matter”**)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. Notwithstanding this Condition 14, so long as the Notes are held in global form, notices to the Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or (as the case may be) any other relevant alternative clearing system.

15. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. Governing Law and Jurisdiction

- (a) *Governing law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, the laws of the State of New York.
- (b) *New York courts*: Any state or federal court sitting in the Borough of Manhattan, the City of New York shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (the “**Proceedings**”) may be brought in any such court.
- (c) *Waiver of jury trial*: The Issuer hereby waives (and the Agents have in the Agency Agreement waived) to the fullest extent permitted by applicable law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to the Agency Agreement or in the case of the Issuer any Note (whether based on contract, tort or any other theory). The Issuer hereby and each of the Agents in the Agency Agreement (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other party would not, in the event of Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to the Agency Agreement have been induced to enter into the Agency Agreement by, among other things, the mutual waivers and certifications in this paragraph.

SCHEDULE 4
PROVISIONS FOR MEETINGS OF THE NOTEHOLDERS

1. Definitions

In this Agreement and the Conditions, the following expressions have the following meanings:

“**Block Voting Instruction**” means, in relation to any Meeting, a document in the English language issued by the Registrar:

- (a) certifying:
 - (i) that certain specified Notes (“**Blocked Notes**”) have been blocked in an account with a clearing system and will not be released until the conclusion of the Meeting and that the holder of each Blocked Note or a duly authorised person on its behalf has instructed the Registrar that the votes attributable to such Blocked Note are to be cast in a particular way on each resolution to be put to the Meeting; and/or
 - (ii) that each registered Holder of certain specified Notes (“**Relevant Notes**”) has instructed the Registrar that the votes attributable to each Relevant Note held by it are to be cast in a particular way on each resolution to be put to the Meeting,and, in each case, that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (b) listing the total principal amount of the Blocked Notes and the Relevant Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (c) authorising a named individual or individuals to vote in respect of the Blocked Notes and the Relevant Notes in accordance with such instructions;

“**Chairman**” means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 8 (Chairman);

“**Extraordinary Resolution**” means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast;

“**Form of Proxy**” means, in relation to any Meeting, a document in the English language available from the Registrar signed by a Noteholder or, in the case of a corporation, executed under its seal or signed on its behalf by a duly authorised officer and delivered to the Registrar not later than 48 hours before the time fixed for such Meeting, appointing a named individual or individuals to vote in respect of the Notes held by such Noteholder;

“Meeting” means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

“Proxy” means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction or a Form of Proxy other than:

- (a) any such person whose appointment has been revoked and in relation to whom the Registrar has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

“Relevant Fraction” means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum, it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

“Reserved Matter” means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;
- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(e) to amend this definition;

“**Voter**” means, in relation to any Meeting (a) a Proxy or (b) (subject to paragraph 4 (*Record Date*)) a Noteholder; *provided, however, that* (subject to paragraph 4 (*Record Date*)) any Noteholder which has appointed a Proxy under a Block Voting Instruction or Form of Proxy shall not be a “**Voter**” except to the extent that such appointment has been revoked and the Registrar notified in writing of such revocation at least 48 hours before the time fixed for such Meeting;

“**Written Resolution**” means a resolution in writing signed by or on behalf of all Holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such Holders;

“**24 hours**” means a period of 24 hours including all or part of a day upon which banks are open for business in both the places where the relevant Meeting is to be held and in each of the places where the Agents have their Specified Offices (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

“**48 hours**” means 2 consecutive periods of 24 hours.

2. **Issue of Block Voting Instructions and Forms of Proxy**

The holder of an interest in a Note may require the Registrar to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar) for such Note to be blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder of a Note may require the Registrar to issue a Block Voting Instruction by delivering to the Registrar written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder of a Note may obtain an uncompleted and unexecuted Form of Proxy from the Registrar. A Block Voting Instruction shall be valid until the release of the Blocked Notes to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

3. **References to blocking/release of Notes**

Where Notes are represented by a Global Note Certificate and/or are held within a clearing system, references to the blocking or release of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

4. Validity of Block Voting Instructions and Forms of Proxy

Block Voting Instructions and Forms of Proxy shall be valid only if they are deposited at the Specified Office of the Registrar, or at some other place approved by the Registrar, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Registrar requires, a notarised copy of each Block Voting Instruction and Form of Proxy and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting. The Registrar shall not be obliged to investigate the validity of any Block Voting Instruction or Form of Proxy or the authority of any Proxy.

5. Record Date

The Issuer may fix a record date for the purposes of any Meeting or any resumption thereof following its adjournment for want of a quorum *provided that* such record date is not more than 10 days prior to the time fixed for such Meeting or (as the case may be) its resumption. The person in whose name a Note is registered in the Register on the record date at close of business in the city in which the Registrar has its Specified Office shall be deemed to be the Holder of such Note for the purposes of such Meeting and notwithstanding any subsequent transfer of such Note or entries in the Register.

6. Convening of Meeting

The Issuer may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.

7. Notice

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the Noteholders and the Registrar (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that Notes may be blocked in clearing systems for the purposes of appointing Proxies under Block Voting Instructions until 48 hours before the time fixed for the Meeting and that Noteholders may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or by executing and delivering a Form of Proxy to the Specified Office of the Registrar, in either case until 48 hours before the time fixed for the Meeting.

8. Chairman

An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair, failing which the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

9. Quorum

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding

Notes; *provided, however, that*, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by a Global Note Certificate or a single Individual Note Certificate, a single Voter appointed in relation thereto or being the Holder of the Notes represented thereby shall be deemed to be two Voters for the purpose of forming a quorum.

10. Adjournment for want of quorum

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines; *provided, however, that*:
 - (i) the Meeting shall be dissolved if the Issuer so decides; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.

11. Adjourned Meeting

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

12. Notice following adjournment

Paragraph 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum; *provided, however, that*:

- (a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

13. Participation

The following may attend and speak at a Meeting:

- (a) Voters;
- (b) representatives of the Issuer and the Registrar;
- (c) the financial advisers of the Issuer;
- (d) the legal counsel to the Issuer and the Registrar; and
- (e) any other person approved by the Meeting.

14. Show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution. Where there is only one Voter, this paragraph shall not apply and the resolution will immediately be decided by means of a poll.

15. Poll

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business as the Chairman directs.

16. Votes

Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, the number of votes obtained by dividing the aggregate principal amount of the outstanding Note(s) represented or held by him by the unit of currency in which the Notes are denominated.

In the case of a voting tie the Chairman shall have a casting vote.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

17. Validity of Votes by Proxies

Any vote by a Proxy in accordance with the relevant Form of Proxy or Block Voting Instruction shall be valid even if such Form of Proxy or (as the case may be) Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, *provided that* the Registrar has not been notified in writing of such amendment or revocation by the time which is 48 hours before the time fixed for the relevant Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction or Form of Proxy in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction or Form of Proxy to vote at the Meeting when it is resumed.

18. Powers

A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes ;
- (d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an Event of Default under the Notes;
- (e) to authorise the Registrar or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (f) to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and
- (g) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

19. Extraordinary Resolution binds all Noteholders

An Extraordinary Resolution shall be binding upon all Noteholders, whether or not present at such Meeting, and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

20. Minutes

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

21. Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

SCHEDULE 5
REGULATIONS CONCERNING TRANSFERS AND REGISTRATION OF NOTES

1. The Notes are in the denomination of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof. Notes may only be held in holdings in the aggregate principal amount of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof (each, an “**authorised holding**”).
2. Subject to paragraph 4 and paragraph 11 below, Notes may be transferred by execution of the relevant form of transfer under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing. Where the form of transfer is executed by an attorney or, in the case of a corporation, under seal or under the hand of two of its officers duly authorised in writing, a copy of the relevant power of attorney certified by a financial institution in good standing or a notary public or in such other manner as the Registrar may require or, as the case may be, copies certified in the manner aforesaid of the documents authorising such officers to sign and witness the affixing of the seal must be delivered with the form of transfer. In this Schedule, “**transferor**” shall, where the context permits or requires, include joint transferors and shall be construed accordingly.
3. The Note Certificate issued in respect of the Notes to be transferred must be surrendered for registration, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon, duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent, and together with such evidence as the Registrar or (as the case may be) the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. The signature of the person effecting a transfer of a Note shall conform to any list of duly authorised specimen signatures supplied by the Holder of such Note or be certified by a financial institution in good standing, notary public or in such other manner as the Registrar or such Transfer Agent may require.
4. No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.
5. No Noteholder which has executed a Form of Proxy in relation to a Meeting may require the transfer of a Note covered by such Form of Proxy to be registered until the earlier of the conclusion of the Meeting and its adjournment for want of a quorum.
6. The executors or administrators of a deceased Holder of a Note (not being one of several joint Holders) and, in the case of the death of one or more of several joint Holders, the survivor or survivors of such joint Holders, shall be the only persons recognised by the Issuer as having any title to such Note.

7. Any person becoming entitled to any Notes in consequence of the death or bankruptcy of the Holder of such Notes may, upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Registrar or the relevant Transfer Agent may require (including legal opinions), become registered himself as the Holder of such Notes or, subject to the provisions of these Regulations, the Notes and the Conditions as to transfer, may transfer such Notes. The Issuer, the Transfer Agents, the Registrar and the Paying Agents shall be at liberty to retain any amount payable upon the Notes to which any person is so entitled until such person is so registered or duly transfers such Notes.
8. Unless otherwise required by him and agreed by the Issuer and the Registrar, the Holder of any Notes shall be entitled to receive only one Note Certificate in respect of his holding.
9. The joint Holders of any Note shall be entitled to one Note Certificate only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint Holder whose name appears first in the Register in respect of the joint holding.
10. Where there is more than one transferee (to hold other than as joint Holders), separate forms of transfer (obtainable from the Specified Office of the Registrar or any Transfer Agent) must be completed in respect of each new holding.
11. A Holder of Notes may transfer all or part only of his holding of Notes *provided that* both the principal amount of Notes transferred and the principal amount of the balance not transferred are an Authorised Holding. Where a Holder of Notes has transferred part only of his holding of Notes, a new Note Certificate in respect of the balance of such holding will be delivered to him.
12. The Issuer, the Transfer Agent and the Registrar shall, save in the case of the issue of replacement Notes pursuant to Condition 11 (*Replacement of Note Certificates*), make no charge to the Holders for the registration of any holding of Notes or any transfer thereof or for the issue of any Notes or for the delivery thereof at the Specified Office of any Transfer Agent or the Registrar or by uninsured post to the address specified by the Holder, but such registration, transfer, issue or delivery shall be effected against such indemnity from the Holder or the transferee thereof as the Registrar or the relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such registration, transfer, issue or delivery.
13. Provided a transfer of a Note is duly made in accordance with all applicable requirements and restrictions upon transfer and the Note(s) transferred are presented to a Transfer Agent and/or the Registrar in accordance with the Agency Agreement and these Regulations, and subject to unforeseen circumstances beyond the control of such Transfer Agent or the Registrar arising, such Transfer Agent or the Registrar will, within five business days of the request for transfer being duly made, deliver at its Specified Office to the transferee or despatch by uninsured post (at the request and risk

of the transferee) to such address as the transferee entitled to the Notes in relation to which such Note Certificate is issued may have specified, a Note Certificate in respect of which entries have been made in the Register, all formalities complied with and the name of the transferee completed on the Note Certificate by or on behalf of the Registrar; and, for the purposes of this paragraph, “**business day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the cities in which the Registrar and (if applicable) the relevant Transfer Agent have their respective Specified Offices.

SCHEDULE 6
SPECIFIED OFFICES OF THE AGENTS

The Registrar:

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Fax: +352 473 136
Attention: Coupon Paying Department

The Fiscal Agent:

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
Fax: +44 20 7547 6149
Attention: Trust and Securities Services

The Transfer Agent:

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
Fax: +44 20 7547 6149
Attention: Trust and Securities Services

The Paying Agent:

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
Fax: +44 20 7547 6149
Attention: Trust and Securities Services

SIGNATURES

The Issuer

KRAFT FOODS INC.

By: /S/ TIMOTHY R. MCLEVISH

The Registrar

DEUTSCHE BANK LUXEMBOURG, S.A.

By: /S/ JOHN WOODGER

/S/ ROBERT BEBB

The Fiscal Agent

DEUTSCHE BANK AG, LONDON BRANCH

By: /S/ ROBERT BEBB

/S/ SUZIE SMITH

The Transfer Agent

DEUTSCHE BANK AG, LONDON BRANCH

By: /S/ ROBERT BEBB

/S/ SUZIE SMITH

The Paying Agent

DEUTSCHE BANK AG, LONDON BRANCH

By: /S/ ROBERT BEBB

/S/ SUZIE SMITH

ISIN: XS0353180465

KRAFT FOODS INC.
(incorporated under the laws of the Commonwealth of Virginia)

EUR 2,000,000,000
5.75 per cent. Notes due 2012

GLOBAL NOTE CERTIFICATE

1. **Introduction:** This Global Note Certificate is issued in respect of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement dated 20 March 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.
2. **References to Conditions:** Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes attached hereto and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.
3. **Registered holder:** This is to certify that:

BT Globenet Nominees Limited

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder (the “**Holder**”) of:

EUR 2,000,000,000
(TWO BILLION EURO)

in aggregate principal amount of Notes.

4. **Promise to pay:** The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2012 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.
5. **Exchange for Individual Note Certificates:** This Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual note certificates (“**Individual Note Certificates**”) in substantially the form (subject to completion) set out in Schedule 2 (*Form of Individual Note Certificate*) to the Agency Agreement if any of the following events occurs:
- (a) Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.
- Such exchange shall be effected in accordance with paragraph 7 (*Delivery of Unrestricted Individual Note Certificates*) below. The Issuer shall notify the Holder of the occurrence of any of the events specified in (a) and (b) as soon as practicable thereafter.
6. **Failure to deliver Individual Note Certificates or to pay:** If
- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with paragraph 7 (*Delivery of Individual Note Certificates*) below; or
 - (b) any of the Notes evidenced by this Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder on the due date for payment in accordance with the terms of this Global Note Certificate,
- then this Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 pm (London time) on such thirtieth day (in the case of (a)) or at 5.00 pm (London time) on such due date (in the case of (b)) and the Holder will have no further rights hereunder.
7. **Delivery of Individual Note Certificates:** Whenever this Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Note Certificate within five business days of the delivery, by or on behalf of the Holder, to the Registrar of such information as is required to complete and deliver such

Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Note Certificate at the Specified Office (as defined in the Agency Agreement) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

8. **Conditions apply:** Save as otherwise provided herein, the Holder of this Global Note Certificate shall have the benefit of, and be subject to, the Conditions and, for the purposes of this Global Note Certificate, any reference in the Conditions to "**Note Certificate**" or "**Note Certificates**" shall, except where the context otherwise requires, be construed so as to include this Global Note Certificate.
9. **Notices:** Notwithstanding Condition 14 (*Notices*), so long as this Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by this Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.
10. **Determination of entitlement:** This Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Global Note Certificate.
11. **Authentication:** This Global Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.
12. **Governing law:** This Global Note Certificate is governed by, and shall be construed in accordance with, the laws of the State of New York.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED on 20 March 2008

**AUTHENTICATED for and on behalf of DEUTSCHE
BANK LUXEMBOURG, S.A.**

as registrar without recourse, warranty or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED BT Globenet Nominees Limited, being the registered holder of this Global Note Certificate, hereby transfers to _____ of _____, EUR _____ in principal amount of the EUR 2,000,000,000 5.75 per cent. Notes due 2012 (the “Notes”) of Kraft Foods Inc. (the “Issuer”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(duly authorised)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Global Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof.

TERMS AND CONDITIONS OF THE NOTES

The EUR 2,000,000,000 5.75% Notes due 2012 (the “**2012 Fixed Rate Notes**”), and the EUR 850,000,000 6.25% Fixed Rate Notes due 2015 (the “**2015 Fixed Rate Notes**”), and together with the 2012 Fixed Rate Notes, the “**Notes**”, which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming, as the case may be, a single series therewith) of Kraft Foods Inc. (the “**Issuer**”) are the subject of a fiscal agency agreement dated March 20, 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “**Agents**” are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement subject to its detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents. The initial Specified Offices are set out below.

In these Conditions reference to “**€**”, “**EUR**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

1. Form, Denomination and Status

- (a) *Form and denomination*: The Notes are in registered form in the denominations of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status*: The Notes constitute senior, unsubordinated, unconditional and, subject as described in Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate in an amount equal to the principal amount of the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that none of the Subsidiaries will, create, assume, incur or suffer to be created, assumed or incurred any Security Interest to secure any indebtedness for borrowed money upon (i) any shares of Capital Stock issued by any Subsidiary that owns any Principal Facility to the extent such shares are owned by the Issuer or one or more Subsidiaries, or (ii) any Principal Facility, in either case without at the same time or prior thereto securing the Notes equally and rateably therewith *provided, however, that* the restrictions contained in this Condition 3 shall not be applicable to the following:

- (i) in the case of a Principal Facility, any Security Interest incurred in connection with the issuance by a state or political subdivision thereof of any securities the interest on which is exempt from United States federal income taxes by virtue of Section 103 of the United States Internal Revenue Code of 1986 or any other laws or regulations in effect at the time of such issuance;
- (ii) any Security Interest existing on March 20, 2008;
- (iii) any Security Interest on property or shares of Capital Stock existing when acquired by the Issuer or any Subsidiary (including acquisition through merger, share exchange or consolidation) or securing the payment of all or part of the purchase price, construction or improvement thereof incurred prior to, at the time of, or within 180 days after, the later of the acquisition, completion of construction or improvement or commencement of full operation of such property for the purpose of financing all or a portion of such purchase or construction or improvement; or
- (iv) any Security Interest for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any Security Interest referred to in paragraphs (i) to (iii) (inclusive) above or in this paragraph (iv); *provided, however, that* the principal amount of the indebtedness secured thereby shall not exceed the principal amount of the indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Security Interest so extended, renewed or replaced (plus improvements on such property).

Notwithstanding any provision of this Condition 3, the Issuer and/or any of the Subsidiaries may create or permit to subsist any Security Interest which would otherwise be prohibited by this Condition 3, provided that the indebtedness secured thereby does not at the time exceed the greater of 10% of Consolidated Capitalisation or 10% of Consolidated Net Tangible Assets.

In these Conditions:

“**Capital Stock**” of any Person means shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) the equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity;

“**Consolidated Capitalisation**” means the total of all of the assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries, less the following:

(i) current liabilities, including liabilities for indebtedness maturing more than 12 months from the date of the original creation thereof, but maturing within 12 months from the date of such consolidated balance sheet; and

(ii) deferred income tax liabilities appearing on such consolidated balance sheet;

“**Consolidated Net Tangible Assets**” means the excess over current liabilities of all assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries less goodwill and other intangible assets and the minority interests of others in Subsidiaries, all as appearing on such balance sheet;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Facility**” means all real property located within the United States and constituting part of any manufacturing plant or distribution facility owned and operated by the Issuer or any Subsidiary, together with such manufacturing plant or distribution facility, including all plumbing, electrical, ventilating, heating, cooling, lighting and other utility systems, ducts and pipes attached to or constituting a part thereof; *provided, however, that* such term shall not include trade fixtures (unless such trade fixtures are attached to the manufacturing plant or distribution facility in a manner that does not permit removal therefrom without causing substantial damage thereto), business machinery, equipment, motorised vehicles, tools, supplies and materials, security systems, cameras, inventory and other personal property and materials, and *provided further, however, that* such term shall not include any particular manufacturing plant or distribution facility as of any particular date unless the net book value thereof included in the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries exceeds 0.25% of Consolidated Capitalisation;

“**Security Interest**” means any mortgage, charge, pledge, lien, encumbrance or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means any corporation of which at least a majority of all outstanding stock or other interests having ordinary voting power in the election of directors, managers or trustees (without regard to the occurrence of any contingency) thereof is at the time, directly or indirectly, owned or controlled by the Issuer.

4. **Interest**

The Notes bear interest from and including March 20, 2008 (the “**Issue Date**”) at the rate of 5.75% per annum, in the case of 2012 Fixed Rate Notes (the “**2012 Fixed Rate of Interest**”) and 6.25% in the case of 2015 Fixed Rate Notes (the “**2015 Fixed Rate of Interest**”) in each case payable in arrear on March 20 in each year (each, a “**Fixed Rate Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Fixed Rate Interest Payment Date shall be EUR 57.50 in respect of each EUR 1,000 principal amount of the 2012 Fixed Rate Note and EUR 62.50 in respect of each EUR 1,000 principal amount of the 2015 Fixed Rate Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the 2012 Fixed Rate of Interest or the 2015 Fixed Rate of Interest, as applicable, to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

“**Calculation Amount**” means EUR 1,000;

“**Calculation Period**” means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period;

“**Day Count Fraction**” means:

- (i) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period divided by the number of days in such Regular Period; and
- (ii) if the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the number of days in such Regular Period; and
 - (B) the number of days in such Calculation Period falling in the next Regular Period divided by the number of days in such Regular Period;

“**Regular Date**” means March 20 in any year; and

“**Regular Period**” means each period from (and including) any Regular Date to (but excluding) the next Regular Date.

5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on March 20, 2012, in the case of the 2012 Fixed Rate Notes, and on March 20, 2015 in the case of the 2015 Fixed Rate Notes, in each case subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws, regulations or rulings of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment becomes effective on or after March 18, 2008, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; or
 - (ii) on or after March 18, 2008, any action is taken by a taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision of or in the United States, including any of those actions specified in Condition 5(b)(i), whether or not such action was taken or decision was rendered with respect to the Issuer, or any change, amendment, application or interpretation is officially proposed, which,

in any such case, in the written opinion of independent legal counsel of recognised standing, will result in a material probability that the Issuer will become obliged to pay additional amounts with respect to the Notes, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred,

and the Issuer, in its business judgement, determines that such obligations cannot be avoided by the Issuer taking reasonable measures available to it. However, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption upon a Change of Control Triggering Event*: If a Change of Control Triggering Event occurs, unless the Issuer has otherwise exercised its right to redeem the Notes in accordance with Condition 5(b) (*Redemption for tax reasons*), each Noteholder shall have the right to require the Issuer to repurchase all or any part (equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof) of its Notes pursuant to the offer described below (the “**Change of Control Offer**”) on the terms set forth in the Conditions.

In the Change of Control Offer, the Issuer shall be required to offer payment in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase (the “**Change of Control Payment**”). Within 30 days following any Change of Control Triggering Event, the Issuer shall be required to deliver a notice to the Noteholders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered (the “**Change of Control Payment Date**”), pursuant to the procedures required by the Notes and described in such notice. The Issuer shall comply with the requirements of Rule 14e-1 under the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Notes, the Issuer shall be required to comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these Conditions by virtue of any such conflict.

On the Change of Control Payment Date, the Issuer shall be required, to the extent lawful, to:

- (i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (iii) deliver or cause to be delivered to the Fiscal Agent the Notes properly accepted together with an officers’ certificate stating the aggregate principal amount of the Notes or portions of the Notes being purchased.

The Paying Agent will promptly provide to each Noteholder the purchase price for the Notes properly tendered and deliver (or cause to be transferred by book-entry) to each Noteholder a new Individual Note Certificate (promptly authenticated) equal in principal amount to any unpurchased portion of any Individual Note Certificate surrendered; *provided that* each new Individual Note Certificate will be in a minimum principal amount of EUR 50,000 or such amount and integral multiples of EUR 1,000 in excess thereof.

The Issuer shall not be required to make an offer to repurchase the Notes upon a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and such third party purchases all Notes properly tendered and not withdrawn under its offer.

In this Condition 5(c) the following expressions have the following meanings:

“Below Investment Grade Rating Event” means the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies); *provided that* a below investment grade rating event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a below investment grade rating event for purposes of the definition of Change of Control Triggering Event hereunder) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Noteholders in writing at their request that the reduction was the result, in whole or in part, of any event or circumstance comprising or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the below investment grade rating event).

“Board of Directors” means the board of directors of the Issuer.

“Change of Control” means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries taken as a whole to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**) other than the Issuer or one of its subsidiaries; (2) the approval by the holders of the Issuer’s common stock of any plan or proposal for the liquidation or dissolution of the Issuer; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person or Group becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of the Issuer’s voting stock; or (4) the first day on which a majority of the members of the Board of Directors are not Continuing Directors.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Continuing Directors” means, as of any date of determination, any member of the Board of Directors who (1) was a member of such Board of Directors on the date of the issuance of the notes; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election (either by a specific vote or by approval of the Issuer’s proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

“Fitch” means Fitch Ratings.

“Investment Grade Rating” means a rating equal to or higher than BBB – (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody’s and BBB – (or the equivalent) by S&P, respectively.

“Moody’s” means Moody’s Investors Service, Inc.

“Person” means any individual, firm, corporation, partnership, association, joint venture, tribunal, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation and includes a “person” as used in Section 13(d)(3) of the United States Securities Exchange Act of 1934.

“Rating Agencies” means (1) each of Fitch, Moody’s and S&P; and (2) if any of Fitch, Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Issuer’s control, a “nationally recognised statistical rating organisation” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the United States Securities Exchange Act of 1934, selected by the Issuer (as certified by a resolution of the Board of Directors) as a replacement agency for Fitch, Moody’s or S&P, or all of them, as the case may be.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption upon a Change of Control Triggering Event*) above.
- (e) *Purchase*: The Issuer or any Subsidiary may at any time purchase Notes in the open market or otherwise and at any price.
- (f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any Subsidiary shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system (the “**TARGET System**”) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(a), as long as the Notes are held in global form, payments of principal shall be made through Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) or any other relevant clearing system.
- (b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(b), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph “**business day**” means:
 - (i) a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorised or required by law, regulation or executive order to close in New York; and
 - (ii) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and
 - (iii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed); and

(iv) a day on which the TARGET System is open, such day being a “**Target Settlement Day**”.

Notwithstanding this Condition 6(d), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

All payments of principal and interest in respect of a Note by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay to the beneficial owner of a Note such additional amounts as may be necessary to ensure that every net payment on such Note, after such withholding or deduction, will not be less than the amount provided in such Note to be then due and payable. However, no additional amounts shall be payable in respect of any Note if the beneficial owner is subject to taxation solely for reasons other than its ownership of the Note, nor shall additional amounts be payable for or on account of:

- (i) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a beneficial owner of a Note) between the beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) of a Note and the United States, including, without limitation, such beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, partner, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof; or
- (ii) any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) any withholding or deduction if such withholding or deduction could have been avoided by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or
- (iv) any tax, assessment or other governmental charge which would not have been imposed if the relevant Note Certificate were presented or, as the case may be, surrendered for payment within 30 days after the Relevant Date except to the extent that the beneficial owner would have been entitled to such additional amounts if it had presented or, as the case may be, surrendered the relevant Note Certificate on the last day of such period of 30 days; or
- (v) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such

beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign private foundation or other foreign tax-exempt organisation, or being a corporation that accumulates earnings to avoid United States federal income tax; or

- (vi) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) (1) being or having been present in, or engaged in a trade or business in, the United States, (2) being treated as having been present in, or engaged in a trade or business in, the United States, or (3) having or having had a permanent establishment in the United States; or
- (vii) any tax, assessment or other governmental charge that is payable by any method other than withholding or deduction by the Issuer or any Paying Agent from payments in respect of such Note; or
- (viii) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge; or
- (ix) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later; or
- (x) any tax, assessment or other governmental charge that is imposed as a result of the failure of the Holder or beneficial owner of such Note to comply with a request to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of such Note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- (xi) any tax, assessment or other governmental charge that is imposed on a beneficial owner that (1) actually or constructively owns 10% or more of the total combined voting power of all of the Issuer's classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), (2) is a bank described in Section 881(c)(3)(A) of the Code or (3) is a controlled foreign corporation described in Section 881(c)(3)(C) of the Code; or
- (xii) any tax, assessment or other governmental charge that is imposed by reason of the failure of the beneficial owner to fulfil the statement requirements of Section 871(h) or Section 881(c) of the Code.

In addition, the Issuer will not pay additional amounts to a beneficial owner of a Note that is a fiduciary, partnership, limited liability company or other fiscally transparent entity, or to a beneficial owner of a Note that is not the sole beneficial owner of such Note, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the fiduciary, or a beneficial owner, partner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner, partner or member received directly its beneficial or distributive share of the payment. For purposes of this paragraph, the term "beneficial owner" includes any person holding a Note on behalf of or for the account of a beneficial owner.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to (i) principal shall be deemed to include any amount (other than interest) which the Issuer may be required to offer to pay to repurchase the Notes pursuant to Condition 5(c) and (ii) principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

8. Events of Default

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 90 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Insolvency, etc.*: the Issuer commences any case or proceeding seeking to have an order for relief entered on its behalf as debtor or to adjudicate it as bankrupt or insolvent or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the Issuer applies for a receiver, custodian or trustee (other than any trustee appointed as a mortgagee or secured party in connection with the issuance of indebtedness for borrowed money of the Issuer) of it or for all or a substantial part of its property; or the Issuer makes a general assignment for the benefit of creditors; or the Issuer takes any corporate action in furtherance of any of the foregoing; or an involuntary case or other proceeding is commenced against the Issuer with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or similar official of it or any substantial part of its property; and such case or other proceeding (i) results in the entry of an order for relief or a similar order against it or (ii) continues unstayed and in effect for a period of 60 consecutive days; or
- (d) *Analogous event*: any event occurs which under the laws of the United States has an analogous effect to any of the events referred to in paragraph (c) (*Insolvency, etc.*) above;

then the Notes:

- (i) may, if such event constitutes an event described in paragraphs (a) (*Non-payment*) or (b) (*Breach of other obligations*) above, by written notice from the Holders of at least 25% in aggregate principal amount of the outstanding Notes addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality; or
- (ii) will, if such event constitutes an event described in paragraphs (c) (*Insolvency, etc.*) or (d) (*Analogous event*) above, become immediately due and payable at their principal amount together with accrued interest without further action or formality.

9. Prescription

Claims for principal and interest shall become void unless made within 10 years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and a registrar and (b) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend these proposals (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall

be deemed to have been given on the fourth day after the date of mailing. Notwithstanding this Condition 14, so long as the Notes are held in global form, notices to the Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or (as the case may be) any other relevant alternative clearing system.

15. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, the laws of the State of New York.
- (b) *New York courts:* Any state or federal court sitting in the Borough of Manhattan, the City of New York shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (the “**Proceedings**”) may be brought in any such court.
- (c) *Waiver of jury trial:* The Issuer hereby waives (and the Agents have in the Agency Agreement waived) to the fullest extent permitted by applicable law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to the Agency Agreement or in the case of the Issuer any Note (whether based on contract, tort or any other theory). The Issuer hereby and each of the Agents in the Agency Agreement (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other party would not, in the event of Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to the Agency Agreement have been induced to enter into the Agency Agreement by, among other things, the mutual waivers and certifications in this paragraph.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

ISIN: XS0353181190

KRAFT FOODS INC.*(incorporated under the laws of the Commonwealth of Virginia)***EUR 850,000,000****6.25 per cent. Notes due 2015****GLOBAL NOTE CERTIFICATE**

1. **Introduction:** This Global Note Certificate is issued in respect of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”). The Notes are the subject of an agency agreement dated 20 March 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) and made between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent and the other paying agents and the transfer agents named therein.
2. **References to Conditions:** Any reference herein to the “**Conditions**” is to the terms and conditions of the Notes attached hereto and any reference to a numbered “**Condition**” is to the correspondingly numbered provision thereof.
3. **Registered holder:** This is to certify that:

BT Globenet Nominees Limited

is the person registered in the register maintained by the Registrar in relation to the Notes (the “**Register**”) as the duly registered holder (the “**Holder**”) of:

EUR 850,000,000

(EIGHT HUNDRED AND FIFTY MILLION EURO)

in aggregate principal amount of Notes.

4. **Promise to pay:** The Issuer, for value received, hereby promises to pay such principal sum to the Holder on 20 March 2015 or on such earlier date or dates as the same may become payable in accordance with the Conditions, and to pay interest on such principal sum in arrear on the dates and at the rate specified in the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.
5. **Exchange for Individual Note Certificates:** This Global Note Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual note certificates (“**Individual Note Certificates**”) in substantially the form (subject to completion) set out in Schedule 2 (*Form of Individual Note Certificate*) to the Agency Agreement if any of the following events occurs:
 - (a) Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs.Such exchange shall be effected in accordance with paragraph 7 (*Delivery of Unrestricted Individual Note Certificates*) below. The Issuer shall notify the Holder of the occurrence of any of the events specified in (a) and (b) as soon as practicable thereafter.
6. **Failure to deliver Individual Note Certificates or to pay:** If
 - (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with paragraph 7 (*Delivery of Individual Note Certificates*) below; or
 - (b) any of the Notes evidenced by this Global Note Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder on the due date for payment in accordance with the terms of this Global Note Certificate,then this Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 pm (London time) on such thirtieth day (in the case of (a)) or at 5.00 pm (London time) on such due date (in the case of (b)) and the Holder will have no further rights hereunder.
7. **Delivery of Individual Note Certificates:** Whenever this Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Note Certificate within five business days of the delivery, by or on behalf of the Holder, to the Registrar of such information as is required to complete and deliver such

Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Note Certificate at the Specified Office (as defined in the Agency Agreement) of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

8. **Conditions apply:** Save as otherwise provided herein, the Holder of this Global Note Certificate shall have the benefit of, and be subject to, the Conditions and, for the purposes of this Global Note Certificate, any reference in the Conditions to "**Note Certificate**" or "**Note Certificates**" shall, except where the context otherwise requires, be construed so as to include this Global Note Certificate.
9. **Notices:** Notwithstanding Condition 14 (*Notices*), so long as this Global Note Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Notes represented by this Global Note Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.
10. **Determination of entitlement:** This Global Note Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the Holder is entitled to payment in respect of this Global Note Certificate.
11. **Authentication:** This Global Note Certificate shall not be valid for any purpose until it has been authenticated for and on behalf of Deutsche Bank Luxembourg, S.A. as registrar.
12. **Governing law:** This Global Note Certificate is governed by, and shall be construed in accordance with, the laws of the State of New York.

AS WITNESS the manual or facsimile signature of a duly authorised person on behalf of the Issuer.

KRAFT FOODS INC.

By: _____
manual or facsimile signature
(duly authorised)

ISSUED on 20 March 2008

**AUTHENTICATED for and on behalf of DEUTSCHE
BANK LUXEMBOURG, S.A.** as registrar without recourse,
warranty or liability

By: _____
manual signature
(duly authorised)

FORM OF TRANSFER

FOR VALUE RECEIVED BT Globenet Nominees Limited, being the registered holder of this Global Note Certificate, hereby transfers to _____ of _____, EUR _____ in principal amount of the EUR 850,000,000 6.25 per cent. Notes due 2015 (the “**Notes**”) of Kraft Foods Inc. (the “**Issuer**”) and irrevocably requests and authorises Deutsche Bank Luxembourg, S.A., in its capacity as registrar in relation to the Notes (or any successor to Deutsche Bank Luxembourg, S.A., in its capacity as such) to effect the relevant transfer by means of appropriate entries in the register kept by it.

Dated: _____

By: _____
(duly authorised)

Notes

The name of the person by or on whose behalf this form of transfer is signed must correspond with the name of the registered holder as it appears on the face of this Global Note Certificate.

- (a) A representative of such registered holder should state the capacity in which he signs, *e.g.* executor.
- (b) The signature of the person effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Registrar may require.
- (c) Any transfer of Notes shall be in an amount equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof.

TERMS AND CONDITIONS OF THE NOTES

The EUR 2,000,000,000 5.75% Notes due 2012 (the “**2012 Fixed Rate Notes**”), and the EUR 850,000,000 6.25% Fixed Rate Notes due 2015 (the “**2015 Fixed Rate Notes**”), and together with the 2012 Fixed Rate Notes, the “**Notes**”, which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming, as the case may be, a single series therewith) of Kraft Foods Inc. (the “**Issuer**”) are the subject of a fiscal agency agreement dated March 20, 2008 (as amended or supplemented from time to time, the “**Agency Agreement**”) between the Issuer, Deutsche Bank Luxembourg, S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), the transfer agents named therein (the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the “**Agents**” are to the Registrar, the Fiscal Agent, the Transfer Agents and the Paying Agents and any reference to an “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Agency Agreement subject to its detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Agents. The initial Specified Offices are set out below.

In these Conditions reference to “**€**”, “**EUR**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

1. Form, Denomination and Status

- (a) *Form and denomination*: The Notes are in registered form in the denominations of EUR 50,000 and integral multiples of EUR 1,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status*: The Notes constitute senior, unsubordinated, unconditional and, subject as described in Condition 3 (*Negative Pledge*) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

- (d) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate in an amount equal to the principal amount of the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer shall not, and shall procure that none of the Subsidiaries will, create, assume, incur or suffer to be created, assumed or incurred any Security Interest to secure any indebtedness for borrowed money upon (i) any shares of Capital Stock issued by any Subsidiary that owns any Principal Facility to the extent such shares are owned by the Issuer or one or more Subsidiaries, or (ii) any Principal Facility, in either case without at the same time or prior thereto securing the Notes equally and rateably therewith *provided, however, that* the restrictions contained in this Condition 3 shall not be applicable to the following:

- (i) in the case of a Principal Facility, any Security Interest incurred in connection with the issuance by a state or political subdivision thereof of any securities the interest on which is exempt from United States federal income taxes by virtue of Section 103 of the United States Internal Revenue Code of 1986 or any other laws or regulations in effect at the time of such issuance;
- (ii) any Security Interest existing on March 20, 2008;
- (iii) any Security Interest on property or shares of Capital Stock existing when acquired by the Issuer or any Subsidiary (including acquisition through merger, share exchange or consolidation) or securing the payment of all or part of the purchase price, construction or improvement thereof incurred prior to, at the time of, or within 180 days after, the later of the acquisition, completion of construction or improvement or commencement of full operation of such property for the purpose of financing all or a portion of such purchase or construction or improvement; or
- (iv) any Security Interest for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any Security Interest referred to in paragraphs (i) to (iii) (inclusive) above or in this paragraph (iv); *provided, however, that* the principal amount of the indebtedness secured thereby shall not exceed the principal amount of the indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Security Interest so extended, renewed or replaced (plus improvements on such property).

Notwithstanding any provision of this Condition 3, the Issuer and/or any of the Subsidiaries may create or permit to subsist any Security Interest which would otherwise be prohibited by this Condition 3, provided that the indebtedness secured thereby does not at the time exceed the greater of 10% of Consolidated Capitalisation or 10% of Consolidated Net Tangible Assets.

In these Conditions:

“**Capital Stock**” of any Person means shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) the equity of such Person, including any preferred stock, but excluding any debt securities convertible into such equity;

“**Consolidated Capitalisation**” means the total of all of the assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries, less the following:

(i) current liabilities, including liabilities for indebtedness maturing more than 12 months from the date of the original creation thereof, but maturing within 12 months from the date of such consolidated balance sheet; and

(ii) deferred income tax liabilities appearing on such consolidated balance sheet;

“**Consolidated Net Tangible Assets**” means the excess over current liabilities of all assets appearing on the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries less goodwill and other intangible assets and the minority interests of others in Subsidiaries, all as appearing on such balance sheet;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Facility**” means all real property located within the United States and constituting part of any manufacturing plant or distribution facility owned and operated by the Issuer or any Subsidiary, together with such manufacturing plant or distribution facility, including all plumbing, electrical, ventilating, heating, cooling, lighting and other utility systems, ducts and pipes attached to or constituting a part thereof; *provided, however, that* such term shall not include trade fixtures (unless such trade fixtures are attached to the manufacturing plant or distribution facility in a manner that does not permit removal therefrom without causing substantial damage thereto), business machinery, equipment, motorised vehicles, tools, supplies and materials, security systems, cameras, inventory and other personal property and materials, and *provided further, however, that* such term shall not include any particular manufacturing plant or distribution facility as of any particular date unless the net book value thereof included in the most recent quarterly or annual consolidated balance sheet of the Issuer and its consolidated Subsidiaries exceeds 0.25% of Consolidated Capitalisation;

“**Security Interest**” means any mortgage, charge, pledge, lien, encumbrance or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means any corporation of which at least a majority of all outstanding stock or other interests having ordinary voting power in the election of directors, managers or trustees (without regard to the occurrence of any contingency) thereof is at the time, directly or indirectly, owned or controlled by the Issuer.

4. Interest

The Notes bear interest from and including March 20, 2008 (the “**Issue Date**”) at the rate of 5.75% per annum, in the case of 2012 Fixed Rate Notes (the “**2012 Fixed Rate of Interest**”) and 6.25% in the case of 2015 Fixed Rate Notes (the “**2015 Fixed Rate of Interest**”) in each case payable in arrear on March 20 in each year (each, a “**Fixed Rate Interest Payment Date**”), subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has

received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Fixed Rate Interest Payment Date shall be EUR 57.50 in respect of each EUR 1,000 principal amount of the 2012 Fixed Rate Note and EUR 62.50 in respect of each EUR 1,000 principal amount of the 2015 Fixed Rate Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the 2012 Fixed Rate of Interest or the 2015 Fixed Rate of Interest, as applicable, to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

“**Calculation Amount**” means EUR 1,000;

“**Calculation Period**” means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period;

“**Day Count Fraction**” means:

- (i) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period divided by the number of days in such Regular Period; and
- (ii) if the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the number of days in such Regular Period; and
 - (B) the number of days in such Calculation Period falling in the next Regular Period divided by the number of days in such Regular Period;

“**Regular Date**” means March 20 in any year; and

“**Regular Period**” means each period from (and including) any Regular Date to (but excluding) the next Regular Date.

5. **Redemption and Purchase**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on March 20, 2012, in the case of the 2012 Fixed Rate Notes, and on March 20, 2015 in the case of the 2015 Fixed Rate Notes, in each case subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws, regulations or rulings of the United States or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations or rulings (including a holding by a court of competent jurisdiction in the United States), which change or amendment becomes effective on or after March 18, 2008, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; or
 - (ii) on or after March 18, 2008, any action is taken by a taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, the United States or any political subdivision of or in the United States, including any of those actions specified in Condition 5(b)(i), whether or not such action was taken or decision was rendered with respect to the Issuer, or any change, amendment, application or interpretation is officially proposed, which,

in any such case, in the written opinion of independent legal counsel of recognised standing, will result in a material probability that the Issuer will become obliged to pay additional amounts with respect to the Notes, *provided that*, prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer has delivered to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred,

and the Issuer, in its business judgement, determines that such obligations cannot be avoided by the Issuer taking reasonable measures available to it. However, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption upon a Change of Control Triggering Event*: If a Change of Control Triggering Event occurs, unless the Issuer has otherwise exercised its right to redeem the Notes in accordance with Condition 5(b) (*Redemption for tax reasons*), each Noteholder shall have the right to require the Issuer to repurchase all or any part (equal to EUR 50,000 or an integral multiple of EUR 1,000 in excess thereof) of its Notes pursuant to the offer described below (the “**Change of Control Offer**”) on the terms set forth in the Conditions.

In the Change of Control Offer, the Issuer shall be required to offer payment in cash equal to 101% of the aggregate principal amount of the Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased, to the date of purchase (the “**Change of Control Payment**”). Within 30 days following any Change of Control Triggering Event, the Issuer shall be required to deliver a notice to the Noteholders describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is delivered (the “**Change of Control Payment Date**”), pursuant to the procedures required by the Notes and described in such notice. The Issuer shall comply with the requirements of Rule 14e-1 under the United States Securities Exchange Act of 1934 (the “**Exchange Act**”) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Notes, the Issuer shall be required to comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under these Conditions by virtue of any such conflict.

On the Change of Control Payment Date, the Issuer shall be required, to the extent lawful, to:

- (i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (iii) deliver or cause to be delivered to the Fiscal Agent the Notes properly accepted together with an officers’ certificate stating the aggregate principal amount of the Notes or portions of the Notes being purchased.

The Paying Agent will promptly provide to each Noteholder the purchase price for the Notes properly tendered and deliver (or cause to be transferred by book-entry) to each Noteholder a new Individual Note Certificate (promptly authenticated) equal in principal amount to any unpurchased portion of any Individual Note Certificate surrendered; *provided that* each new Individual Note Certificate will be in a minimum principal amount of EUR 50,000 or such amount and integral multiples of EUR 1,000 in excess thereof.

The Issuer shall not be required to make an offer to repurchase the Notes upon a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and such third party purchases all Notes properly tendered and not withdrawn under its offer.

In this Condition 5(c) the following expressions have the following meanings:

“Below Investment Grade Rating Event” means the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies); *provided that* a below investment grade rating event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a below investment grade rating event for purposes of the definition of Change of Control Triggering Event hereunder) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Noteholders in writing at their request that the reduction was the result, in whole or in part, of any event or circumstance comprising or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the below investment grade rating event).

“Board of Directors” means the board of directors of the Issuer.

“Change of Control” means the occurrence of any of the following: (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its subsidiaries taken as a whole to any Person or group of related persons for purposes of Section 13(d) of the Exchange Act (a **“Group”**) other than the Issuer or one of its subsidiaries; (2) the approval by the holders of the Issuer’s common stock of any plan or proposal for the liquidation or dissolution of the Issuer; (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person or Group becomes the beneficial owner, directly or indirectly, of more than 50% of the then outstanding number of shares of the Issuer’s voting stock; or (4) the first day on which a majority of the members of the Board of Directors are not Continuing Directors.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Continuing Directors” means, as of any date of determination, any member of the Board of Directors who (1) was a member of such Board of Directors on the date of the issuance of the notes; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election (either by a specific vote or by approval of the Issuer’s proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

“Fitch” means Fitch Ratings.

“Investment Grade Rating” means a rating equal to or higher than BBB – (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody’s and BBB – (or the equivalent) by S&P, respectively.

“Moody’s” means Moody’s Investors Service, Inc.

“Person” means any individual, firm, corporation, partnership, association, joint venture, tribunal, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation and includes a “person” as used in Section 13(d)(3) of the United States Securities Exchange Act of 1934.

“Rating Agencies” means (1) each of Fitch, Moody’s and S&P; and (2) if any of Fitch, Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of the Issuer’s control, a “nationally recognised statistical rating organisation” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the United States Securities Exchange Act of 1934, selected by the Issuer (as certified by a resolution of the Board of Directors) as a replacement agency for Fitch, Moody’s or S&P, or all of them, as the case may be.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (c) (*Redemption upon a Change of Control Triggering Event*) above.
- (e) *Purchase*: The Issuer or any Subsidiary may at any time purchase Notes in the open market or otherwise and at any price.
- (f) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any Subsidiary shall be cancelled and may not be reissued or resold.

6. Payments

- (a) *Principal*: Payments of principal shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) system (the “**TARGET System**”) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(a), as long as the Notes are held in global form, payments of principal shall be made through Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) or any other relevant clearing system.
- (b) *Interest*: Payments of interest shall be made by Euro cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent. Notwithstanding this Condition 6(b), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days*: Where payment is to be made by transfer to a Euro account (or other account to which Euro may be credited or transferred), payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail. In this paragraph “**business day**” means:
 - (i) a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorised or required by law, regulation or executive order to close in New York; and
 - (ii) in the case of payment by transfer to a Euro account (or other account to which Euro may be credited or transferred) as referred to above, any day which is a TARGET Settlement Day; and
 - (iii) in the case of surrender (or, in the case of part payment only, endorsement) of a Note Certificate, any day on which banks are open for general business (including dealings in foreign currencies) in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed); and

(iv) a day on which the TARGET System is open, such day being a “**Target Settlement Day**”.

Notwithstanding this Condition 6(d), as long as the Notes are held in global form, payments of interest shall be made through Euroclear and Clearstream, Luxembourg or any other relevant clearing system.

(e) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

All payments of principal and interest in respect of a Note by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United States or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay to the beneficial owner of a Note such additional amounts as may be necessary to ensure that every net payment on such Note, after such withholding or deduction, will not be less than the amount provided in such Note to be then due and payable. However, no additional amounts shall be payable in respect of any Note if the beneficial owner is subject to taxation solely for reasons other than its ownership of the Note, nor shall additional amounts be payable for or on account of:

- (i) any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the existence of any present or former connection (other than the mere fact of being a beneficial owner of a Note) between the beneficial owner (or between a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) of a Note and the United States, including, without limitation, such beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, partner, member or shareholder) being or having been a citizen or resident of the United States or treated as being or having been a resident thereof; or
- (ii) any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) any withholding or deduction if such withholding or deduction could have been avoided by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or
- (iv) any tax, assessment or other governmental charge which would not have been imposed if the relevant Note Certificate were presented or, as the case may be, surrendered for payment within 30 days after the Relevant Date except to the extent that the beneficial owner would have been entitled to such additional amounts if it had presented or, as the case may be, surrendered the relevant Note Certificate on the last day of such period of 30 days; or
- (v) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such

beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) being or having been with respect to the United States a personal holding company, a controlled foreign corporation, a passive foreign investment company, a foreign private foundation or other foreign tax-exempt organisation, or being a corporation that accumulates earnings to avoid United States federal income tax; or

- (vi) any tax, assessment or other governmental charge is imposed or withheld solely by reason of the beneficial owner (or a fiduciary, settlor, beneficiary or person holding a power over such beneficial owner, if the beneficial owner is an estate or trust, or a partner, member or shareholder of the beneficial owner, if the beneficial owner is a partnership, limited liability company or corporation) (1) being or having been present in, or engaged in a trade or business in, the United States, (2) being treated as having been present in, or engaged in a trade or business in, the United States, or (3) having or having had a permanent establishment in the United States; or
- (vii) any tax, assessment or other governmental charge that is payable by any method other than withholding or deduction by the Issuer or any Paying Agent from payments in respect of such Note; or
- (viii) any gift, estate, inheritance, sales, transfer, personal property or excise tax or any similar tax, assessment or other governmental charge; or
- (ix) any tax, assessment or other governmental charge that is imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later; or
- (x) any tax, assessment or other governmental charge that is imposed as a result of the failure of the Holder or beneficial owner of such Note to comply with a request to comply with applicable certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Holder or beneficial owner of such Note, if such compliance is required by statute or regulation of the United States as a precondition to relief or exemption from such tax, assessment or other governmental charge; or
- (xi) any tax, assessment or other governmental charge that is imposed on a beneficial owner that (1) actually or constructively owns 10% or more of the total combined voting power of all of the Issuer's classes of stock that are entitled to vote within the meaning of Section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), (2) is a bank described in Section 881(c)(3)(A) of the Code or (3) is a controlled foreign corporation described in Section 881(c)(3)(C) of the Code; or
- (xii) any tax, assessment or other governmental charge that is imposed by reason of the failure of the beneficial owner to fulfil the statement requirements of Section 871(h) or Section 881(c) of the Code.

In addition, the Issuer will not pay additional amounts to a beneficial owner of a Note that is a fiduciary, partnership, limited liability company or other fiscally transparent entity, or to a beneficial owner of a Note that is not the sole beneficial owner of such Note, as the case may be. This exception, however, will apply only to the extent that a beneficiary or settlor with respect to the fiduciary, or a beneficial owner, partner or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner, partner or member received directly its beneficial or distributive share of the payment. For purposes of this paragraph, the term "beneficial owner" includes any person holding a Note on behalf of or for the account of a beneficial owner.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in a city in which banks have access to the TARGET System by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

Any reference in these Conditions to (i) principal shall be deemed to include any amount (other than interest) which the Issuer may be required to offer to pay to repurchase the Notes pursuant to Condition 5(c) and (ii) principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7.

8. Events of Default

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 90 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Insolvency, etc.*: the Issuer commences any case or proceeding seeking to have an order for relief entered on its behalf as debtor or to adjudicate it as bankrupt or insolvent or seeking reorganisation, liquidation, dissolution, winding-up, arrangement, composition or readjustment of its debts or any other relief under any bankruptcy, insolvency, reorganisation, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the Issuer applies for a receiver, custodian or trustee (other than any trustee appointed as a mortgagee or secured party in connection with the issuance of indebtedness for borrowed money of the Issuer) of it or for all or a substantial part of its property; or the Issuer makes a general assignment for the benefit of creditors; or the Issuer takes any corporate action in furtherance of any of the foregoing; or an involuntary case or other proceeding is commenced against the Issuer with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, liquidator, custodian or similar official of it or any substantial part of its property; and such case or other proceeding (i) results in the entry of an order for relief or a similar order against it or (ii) continues unstayed and in effect for a period of 60 consecutive days; or
- (d) *Analogous event*: any event occurs which under the laws of the United States has an analogous effect to any of the events referred to in paragraph (c) (*Insolvency, etc.*) above;
then the Notes:
 - (i) may, if such event constitutes an event described in paragraphs (a) (*Non-payment*) or (b) (*Breach of other obligations*) above, by written notice from the Holders of at least 25% in aggregate principal amount of the outstanding Notes addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality; or
 - (ii) will, if such event constitutes an event described in paragraphs (c) (*Insolvency, etc.*) or (d) (*Analogous event*) above, become immediately due and payable at their principal amount together with accrued interest without further action or formality.

9. Prescription

Claims for principal and interest shall become void unless made within 10 years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

11. Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent and a registrar and (b) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

12. Meetings of Noteholders; Modification

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed, to change the currency of payments under the Notes, to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend these proposals (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

13. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

14. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall

be deemed to have been given on the fourth day after the date of mailing. Notwithstanding this Condition 14, so long as the Notes are held in global form, notices to the Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or (as the case may be) any other relevant alternative clearing system.

15. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, the laws of the State of New York.
- (b) *New York courts*: Any state or federal court sitting in the Borough of Manhattan, the City of New York shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (the “**Proceedings**”) may be brought in any such court.
- (c) *Waiver of jury trial*: The Issuer hereby waives (and the Agents have in the Agency Agreement waived) to the fullest extent permitted by applicable law, any right they may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to the Agency Agreement or in the case of the Issuer any Note (whether based on contract, tort or any other theory). The Issuer hereby and each of the Agents in the Agency Agreement (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other party would not, in the event of Proceedings, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties to the Agency Agreement have been induced to enter into the Agency Agreement by, among other things, the mutual waivers and certifications in this paragraph.

FISCAL AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg, S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

KRAFT FOODS INC. 2005 PERFORMANCE INCENTIVE PLAN
(Amended April 24, 2007 and Revised April 1, 2008)*

Section 1. Purpose; Definitions.

The purpose of the Plan is to support the Company's ongoing efforts to develop and retain world-class leaders and to provide the Company with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in shareholder value.

For purposes of the Plan, the following terms are defined as set forth below:

- (a) "Annual Incentive Award" means an Incentive Award made pursuant to Section 5(a) with a Performance Cycle of one year or less.
- (b) "Awards" mean grants under the Plan or, to the extent relevant, under any Prior Plan, of Incentive Awards, Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Deferred Stock Units, or Other Stock-Based Awards.
- (c) "Board" means the Board of Directors of the Company.
- (d) "Cause" means termination because of:
 - (i) Continued failure to substantially perform the Participant's job's duties (other than resulting from incapacity due to disability);
 - (ii) Gross negligence, dishonesty, or violation of any reasonable rule or regulation of the Company where the violation results in significant damage to the Company; or
 - (iii) Engaging in other conduct which adversely reflects on the Company in any material respect.
- (e) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- (f) "Commission" means the Securities and Exchange Commission or any successor agency.

* This exhibit was initially filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007. It is refiled with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 to correct inadvertent administrative errors. This plan was revised on April 1, 2008 to correct the errors.

- (g) "Committee" means the Compensation Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.
- (h) "Common Stock" or "Stock" means the Class A Common Stock of the Company.
- (i) "Company" means Kraft Foods Inc., a corporation organized under the laws of the Commonwealth of Virginia, or any successor thereto.
- (j) "Deferred Stock Unit" means an Award described in Section 5(a)(v).
- (k) "Economic Value Added" means net after-tax operating profit less the cost of capital.
- (l) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- (m) "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange-Composite Transactions or, if no such sale of Common Stock is reported on such date, the fair market value of the Stock as determined by the Committee in good faith; provided, however, that the Committee may in its discretion designate the actual sales price as Fair Market Value in the case of dispositions of Common Stock under the Plan.
- (n) "Good Reason" means:
 - (i) the assignment to the Participant of any duties substantially inconsistent with the Participant's position, authority, duties or responsibilities in effect immediately prior to the Change in Control, or any other action by the Company that results in a marked diminution in the Participant's position, authority, duties or responsibilities, excluding for this purpose:
 - a. changes in the Participant's position, authority, duties or responsibilities which are consistent with the Participant's education, experience, etc.;
 - b. an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Participant;
 - (ii) any reduction in the Participant's base salary, annual incentive or long-term incentive opportunity as in effect immediately prior to the Change in Control, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Participant;

- (iii) the Company's, its subsidiaries' or affiliates' requiring the Participant to be based at any office or location other than any other location which does not extend the Participant's current home to work location commute by more than 50 miles;
 - (iv) the Company's, its subsidiaries' or affiliates' requiring the Participant to travel on business to a substantially greater extent than required immediately prior to the Change in Control;
 - (v) any alleged termination by the Company, its subsidiaries or affiliates of the Participant's employment otherwise than as expressly permitted by this Plan; or
 - (vi) any failure by the Company to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, as required by Article 5.
- (o) "Incentive Award" means any Award that is either an Annual Incentive Award or a Long-Term Incentive Award.
 - (p) "Incentive Stock Option" means any Stock Option that complies with Section 422 (or any amended or successor provision) of the Code.
 - (q) "Long-Term Incentive Award" means an Incentive Award made pursuant to Section 5(a)(vi) with a Performance Cycle of more than one year.
 - (r) "Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.
 - (s) "Other Stock-Based Award" means an Award made pursuant to Section 5(a)(iii).
 - (t) "Participant" means any eligible individual as set forth in Section 3 to whom an Award is granted.
 - (u) "Performance Cycle" means the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate or unit thereof or any individual is measured for the purpose of determining the extent to which an Award subject to Performance Goals has been earned.
 - (v) "Performance Goals" mean the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Cycle with respect to any performance-based

Awards contingently awarded under the Plan. Performance Goals may be provided in absolute terms, or in relation to the Company's peer group. The Company's peer group will be determined by the Committee, in its sole discretion. The Performance Goals for Awards that are intended to constitute "performance-based" compensation within the meaning of Section 162(m) (or any amended or successor provision) of the Code shall be based on one or more of the following criteria: earnings per share, total stockholder return, return on equity, return on capital, net income, adjusted net income, cash flow, operating income or Economic Value Added.

- (w) "Plan" means this Kraft Foods Inc. 2005 Performance Incentive Plan, as amended from time to time.
- (x) "Prior Plan" means the Kraft Foods Inc. 2001 Performance Incentive Plan.
- (y) "Restricted Period" means the period during which an Award may not be sold, assigned, transferred, pledged or otherwise encumbered.
- (z) "Restricted Stock" means an Award of shares of Common Stock pursuant to Section 5(a)(iv).
- (aa) "Restricted Stock Unit" means an Award described in Section 5(a)(v).
- (bb) "Spread Value" means, with respect to a share of Common Stock subject to an Award, an amount equal to the excess of the Fair Market Value, on the date such value is determined, over the Award's exercise or grant price, if any.
- (cc) "Stock Appreciation Right" or "SAR" means a right granted pursuant to Section 5(a)(ii).
- (dd) "Stock Option" means an Incentive Stock Option or a Nonqualified Stock Option granted pursuant to Section 5(a)(i).

In addition, the terms "Affiliated Group," "Business Combination," "Change in Control," "Change in Control Price," "Incumbent Board," "Outstanding Company Stock," "Outstanding Company Voting Securities" and "Person" have the meanings set forth in Section 6.

Section 2. Administration.

The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which the Company, a subsidiary or an affiliate may operate to assure the viability of the benefits of Awards made to individuals employed in such countries and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee shall have the authority to determine those employees eligible to receive Awards and the amount, type and terms of each Award and to establish and administer any Performance Goals applicable to such Awards. The Committee may delegate its authority and power under the Plan to one or more officers of the Company, subject to guidelines prescribed by the Committee, but only with respect to Participants who are not subject to either Section 16 (or any amended or successor provision) of the Exchange Act or Section 162(m) (or any amended or successor provision) of the Code.

Any determination made by the Committee or by one or more officers pursuant to delegated authority in accordance with the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate, and all decisions made by the Committee or any appropriately designated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan Participants.

Section 3. Eligibility.

Salaried employees of the Company, its subsidiaries and affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Company, its subsidiaries or its affiliates, are eligible to be granted Awards under the Plan; provided that employees of Altria Group, Inc. and its subsidiaries other than the Company and the Company's subsidiaries are not eligible to be granted Awards under the Plan (except that employees and former employees of Altria Group, Inc. and its subsidiaries shall be eligible to be granted Awards under the Plan in connection with any event as a result of which the Company ceases to be a subsidiary of Altria Group, Inc.).

Section 4. Common Stock Subject to the Plan.

- (a) **Common Stock Available.** The total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 150,000,000 shares. An amount not to exceed 45,000,000 shares of Common Stock may be issued pursuant to Restricted Stock Awards, Other Stock-Based Awards, and Incentive Awards, except that Other Stock-Based Awards with values based on Spread Values shall not be included in this limitation. Except as otherwise provided herein, any Award made under the Prior Plan before the expiration of such Prior Plan shall continue to be subject to the terms and conditions of such Prior Plan and the applicable Award agreement. Any adjustments, substitutions, or other actions that may be made or taken in accordance with Section 4(b) below in connection with the corporate transactions or events described therein shall, to the extent applied to outstanding Awards made under the Prior Plan, be deemed made from shares reserved for issuance under such Prior Plan, rather than this Plan, pursuant to the authority of the Board under the Prior Plan to make adjustments

and substitutions in such circumstances to the aggregate number and kind of shares reserved for issuance under the Prior Plan and to Awards granted under the Prior Plan. To the extent any Award under this Plan is exercised or cashed out or terminates or expires or is forfeited without a payment being made to the Participant in the form of Common Stock, the shares subject to such Award that were not so paid, if any, shall again be available for distribution in connection with Awards under the Plan; provided, however, that any shares which are available again for Awards under the Plan also shall count against the limit described in Section 5(b)(i). If an SAR or similar Award based on Spread Value with respect to shares of Common Stock is exercised, the full number of shares of Common Stock with respect to which the Award is measured will nonetheless be deemed distributed for purposes of determining the maximum number of shares remaining available for delivery under the Plan. Similarly, any shares of Common Stock that are used by a Participant as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award under the Plan will be deemed distributed for purposes of determining the maximum number of shares remaining available for delivery under the Plan.

(b) Adjustments for Certain Corporate Transactions

- (i) In the event of any merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock or any event as a result of which the Company ceases to be a subsidiary of Altria Group, Inc., in any case after adoption of the Plan by the Board, the Committee is authorized to make such adjustments or substitutions with respect to the Plan and the Prior Plan and to Awards granted thereunder as it deems appropriate to reflect the occurrence of such event, including, but not limited to, adjustments (A) to the aggregate number and kind of securities reserved for issuance under the Plan, (B) to the Award limits set forth in Section 5, (C) to the Performance Goals or Performance Cycles of any outstanding Performance-Based Awards, and (D) to the number and kind of securities subject to outstanding Awards and, if applicable, the grant or exercise price or Spread Value of outstanding Awards. In addition, the Committee may make an Award in substitution for incentive awards, stock awards, stock options or similar awards held by an individual who is, previously was, or becomes an employee of the Company, a subsidiary or an affiliate in connection with a transaction described in this Section 4(b)(i). Notwithstanding any provision of the Plan (other than the limitation set forth in Section 4(a)), the terms of such substituted Awards shall be as the Committee, in its discretion, determines is appropriate.
- (ii) In connection with any of the events described in 4(b)(i), the Committee shall also have authority with respect to the Plan and the Prior Plan and to

Awards granted thereunder (A) to grant Awards (including Stock Options, Stock Appreciation Rights, and Other Stock-Based Awards) with a grant price that is less than Fair Market Value on the date of grant in order to preserve existing gain under any similar type of award previously granted by the Company or another entity to the extent that the existing gain would otherwise be diminished without payment of adequate compensation to the holder of the award for such diminution, and (B) except as may otherwise be required under an applicable Award agreement, to cancel or adjust the terms of an outstanding Award as appropriate to reflect the substitution for the outstanding Award of an award of equivalent value granted by another entity. In connection with a spin-off or similar corporate transaction, the adjustments described in this Section 4(b) may include, but are not limited to, (C) the imposition of restrictions on any distribution with respect to Restricted Stock or similar Awards and (D) the substitution of comparable Stock Options to purchase the stock of another entity or Stock Appreciation Rights, Restricted Stock Units, Deferred Stock Units or Other Stock-Based Awards denominated in the securities of another entity, which may be settled in the form of cash, Common Stock, stock of such other entity, or other securities or property, as determined by the Committee; and, in the event of such a substitution, references in this Plan and the Prior Plan and in the applicable Award agreements thereunder to "Common Stock" or "Stock" shall be deemed (except for purposes of Section 6(b) hereunder and for any similar provisions of the Prior Plan or applicable Award agreements) to also refer to the securities of the other entity where appropriate.

- (iii) In connection with any of the events described in Section 4(b)(i), with respect to the Plan and the Prior Plan and to Awards granted hereunder, the Committee is also authorized to provide for the payment of any outstanding Awards in cash, including, but not limited to, payment of cash in lieu of any fractional Awards.
- (iv) In the event of any conflict between this Section 4(b) and other provisions of the Plan or the Prior Plan, the provisions of this section shall control. Receipt of an Award under the Plan shall constitute an acknowledgement by the Participant receiving such Award of the Committee's ability to adjust Awards under the Prior Plans in a manner consistent with this Section 4(b).

Section 5. Awards.

- (a) General. The types of Awards that may be granted under the Plan are set forth below. Awards may be granted singly, in combination or in tandem with other Awards.

- (i) **Stock Options.** A Stock Option represents the right to purchase a share of Stock at a predetermined grant price. Stock Options granted under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options, as specified in the Award agreement but no Stock Option designated as an Incentive Stock Option shall be invalid in the event that it fails to qualify as an Incentive Stock Option. The term of each Stock Option shall be set forth in the Award agreement, but no Stock Option shall be exercisable more than ten years after the grant date. The grant price per share of Common Stock purchasable under a Stock Option shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept (including a copy of instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount sufficient to pay the purchase price). Unless otherwise determined by the Committee, payment in full or in part may also be made in the form of Common Stock already owned by the Participant valued at Fair Market Value on the day preceding the date of exercise; provided, however, that such Common Stock shall not have been acquired by the Participant within the six months following the exercise of a Stock Option or Stock Appreciation Right, within six months after the lapse of restrictions on Restricted Stock, or within six months after the receipt of Common Stock from the Company, whether in settlement of any Award or otherwise.
- (ii) **Stock Appreciation Rights.** An SAR represents the right to receive a payment, in cash, shares of Common Stock, or both (as determined by the Committee), with a value equal to the Spread Value on the date the SAR is exercised. The grant price of an SAR shall be set forth in the applicable Award agreement and shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the terms of the applicable Award agreement, an SAR shall be exercisable, in whole or in part, by giving written notice of exercise.
- (iii) **Other Stock-Based Awards.** Other Stock-Based Awards are Awards, other than Stock Options, SARs, Restricted Stock, Restricted Stock Units, or Deferred Stock Units, that are denominated in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock. The grant, purchase, exercise, exchange or conversion of Other Stock-Based Awards granted under this subsection (iii) shall be on such terms and conditions and by such methods as shall be specified by the Committee. Where the value of an Other Stock-Based Award is based on the Spread Value, the grant price for such an Award will not be less than 100% of the Fair Market Value on the date of grant.

- (iv) **Restricted Stock.** Shares of Restricted Stock are shares of Common Stock that are awarded to a Participant and that during the Restricted Period may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award agreement. Except as provided in the applicable Award agreement, Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in the applicable Award agreement, a Participant shall have with respect to such Restricted Stock all the rights of a holder of Common Stock during the Restricted Period.
 - (v) **Restricted Stock Units and Deferred Stock Units.** Restricted Stock Units and Deferred Stock Units represent the right to receive shares of Common Stock, cash, or both (as determined by the Committee) upon satisfaction of such conditions as may be set forth in the applicable Award agreement. Except as provided in the applicable Award agreement, Restricted Stock Units and Deferred Stock Units may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in the applicable Award agreement, a Participant shall have with respect to such Restricted Stock Units and Deferred Stock Units none of the rights of a holder of Common Stock unless and until shares of Common Stock are actually delivered in satisfaction of the restrictions and other conditions of such Restricted Stock Units or Deferred Stock Units.
 - (vi) **Incentive Awards.** Incentive Awards are performance-based Awards that are expressed in U.S. currency or Common Stock or any combination thereof. Incentive Awards shall either be Annual Incentive Awards or Long-Term Incentive Awards.
- (b) **Maximum Awards.** Subject to the exercise of the Committee's authority pursuant to Section 4:
- (i) The total number of shares of Common Stock subject to Stock Options and Stock Appreciation Rights awarded during any calendar year to any Participant shall not exceed 3,000,000 shares.
 - (ii) The total amount of any Annual Incentive Award awarded to any Participant with respect to any Performance Cycle, taking into account the cash and the Fair Market Value of any Common Stock payable with respect to such Award, shall not exceed \$10,000,000.
 - (iii) The total amount of any Long-Term Incentive Award awarded to any Participant with respect to any Performance Cycle shall not exceed 400,000 shares of Common Stock multiplied by the number of years in the Performance Cycle or, in the case of Awards expressed in currency, \$8,000,000 multiplied by the number of years in the Performance Cycle.

- (iv) An amount not in excess of 1,000,000 shares of Common Stock may be issued or issuable to any Participant in a Plan Year pursuant to Restricted Stock, Restricted Stock Units, Deferred Stock Units, and Other Stock-Based Awards, except that Other Stock-Based Awards with values based on Spread Values shall not be included in this limitation.
- (c) Performance-Based Awards. Any Awards granted pursuant to the Plan may be in the form of performance-based Awards through the application of Performance Goals and Performance Cycles.

Section 6. Change in Control Provisions.

- (a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control (as defined below in 6(a)(vii)):
 - (i) If and to the extent that outstanding Awards, other than Incentive Awards, under the Plan (A) are assumed by the successor corporation (or affiliate thereto) or (B) are replaced with equity awards that preserve the existing value of the Awards at the time of the Change in Control and provide for subsequent payout in accordance with a vesting schedule and Performance Goals, as applicable, that are the same or more favorable to the Participants than the vesting schedule and Performance Goals applicable to the Awards, then all such Awards or such substitutes thereof shall remain outstanding and be governed by their respective terms and the provisions of the Plan subject to Section 6(a)(iv) below.
 - (ii) If and to the extent that outstanding Awards, other than Incentive Awards, under the Plan are not assumed or replaced in accordance with Section 6(a)(i) above, then upon the Change in Control the following treatment (referred to as “Change-in-Control Treatment”) shall apply to such Awards: (A) outstanding Options and SARs shall immediately vest and become exercisable; (B) the restrictions and other conditions applicable to outstanding Restricted Shares, Restricted Stock Units and Stock Awards, including vesting requirements, shall immediately lapse; such Awards shall be free of all restrictions and fully vested; and, with respect to Restricted Stock Units, shall be payable immediately in accordance with their terms or, if later, as of the earliest permissible date under Code Section 409A.
 - (iii) If and to the extent that outstanding Awards under the Plan are not assumed or replaced in accordance with Section 6(a)(i) above, then in connection with the application of the Change-in-Control Treatment set forth in Section 6(a)(ii) above, the Board may, in its sole discretion, provide for cancellation of such outstanding Awards at the time of the Change in Control in which case a payment of cash, property or a

combination thereof shall be made to each such Participant upon the consummation of the Change in Control that is determined by the Board in its sole discretion and that is at least equal to the excess (if any) of the value of the consideration that would be received in such Change in Control by the holders of the securities of Kraft Foods Inc. relating to such Awards over the exercise or purchase price (if any) for such Awards.

- (iv) If and to the extent that (A) outstanding Awards are assumed or replaced in accordance with Section 6(a)(i) above and (B) a Participant's employment with, or performance of services for, the Company is terminated by the Company for any reasons other than Cause or, by such Participant eligible to participate in the Kraft Foods Inc. Change in Control Plan for Key Executives, for Good Reason, in each case, within the two-year period commencing on the Change in Control, then, as of the date of such Participant's termination, the Change-in-Control Treatment set forth in Section 6(a)(ii) above shall apply to all assumed or replaced Awards of such Participant then outstanding.
- (v) Outstanding Options or SARs that are assumed or replaced in accordance with Section 6(a)(i) may be exercised by the Participant in accordance with the applicable terms and conditions of such Award as set forth in the applicable award agreement or elsewhere; provided, however, that Options or SARs that become exercisable in accordance with Section 6(a)(iv) may be exercised until the expiration of the original full term of such Option or SAR notwithstanding the other original terms and conditions of such Award.
- (vi) Any Incentive Awards relating to Performance Cycles prior to the Performance Cycle in which the Change in Control occurs that have been earned but not paid shall become immediately payable in cash. In addition, each Participant who has been awarded an Incentive Award shall be deemed to have earned a pro rata Incentive Award equal to the product of (A) such Participant's target award opportunity for such Performance Cycle, and (B) a fraction, the numerator of which is the number of full or partial months that have elapsed since the beginning of such Performance Cycle to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Performance Cycle.
- (vii) Definition of Change in Control. "Change in Control" means the occurrence of any of the following events:
 - (A) Acquisition of 20% or more of the outstanding voting securities of the Company by another entity or group; excluding, however, the following:
 - (1) any acquisition by the Company or any of its Affiliates;

- (2) any acquisition by an employee benefit plan or related trust sponsored or maintained by the Company or any of its Affiliates; or
 - (3) any acquisition pursuant to a merger or consolidation described in clause (C);
- (B) During any consecutive 24-month period, persons who constitute the Board at the beginning of the period cease to constitute at least 50% of the Board (unless the election of each new Board member was approved by a majority of directors who began the two-year period);
- (C) The consummation of a merger or consolidation of the Company with another company, and the Company is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or more of the outstanding voting securities of the Company; excluding, however, a transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Company immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities; or
- (D) The consummation of a plan of complete liquidation of the Company or the sale or disposition of all or substantially all of the Company's assets.
- (b) Change in Control Price. Unless the Committee determines otherwise, "Change in Control Price" means the value of the consideration paid to holders of shares of Common Stock for such Common Stock in connection with a Change in Control transaction (or, if no consideration is paid in connection with a Change in Control transaction, the Fair Market Value of a share of Common Stock immediately prior to a Change in Control), except that, in the case of Incentive Stock Options, such price shall be based only on transactions reported for the date on which such Incentive Stock Options are cashed out.

- (c) Incumbent Board. “Incumbent Board” means the members of the Board as of the effective date of the Plan. Notwithstanding the preceding sentence, any individual who becomes a member of the Board after such effective date whose election, or nomination for election by the shareholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such member were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

Section 7. Plan Amendment and Termination.

The Board may amend or terminate the Plan at any time, provided that no such amendment shall be made without shareholder approval if such approval is required under applicable law, regulation, or stock exchange rule, or if such amendment would (i) decrease the grant or exercise price of any Stock Option, SAR or Other Stock-Based Award to less than the Fair Market Value on the date of grant, or (ii) increase the total number of shares of Common Stock that may be distributed under the Plan. Except as may be necessary to comply with a change in the laws, regulations or accounting principles of a foreign country applicable to Participants subject to the laws of such foreign country, the Committee may not cancel any Stock Option and substitute therefore a new Stock Option with a lower grant price. Except as set forth in any Award agreement or as necessary to comply with applicable law or avoid adverse tax consequences to some or all Plan Participants, no amendment or termination of the Plan may materially and adversely affect any outstanding Award under the Plan without the Award recipient’s consent.

Section 8. Payments and Payment Deferrals.

Payment of Awards may be in the form of cash, Common Stock, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Stock equivalents.

Section 9. Dividends and Dividend Equivalents.

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a Participant’s Plan account. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares of Common Stock or Common Stock equivalents.

Section 10. Transferability.

Except as provided in the applicable Award agreement or otherwise required by law, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution.

Section 11. Award Agreements.

Each Award under the Plan shall be evidenced by a written agreement (which need not be signed by the recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each Award. Such terms may include, but are not limited to, the term of the Award, vesting and forfeiture provisions, and the provisions applicable in the event the Participant's employment terminates. The Committee may amend an Award agreement, provided that, except as set forth in any Award agreement or as necessary to comply with applicable law or avoid adverse tax consequences to some or all Plan Participants, no such amendment may materially and adversely affect an Award without the Participant's consent.

Section 12. Unfunded Status Plan.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

Section 13. General Provisions.

- (a) The Committee may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

- (b) Nothing contained in the Plan shall prevent the Company, a subsidiary or an affiliate from adopting other or additional compensation arrangements for their respective employees.
- (c) Neither the adoption of the Plan nor the granting of Awards under the Plan shall confer upon any employee any right to continued employment nor shall they interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any employee at any time.
- (d) No later than the date as of which an amount first becomes includible in the gross income of the Participant for income tax purposes with respect to any Award under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind which are required by law or applicable regulation to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Common Stock, including Common Stock that is part of, or is received upon exercise or conversion of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company, its subsidiaries and its affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Common Stock.
- (e) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in an Award, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the Federal or state courts of the Commonwealth of Virginia, to resolve any and all issues that may arise out of or relate to the Plan or any related Award.
- (f) All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.
- (g) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be enforced and construed as if such provision had not been included.

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- (h) If approved by stockholders, the Plan shall be effective on May 1, 2005. Except as otherwise provided by the Board, no Awards shall be made after May 1, 2010, provided that any Awards granted prior to that date may extend beyond it.

KRAFT FOODS INC.**CHANGE IN CONTROL PLAN FOR KEY EXECUTIVES****ADOPTED: APRIL 24, 2007****REVISED: APRIL 1, 2008***

* This exhibit was initially filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007. It is refiled with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 to correct inadvertent administrative errors. This plan was revised on April 1, 2008 to correct the errors.

KRAFT FOODS INC.
CHANGE IN CONTROL PLAN FOR KEY EXECUTIVES

1. Definitions

For purposes of the Change in Control Plan for Key Executives, the following terms are defined as set forth below (unless the context clearly indicates otherwise):

Affiliate	Any entity controlled by, controlling or under common control with the Company.
Annual Base Salary	Twelve times the higher of (i) the highest monthly base salary paid or payable to the Participant by the Company and its Affiliates in respect of the twelve-month period immediately preceding the month in which the Change in Control occurs, or (ii) the highest monthly base salary in effect at any time thereafter, in each case including any base salary that has been earned and deferred.
Board	The Board of Directors of the Company.
Annual Incentive Target	The annual incentive award that the Key Executive would receive in a fiscal year under the Management Incentive Plan or any comparable annual incentive plan if the target goals are achieved.
Annual Incentive Target Percentage	The Annual Incentive Target as a percentage of Annual Base Salary.
Cause	As defined in Section 3.2(b) (i) of this Plan.
Change in Control	<p>“Change in Control” means the occurrence of any of the following events: (A) Acquisition of 20% or more of the outstanding voting securities of the Company by another entity or group; excluding, however, the following:</p> <ul style="list-style-type: none">(1) any acquisition by the Company or any of its Affiliates;(2) any acquisition by an employee benefit plan or related trust sponsored or maintained by the Company or any of its Affiliates; or(3) any acquisition pursuant to a merger or consolidation described in clause (C) of this definition. <p>(B) During any consecutive 24 month period, persons who constitute the Board at the beginning of such period cease to constitute at least 50% of the Board; provided that each new Board member who is approved by a majority of the directors who began such 24 month period shall be deemed to have been a member of the Board at the beginning of such 24 month period;</p> <p>(C) The consummation of a merger or consolidation of the Company with another company, and the Company is not the surviving company; or, if after such transaction, the other entity owns, directly or indirectly, 50% or</p>

more of the outstanding voting securities of the Company; excluding, however, a transaction pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Company immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity resulting from such transaction (including, without limitation, an entity which as a result of such transaction owns the Company either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of the Company; or

(D) The consummation of a plan of complete liquidation of the Company or the sale or disposition of all or substantially all of the Company's assets, other than a sale or disposition pursuant to which all or substantially all of the individuals or entities who are the beneficial owners of the outstanding voting securities of the Company immediately prior to such transaction will beneficially own, directly or indirectly, more than 50% of the combined voting power of the outstanding securities entitled to vote generally in the election of directors (or similar persons) of the entity purchasing or acquiring the Company's assets in substantially the same proportions relative to each other as their ownership, immediately prior to such transaction, of the outstanding voting securities of the Company.

Code	The Internal Revenue Code of 1986, as amended from time to time.
Committee	The Board's Compensation Committee or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.
Company	Kraft Foods Inc., a corporation organized under the laws of the Commonwealth of Virginia, or any successor thereto.
Date of Termination	If the Participant's employment is terminated by: <ul style="list-style-type: none">(i) The Company for Cause or by the Participant for Good Reason, the Date of Termination shall be the date on which the Participant or the Company, as the case may be, receives the Notice of Termination (as described in Section 3.2(c)) or any later date specified therein, as the case may be.(ii) The Company other than for Cause, death or Disability, the Date of Termination shall be the date on which the Company notifies the Participant of such termination.(iii) Reason of death or Disability, the Date of Termination shall be the date of death of the Participant or the Disability Effective Date, as the case may be.
Disability	As defined in Section 3.2(b) (ii).
Disability Effective Date	As defined in Section 3.2(b) (ii).

Effective Date	April 24, 2007
Employer	The Company or any of its Affiliates.
Excise Tax	The excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.
Good Reason	As defined in Section 3.2(a).
Key Executive	An employee who is employed on a regular basis by the Employer in a salary band D or more senior position.
Long-Term Incentive Plan Award Target	The long-term cash award that the Participant would receive during a performance cycle under the Long-Term Incentive Plan or any comparable annual incentive plan if the target goals specified under the Long-Term Incentive Plan or such annual incentive plan are achieved.
Long-Term Incentive Plan Target Percentage	The Long-Term Incentive Plan Target as a percentage of Annual Base Salary.
Non-Competition Agreement	The agreement of a Participant, not to, without the Company's prior written consent, engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, consultant or otherwise, for a period of up to one (1) year following the date of the Participant's termination of employment with the Company, with a company that is substantially competitive with a business conducted by the Company.
Non-Solicitation Agreement	The agreement of a Participant that he or she will not solicit, directly or indirectly, any employee of the Company, or a surviving entity following a Change-in-Control, to leave the Company and to work for any other entity, whether as an employee, independent contractor or in any other capacity, for a period of up to one (1) year following the Participant's Date of Termination of employment with the Company.
Non-U.S. Executive Participant	A Key Executive whose designated home country, for purposes of the Employer's personnel and benefits programs and policies, is other than the United States. A Key Executive who meets the eligibility requirements of Section 2.1; provided, however, that any Non-U.S. Executive who, under the laws of his or her designated home country or the legally enforceable programs or policies of the Employer in such designated home country, is entitled to receive, in the event of termination of employment (whether or not by reason of a Change in Control), separation benefits at least equal in aggregate amount to the Separation Pay prescribed under Section 3.3(b), of this Plan shall not be considered a Participant for the purposes of this Plan.

Payment	Any payment or distribution in the nature of compensation (within the meaning of Section 280G (b) (2) of the Code) to or for the benefit of the Participant, whether paid or payable pursuant to this Plan or otherwise.
Plan	The Kraft Foods Inc. Change in Control Plan for Key Executives, as set forth herein.
Plan Administrator	The third-party accounting, actuarial, consulting or similar firm retained by the Company prior to a Change in Control to administer this Plan following a Change in Control.
Separation Benefits	The amounts and benefits payable or required to be provided in accordance with Section 3.3 of this Plan.
Separation Pay	The amount or amounts payable in accordance with Section 3.3(b) of this Plan.
U.S. Executive	A Participant whose designated home country, for purposes of the Employer's personnel and benefits programs and policies, is the United States.

2. Eligibility

2.1. Participation. Except as set forth in the definition of Participant above, each employee who is a Key Executive on the Effective Date shall be a Participant in the Plan effective as of the Effective Date and each other employee shall become a Participant in the Plan effective as of the date of the employee's promotion or hire as a Key Executive.

2.2. Duration of Participation. A Participant shall cease to be a Participant in the Plan if (i) the Participant ceases to be employed by the Employer under circumstances not entitling him or her to Separation Benefits or (ii) the Participant otherwise ceases to be a Key Executive, provided that no Key Executive may be so removed from Plan participation in connection with or in anticipation of a Change in Control that actually occurs. However, a Participant who is entitled, as a result of ceasing to be a Key Executive of the Employer, to receive benefits under the Plan shall remain a Participant in the Plan until the amounts and benefits payable under the Plan have been paid or provided to the Participant in full.

3. Separation Benefits

3.1. Right to Separation Benefits. A Participant shall be entitled to receive from the Company the Separation Benefits as provided in Section 3.3, if a Change in Control has occurred and the Participant's employment by the Employer is terminated under circumstances specified in Section 3.2(a), whether the termination is voluntary or involuntary, and if (i) such termination occurs after such Change in Control and on or before the second anniversary thereof, or (ii) such termination is reasonably demonstrated

by the Participant to have been initiated by a third party that has taken steps reasonably calculated to effect a Change in Control or otherwise to have arisen in connection with or in anticipation of such Change in Control.

3.2. Termination of Employment.

- (a) **Terminations which give rise to separation benefits under this Plan.** The circumstances specified in this Section 3.2(a) are any termination of employment with the Employer by action of the Company or any of its Affiliates or by a Participant for Good Reason, other than as set forth in Section 3.2(b) below. For purposes of this Plan, "Good Reason" shall mean:
- (i) the assignment to the Participant of any duties substantially inconsistent with the Participant's position, authority, duties or responsibilities in effect immediately prior to the Change in Control, or any other action by the Company or the Employer that results in a marked diminution in the Participant's position, authority, duties or responsibilities, excluding for this purpose:
 - a. changes in the Participant's position, authority, duties or responsibilities which are consistent with the Participant's education, experience, etc.;
 - b. an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company and/or the Employer promptly after receipt of notice thereof given by the Participant;
 - (ii) any reduction in the Participant's base salary, annual incentive or long-term incentive opportunity as in effect immediately prior to the Change in Control, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company and/or the Employer promptly after receipt of notice thereof given by the Participant;
 - (iii) the Company's or the Affiliate's requiring the Participant to be based at any office or location other than any other location which does not extend the Participant's current home to work location commute by more than 50 miles;
 - (iv) the Company's or the Affiliate's requiring the Participant to travel on business to a substantially greater extent than required immediately prior to the Change in Control;
 - (v) any alleged termination by the Company or the Affiliate of the Participant's employment otherwise than as expressly permitted by this Plan; or
 - (vi) any failure by the Company to require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place, as required by Article 5.
- (b) **Terminations which DO NOT give rise to separation benefits under this Plan.** Notwithstanding Section 3.2(a), if a Participant's employment is terminated for Cause or Disability (as those terms are defined below) or as a result of the Participant's death, or the Participant terminates his or her own employment other than for Good Reason, the Participant shall not be entitled to Separation Benefits under the Plan, regardless of the occurrence of a Change in Control.

- (i) A termination for "Cause" shall have occurred where a Participant is terminated because of:
 - a. Continued failure to substantially perform the Participant's job's duties (other than resulting from incapacity due to disability);
 - b. Gross negligence, dishonesty, or violation of any reasonable rule or regulation of the Company where the violation results in significant damage to the Company; or
 - c. Engaging in other conduct which adversely reflects on the Company in any material respect.
 - (ii) A "Termination for Disability" shall have occurred where a Participant is absent from the Participant's duties with the Employer on a full-time basis for 180 consecutive days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Participant or the Participant's legal representative. In such event, the Participant's employment with the Employer shall terminate effective on the 30th day after receipt of such notice by the Participant (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Participant shall not have returned to full-time performance of the Participant's duties.
 - (c) **Notice of termination.** Any termination by the Company for Cause, or by the Participant for Good Reason, shall be communicated by a Notice of Termination to the other party. For purposes of this Plan, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Plan relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated and (iii) if the Date of Termination is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Participant or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Participant or the Company, respectively, hereunder or preclude the Participant or the Company, respectively, from asserting such fact or circumstance in enforcing the Participant's or the Company's rights hereunder.
- 3.3. **Separation Benefits.** If a Participant's employment is terminated under the circumstances set forth in Section 3.2(a) entitling the Participant to Separation Benefits, and if the Participant signs a Non-Competition Agreement and a Non-Solicitation Agreement, the Company shall pay or provide, as the case may be, to the Participant the amounts and benefits set forth in items (a) through (e) below (the "Separation Benefits"):
- (a) The Company shall pay to the Participant, in a lump sum in cash within 30 days after the Date of Termination (or, if later, 30 days after the date of the Change in Control), or on such later date as required under Section 3.3(g), the sum of (A) the

Participant's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (B) the product of (x) the Participant's Target Annual Incentive Award and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365, (C) the product of (x) the Participant's Long-Term Incentive Award Target and (y) a fraction, the numerator of which is the number of days completed in the applicable performance cycle through the Date of Termination and the denominator of which is total number of days in the performance cycle, and (D) any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in sub clauses (A), (B), (C) and (D), the "Accrued Obligations").

- (b) The Company also shall pay to the Participant, in a lump sum in cash within 30 days after the Date of Termination (or, if later, 30 days after the date of the Change in Control), or on such later date as required under Section 3.3(g), an amount ("Separation Pay") equal to the product of (A) two (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three) and (B) the sum of (x) the Participant's Annual Base Salary and (y) the Participant's Target Annual Incentive Award, reduced (but not below zero) in the case of any Participant who is a Non-U.S. Executive by the U.S. dollar equivalent (determined as of the Participant's Date of Termination) of any payments made to the Participant under the laws of his or her designated home country or any program or policy of the Employer in such country on account of the Participant's termination of employment.
- (c) Solely with respect to U.S. Participants, for two years after the Participant's Date of Termination (or, if later, the date of the Change in Control), (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three years), or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue welfare benefits to the Participant and/or the Participant's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies (including, without limitation, medical, prescription, dental, disability, employee/spouse/child life insurance, executive life, estate preservation (second-to-die life insurance) and travel accident insurance plans and programs), as if the Participant's employment had not been terminated, or, if more favorable to the Participant, as in effect generally at any time thereafter with respect to other peer executives of the Company and its Affiliates and their families; provided, however, that if the Participant becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining the Participant's eligibility for retiree benefits pursuant to such welfare plans, practices, programs and policies, the Participant shall be considered to have remained employed until two years (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three years) after the Date of Termination, provided, however, that the Participant's commencement of such retiree benefits shall not be any sooner than the date on which the Participant attains 55 years of age.

- (d) The Company shall, at its sole expense, provide the Participant with outplacement services through the provider of the Company's choice, the scope of which shall be chosen by the Participant in his or her sole discretion within the terms and conditions of the Company's outplacement services policy as in effect immediately prior to the Change in Control, but in no event shall such outplacement services continue for more than two years after the calendar year in which the Participant separates from service.
- (e) The Company shall, for two years after the Participant's Date of Termination (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three years), or after the Change in Control, if later, or such longer period as may be provided by the terms of the appropriate requisite, continue the requisites at least equal to those which would have been provided to them in accordance with the requisites in effect at the immediately prior to the Change in Control. This clause does not apply to personal use of the Company aircraft to the extent that this requisite is in effect for any Key Executive immediately prior to the Change in Control.
- (f) To the extent not theretofore paid or provided, the Employer shall timely pay or provide to the Participant any other amounts or benefits required to be paid or provided or that the Participant is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its Affiliates.
- (g) Notwithstanding the foregoing, if the Participant is a "specified employee" within the meaning of Section 409A of the Code, then (i) any payments described in Sections 3.3(a) and (b) which the Company determines constitute the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, shall be delayed and become payable within five days after the six-month anniversary of the date on which the Participant separates from service and (ii) any benefits provided under Sections 3.3(c) and (e) which the Company determines constitute the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, shall be provided at the Participant's sole cost during the six-month period after the date on which the Participant separates from service, and within five days after the expiration of such period the Company shall reimburse the Participant for the portion of such costs payable by the Company pursuant to Sections 3.3(c) and (e) hereof.
- (h) For all purposes under the applicable Company non-qualified defined benefit pension plan, the Company shall credit the Participant with two (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three) additional years of service and shall add two (or in the case of a Participant who served as Chairman and Chief Executive Officer immediately prior to the Change in Control, three) years to the Participant's age.

3.4. Certain Additional Payments by the Company.

- (a) Anything in this Plan to the contrary notwithstanding, with respect to any Participant who is a citizen or resident of the United States, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Participant shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 3.4(a), if it shall be determined that any Participant, other than a Participant who served as Chairman and Chief Executive Officer of the Company immediately prior to the Change in Control, is entitled to a Gross-Up Payment, but that the Participant, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit (taking into account both income taxes and any Excise Tax) which is at least ten percent (10%) greater than the net after-tax proceeds to the Participant resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") that is one dollar less than the smallest amount that would give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Participant and the Payments, in the aggregate, shall be reduced to the Reduced Amount.
- (b) Subject to the provisions of Section 3.4(c), all determinations required to be made under this Section 3.4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent auditors or such other nationally recognized certified public accounting firm as may be designated by the Company and approved by the Participant (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the receipt of notice from the Participant that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Subject to Section 3.4(e) below, any Gross-Up Payment, as determined pursuant to this Section 3.4, shall be paid by the Company to the Participant within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 3.4(c) and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

- (c) The Participant shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Participant is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Participant shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Participant in writing prior to the expiration of such period that it desires to contest such claim, the Participant shall:
- (i) give the Company any information reasonably requested by the Company relating to such claim,
 - (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
 - (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
 - (iv) permit the Company to participate in any proceedings relating to such claim;

PROVIDED, HOWEVER, that (A) the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 3.4(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; (B) that if the Company directs the Participant to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Participant, on an interest-free basis and shall indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (d) If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section 3.4(c), the Participant becomes entitled to receive any refund with respect to such claim, the Participant shall (subject to the Company's complying with the requirements of Section 3.4(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Participant of an amount advanced by the Company pursuant to Section 3.4(c), a determination is made that the Participant shall not be entitled to any refund with respect to such claim and the Company does not notify the Participant in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.
- (e) Notwithstanding any other provision of this Section 3.4, the Company may withhold and pay over to the Internal Revenue Service for the benefit of the Participant all or any portion of the Gross-Up Payment that it determines in good faith that it is or may be in the future required to withhold, and the Participant hereby consents to such withholding.

3.5. Payment Obligations Absolute. Upon a Change in Control, the obligations of the Company and its Affiliates to pay or provide the Separation Benefits described in Section 3.3 shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company or any of the Affiliates may have against any Participant. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to a Participant under any of the provisions of this Plan, nor shall the amount of any payment or value of any benefits hereunder be reduced by any compensation or benefits earned by a Participant as a result of employment by another employer, except as specifically provided under Section 3.3.

3.6. Non-Competition and Non-Solicitation. Upon a Change in Control, the obligations of the Company and its Affiliates to pay or provide the Separation Benefits described in Section 3.3 are contingent on the Participant's adhering to the Non-Competition Agreement and the Non-Solicitation Agreement. Should the Participant violate the Non-Competition Agreement or Non-Solicitation Agreement, the Participant will be obligated to pay back to the Employer all payments received pursuant to this Plan and the Employer will have no further obligation to pay the Participant any payments that may be remaining due under this Plan.

3.7. Non-Disparagement. Upon a Change in Control, the obligations of the Company and its Affiliates to pay or provide the Separation Benefits described in Section 3.3 are contingent on the Participant's adhering to certain non-disparagement provisions. The Participant agrees that, in discussing their relationship with Employer, such Participant will not disparage, discredit or otherwise treat in a detrimental manner the Employer, its affiliated and parent companies or their officers, directors and employees. The Employer agrees that, in discussing its relationship with the Participant, it will not disparage or discredit such Participant or otherwise treat such Participant in a detrimental way.

3.8 **General Release of Claims.** Upon a Change in Control, the obligations of the Company and its Affiliates to pay or provide the Separation Benefits described in Section 3.3 are contingent on the Participant's (for him/herself, his/her heirs, legal representatives and assigns) agreement to release the Employer, its affiliated companies and their officers, directors, agents and employees from any claims or causes of action of any kind that the Participant might have against any one or more of them as of the date of this Release, regarding his/her employment or the termination of that employment. The Participant understands that this Release applies to all claims (s)he might have under any federal, state or local statute or ordinance, or the common law, for employment discrimination, wrongful discharge, breach of contract, violations of Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Employee Retirement Income Security Act, the Americans With Disabilities Act, or the Family and Medical Leave Act, and all other claims related in any way to Participant's employment or the termination of that employment.

3.9. **Non-Exclusivity of Rights.** Nothing in this Plan shall prevent or limit the Participant's continuing or future participation in any plan, program, policy or practice provided by the Company or any of the Affiliates and for which the Participant may qualify, nor, subject to Section 6.2, shall anything herein limit or otherwise affect such rights as the Participant may have under any contract or agreement with the Company or any of the Affiliates. Amounts or benefits which the Participant is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of the Affiliates shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Plan.

4. Successor to Company

This Plan shall bind any successor of the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Plan.

5. Duration, Amendment and Termination

5.1. **Duration.** This Plan shall remain in effect until terminated as provided in Section 5.2. Notwithstanding the foregoing, if a Change in Control occurs, this Plan shall continue in

full force and effect and shall not terminate or expire until after all Participants who become entitled to any payments or benefits hereunder shall have received such payments or benefits in full.

5.2. Amendment and Termination. The Plan may be terminated or amended in any respect by resolution adopted by the Committee unless a Change in Control has previously occurred. However, after the Board has knowledge of a possible transaction or event that if consummated would constitute a Change in Control, this Plan may not be terminated or amended in any manner which would adversely affect the rights or potential rights of Participants, unless and until the Board has determined that all transactions or events that, if consummated, would constitute a Change in Control have been abandoned and will not be consummated, and, provided that, the Board does not have knowledge of other transactions or events that, if consummated, would constitute a Change in Control. If a Change in Control occurs, the Plan shall no longer be subject to amendment, change, substitution, deletion, revocation or termination in any respect that adversely affects the rights of Participants, and no Participant shall be removed from Plan participation.

6. Miscellaneous

6.1. Legal Fees. The Company agrees to pay, to the full extent permitted by law, all legal fees and expenses which the Participant may reasonably incur as a result of any contest by the Company or the Affiliates, the Participant or others of the validity or enforceability of, or liability under, any provision of this Plan or any guarantee of performance thereof (including as a result of any contest by the Participant about the amount of any payment pursuant to this Plan), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided that the Company shall have no obligation under this Section 6.1 to the extent the resolution of any such contest includes a finding denying, in total, the Participant's claims in such contest.

6.2. Employment Status. This Plan does not constitute a contract of employment or impose on the Participant, the Company or the Participant's Employer any obligation to retain the Participant as an employee, to change the status of the Participant's employment as an "at will" employee, or to change the Company's or the Affiliates' policies regarding termination of employment.

6.3. Tax Withholding. The Company may withhold from any amounts payable under this Plan such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

6.4. Validity and Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

6.5. Governing Law. The validity, interpretation, construction and performance of the Plan shall in all respects be governed by the laws of the Commonwealth of Virginia, without reference to principles of conflict of law.

6.6. Claim Procedure. If a Participant makes a written request alleging a right to receive Separation Benefits under the Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefits. All claims for Separation Benefits under the Plan shall be sent to the General Counsel of the Company and must be received within 30 days after the Date of Termination. If the Company determines that any individual who has claimed a right to receive Separation Benefits under the Plan is not entitled to receive all or a part of the benefits claimed, it will inform the claimant in writing of its determination and the reasons therefore in terms calculated to be understood by the claimant. The notice will be sent within 90 days of the written request, unless the Company determines additional time, not exceeding 90 days, is needed. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and describe any additional material or information that is necessary. Such notice shall, in addition, inform the claimant what procedure the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 90 days thereafter submit in writing to the Plan Administrator a notice that the claimant contests the denial of his or her claim by the Company and desires a further review. The Plan Administrator shall within 60 days thereafter review the claim and authorize the claimant to appear personally and review the pertinent documents and submit issues and comments relating to the claim to the persons responsible for making the determination on behalf of the Plan Administrator. The Plan Administrator will render its final decision with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Plan Administrator determines additional time, not exceeding 60 days, is needed, and so notifies the Participant. If the Plan Administrator fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the Plan Administrator shall be deemed to have denied the claim.

6.7. Unfunded Plan Status. This Plan is intended to be an unfunded plan and to qualify as a severance pay plan within the meaning of Labor Department Regulations Section 2510.3-2(b). All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Committee may authorize the creation of trusts or other arrangements to assist in accumulating funds to meet the obligations created under the Plan; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

6.8. Reliance on Adoption of Plan. Subject to Section 5.2, each person who shall become a Key Executive shall be deemed to have served and continue to serve in such capacity in reliance upon the Change in Control provisions contained in this Plan.

6.9. Plan Supersedes prior U.S. Arrangements with one Exception. For the period of two years following the occurrence of a Change in Control, the provisions of this Program shall supersede, with respect to U.S. Participants, any and all plans, programs, policies and arrangements of the Company providing severance benefits, EXCEPT FOR the 2005 Performance Incentive Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer effective as of the Effective Date set forth above.

KRAFT FOODS INC.

By: /s/ Karen May
EVP, Global Human Resources

KRAFT FOODS INC. AND SUBSIDIARIES
 Computation of Ratios of Earnings to Fixed Charges
 (in millions of dollars)

	For the Three Months Ended March 31, 2008
Earnings before income taxes	\$ 860
Add / (Deduct):	
Equity in net earnings of less than 50% owned affiliates	(28)
Dividends from less than 50% owned affiliates	1
Fixed charges	353
Interest capitalized, net of amortization	1
Earnings available for fixed charges	<u>\$ 1,187</u>
Fixed charges:	
Interest incurred:	
Interest expense	\$ 314
Capitalized interest	<u>1</u>
	315
Portion of rent expense deemed to represent interest factor	<u>38</u>
Fixed charges	<u>\$ 353</u>
Ratio of earnings to fixed charges	<u>3.4</u>

Certifications

I, Irene B. Rosenfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2008

/s/ IRENE B. ROSENFELD
Irene B. Rosenfeld
Chairman and Chief Executive Officer

Certifications

I, Timothy R. McLevish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kraft Foods Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2008

/s/ TIMOTHY R. MCLEVISH
Timothy R. McLevish
Executive Vice President and
Chief Financial Officer

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Irene B. Rosenfeld, Chairman and Chief Executive Officer of Kraft Foods Inc. ("Kraft"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft's Quarterly Report on Form 10-Q fairly presents in all material respects Kraft's financial condition and results of operations.

/s/ IRENE B. ROSENFELD

Irene B. Rosenfeld
Chairman and Chief Executive Officer
May 2, 2008

I, Timothy R. McLevish, Executive Vice President and Chief Financial Officer of Kraft Foods Inc. ("Kraft"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Kraft's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Kraft's Quarterly Report on Form 10-Q fairly presents in all material respects Kraft's financial condition and results of operations.

/s/ TIMOTHY R. MCLEVISH

Timothy R. McLevish
Executive Vice President and
Chief Financial Officer
May 2, 2008

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Kraft Foods Inc. and will be retained by Kraft Foods Inc. and furnished to the Securities and Exchange Commission or its staff upon request.