

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **January 28, 2007**

**KRAFT FOODS INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of incorporation)

**001-16483**  
(Commission File Number)

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

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

**60093-2753**  
(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 1.01. Entry into a Material Definitive Agreement.**

*Restricted Stock.* On January 28, 2007, the Compensation Committee of the Board of Directors of Kraft Foods Inc. (the "Company") approved the grant of shares of restricted stock under the 2005 Performance Incentive Plan (the "2005 PIP"), effective January 29, 2007, the grant date, to certain named executive officers in the 2006 Proxy Statement (the "Named Executive Officers") and the Company's current Chief Executive Officer, in the amounts indicated below:

<u>Name</u>	<u>Shares of Restricted Stock</u>
Irene B. Rosenfeld	144,280
Marc S. Firestone	20,200
Franz-Josef Vogelsang	28,860

The restricted stock awards vest approximately 3 years from the grant date, on February 12, 2010. A form of restricted stock agreement is attached as an Exhibit to this Current Report on Form 8-K and is incorporated by reference herein.

*2007 Annual Incentive Awards Formula.* In addition, on January 28, 2007, the Compensation Committee approved a formula for determining the maximum award amounts for 2007 annual incentive awards under the 2005 PIP, which formula reflects the Company's intention to qualify, to the extent possible, cash compensation paid to officers as tax-deductible, subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code.

The maximum award amounts for the 2007 annual incentive awards will be determined based on an annual performance incentive pool equal to 0.40% of the adjusted net earnings of the Company. Adjusted net earnings of the Company is defined as the net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Compensation Committee. In addition, annual incentive award amounts under the 2005 PIP are limited to the shareholder-approved maximum defined in the 2005 PIP of \$10.0 million.

At the conclusion of 2007, the annual performance incentive pool for the 2007 annual incentive awards will be calculated and divided among the covered officers. The Chief Executive Officer's maximum award is equal to one-third of the pool and the remaining two-thirds of the pool will be allocated equally among the remaining covered officers, subject in each instance to the maximum individual award amount defined in the 2005 PIP.

*2007 — 2009 Long Term Incentive Plan Award Formula.* On January 28, 2007, the Compensation Committee also approved a formula for determining the maximum award amounts for the 2007-2009 performance cycle of the Long-Term Incentive Plan awards under the 2005 PIP, which formula reflects the

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Company's intention to qualify, to the extent possible, cash compensation paid to officers as tax-deductible, subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code.

The maximum award amounts for the 2007-2009 long term incentive awards will be determined based on a performance incentive pool equal to 0.40% of the of cumulative adjusted net earnings of the Company during the three-year performance cycle. Cumulative adjusted net earnings of the Company is defined as the net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Compensation Committee. In addition, Long-Term Incentive Plan award amounts under the 2005 PIP are limited to the shareholder-approved maximum defined in the 2005 PIP of \$24.0 million.

At the conclusion of the 2007 — 2009 performance cycle, the performance incentive pool for the Long-Term Incentive Plan awards will be calculated and divided among the covered officers. The Chief Executive Officer's maximum award is equal to one-third of the pool and the remaining two-thirds of the pool will be allocated equally among the remaining covered officers, subject in each instance to the maximum individual award amount defined in the 2005 PIP.

*2008 Annual Stock Awards Formula.* In addition, on January 28, 2007, the Compensation Committee approved a formula for determining the maximum stock award amounts for the 2008 annual stock awards under the 2005 PIP, which formula reflects the Company's intention to qualify, to the extent possible, equity compensation paid to covered officers as tax-deductible, subject to the deductibility limitations of Section 162(m) of the Internal Revenue Code.

The maximum award amounts for the 2008 annual stock awards will be determined based on a grant value pool equal to 1.00% of the adjusted net earnings of the Company. Adjusted net earnings of the Company is defined as the net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain other items designated by the Compensation Committee. In addition, annual stock awards under the 2005 PIP are limited to the shareholder-approved maximum defined in the 2005 PIP of 1.0 million shares.

At the conclusion of 2007, the grant value pool for the 2008 annual stock awards will be calculated and divided among the covered officers. The Chief Executive Officer's maximum award is equal to one-third of the pool and the remaining two-thirds of the pool will be allocated equally among the remaining covered officers, subject in each instance to the maximum individual award amount defined in the 2005 PIP.

The Company will provide additional information regarding the compensation of its named executive officers in its Proxy Statement for the 2007 Annual Meeting of Stockholders, which will be filed in March 2007.

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#### 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 hereunto duly authorized.

KRAFT FOODS INC.

/s/ CAROL J. WARD

Name: Carol J. Ward

Title: Vice President and Corporate Secretary

Date: February 1, 2007

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#### EXHIBIT INDEX

Exhibit  
Number

Description

10.1 Form of Restricted Stock Agreement



**KRAFT FOODS INC.  
2005 PERFORMANCE INCENTIVE PLAN**

**RESTRICTED STOCK AGREEMENT  
(January 29, 2007)**

KRAFT FOODS INC. (the "Company"), a Virginia corporation, hereby grants to the employee identified in the 2007 Restricted Stock Award section of the Award Statement (the "Employee") under the Kraft Foods Inc. 2005 Performance Incentive Plan (the "Plan") a Restricted Stock Award (the "Award") dated January 29, 2007, with respect to the number of shares set forth in the 2007 Restricted Stock Award section of the Award Statement (the "Shares") of the Class A Common Stock of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Book Entry Registration. The Shares shall be evidenced by a book entry account maintained by the Company's Transfer Agent for the Common Stock. Upon the vesting of Shares, no certificates will be issued except upon a separate written request therefore made to such Transfer Agent or other agent as determined by the Company.
  2. Restrictions. Subject to Section 3 below, the restrictions on the Shares shall lapse and the Shares shall vest on the Vesting Date set forth in the 2007 Restricted Stock Award section of the Award Statement (the "Vesting Date"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period") commencing on the Award Date set forth in the Award Statement and ending on the Vesting Date.
  3. Termination of Employment During Restriction Period. In the event of the termination of the Employee's employment with the Company (and with all subsidiaries and affiliates of the Company) prior to the Vesting Date due to death or Disability, or upon the Employee reaching eligibility for Normal Retirement, the restrictions on the Shares shall lapse and the Shares shall become fully vested on the date of death, Disability, or eligibility for Normal Retirement.
- If the Employee's employment with the Company (and with all subsidiaries and affiliates of the Company) is terminated for any reason other than death or Disability, prior to the end of the Restriction Period, the Employee shall forfeit all rights to the Shares. For the avoidance of doubt, an Employee's employment shall be considered terminated if he or she has ceased to perform services for the Company and is receiving or is eligible or entitled to receive severance pay, notice of termination or pay in lieu thereof, salary continuation or other benefits under the Kraft Foods Global, Inc. Severance Pay Plan or any similar plan maintained by the Company, a subsidiary or an affiliate or under an individual agreement or under local law; provided, however, that if an Employee would have been eligible for Normal Retirement had the Employee continued in the employ of the Company (or a subsidiary or affiliates of the Company) until the expiration of such salary continuation or other benefits, the Employee shall be treated as if he or she continued in employment during such period for purposes of this Agreement. Notwithstanding the foregoing, the Compensation Committee of the Board of Directors of the Company (the "Committee") may, in its sole discretion, waive the restrictions on, and the vesting requirements for, the Shares.
4. Voting and Dividend Rights. During the Restriction Period, the Employee shall have the rights to vote the Shares and to receive any cash dividends payable with respect to the Shares, as paid, less applicable withholding taxes (it being understood that such dividends will generally be taxable as ordinary compensation income during such Restriction Period).
  5. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, hypothecated or otherwise pledged and shall not be subject to execution, attachment or similar process. Upon

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any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

6. Withholding Taxes. The Company is authorized to satisfy the actual minimum statutory withholding taxes arising from the granting or vesting of this Award, as the case may be, by deducting the number of shares having an aggregate value equal to the amount of withholding taxes due from the total number of shares awarded or the number of shares vesting or otherwise becoming subject to current taxation. The Company is also authorized to satisfy the actual withholding taxes arising from the granting or vesting of this Award, or hypothetical withholding tax amounts if the Employee is covered under a Company tax equalization policy, as the case may be, by the remittance of the required amounts from any proceeds realized upon the open-market sale of vested Shares by the Employee. Shares deducted from this Award in satisfaction of actual minimum withholding tax requirements shall be valued at the Fair Market Value of the Shares on the date as of which the amount giving rise to the withholding requirement first became includible in the gross income of the Employee under applicable tax laws. If the Employee is covered by a Company tax equalization policy, the Employee also agrees to pay to the Company any additional tax obligation calculated and paid in accordance with such tax equalization policy.
7. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee except that, to the extent permitted by the Committee, if the Company shall have theretofore received in writing a beneficiary designation, the Shares shall be registered in the name of the designated beneficiary.
8. Other Terms and Provisions. The terms and provisions of the Plan (a copy of which will be furnished to the Employee upon written request to the Office of the Secretary, Kraft Foods Inc., Three Lakes Drive, Northfield, IL 60093) are incorporated herein by reference. The Plan and this Award is governed by and will be construed in accordance with the laws of the Commonwealth of Virginia. To the extent any provision of this Award is inconsistent or in conflict with any term or provision of the Plan, the Plan shall govern. For purposes of this Agreement, (a) the term "Disability" means permanent and total disability as determined under procedures established by the Company for purposes of the Plan, and (b) the term "Normal Retirement" means retirement from active employment under a pension plan of the Company, any subsidiary or affiliate or under an employment contract with any of them on or after the date specified as the normal retirement age in the pension plan or employment contract, if any, under which the Employee is at that time accruing pension benefits for his or her current service (or, in the absence of a specified normal retirement age, the age at which pension benefits under such plan or contract become payable without reduction for early commencement and without any requirement of a particular period of prior service). In any case in which (i) the meaning of "Normal Retirement" is uncertain under the definition contained in the prior sentence or (ii) a termination of employment at or after age 65 would not otherwise constitute "Normal Retirement," an Employee's termination of employment shall be treated as a "Normal Retirement" under such circumstances as the Committee, in its sole discretion, deems equivalent to retirement. Generally, for purposes of this Agreement, (x) a "subsidiary"

includes only any company in which the Company, directly or indirectly, has a beneficial ownership interest of greater than 50 percent and (y) an "affiliate" includes only any company that (A) has a beneficial ownership interest, directly or indirectly, in the Company of greater than 50 percent or (B) is under common control with the Company through a parent company that, directly or indirectly, has a beneficial ownership interest of greater than 50 percent in both the Company and the affiliate. 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 after the date of this Award, the Board of Directors of the Company shall make adjustments to the number and kind of shares of stock subject to this Award, as necessary and appropriate to prevent the Employee from experiencing a significant increase or decrease in the then existing fair market value (disregarding restrictions based on future service) of this Award. Such adjustments may include the substitution of equity interests in other entities involved in

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such transactions and providing for cash payments in lieu of restricted or unrestricted shares. The Committee shall also determine whether continued employment with any entity resulting from such a transaction will or will not be treated as continued employment by the Company or a subsidiary or affiliate. Capitalized terms not otherwise defined herein have the meaning set forth in the Plan.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of January 29, 2007.

Kraft Foods Inc.  
By:

A handwritten signature in black ink, appearing to read "J. May". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.