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Kraft Foods Takes Steps To Position Company For Successful Spinoff

U.S. Sales Realignment, Consolidation of Management Centers, and Leaner Organizational Structures Designed to Increase Effectiveness and Fuel Growth

NORTHFIELD, Ill., Jan. 17, 2012 /PRNewswire/ -- Kraft Foods (NYSE: KFT) today announced several moves to help ensure its North America-based snacks and grocery businesses are well-positioned to become two independent public companies before the end of 2012. Key decisions include realigning the U.S. Sales organization, consolidating U.S. management centers and streamlining the corporate and business unit organizations. These actions will result in the reduction of approximately 1,600 positions in North America throughout 2012, about 40 percent of which are due to the realignment of U.S. Sales.

"When we announced our decision to create two world-class companies last August, we said both would be leaner, more competitive organizations," said Irene Rosenfeld, Chairman and CEO. "For the past year, the North American team has been working to streamline operations to deliver sustainable top-tier performance and continue to invest in our iconic brands. We're confident that this transformational work will improve effectiveness and fuel the future growth of both companies."

Realignment of U.S. Sales

The grocery and snacks businesses have distinct portfolios and routes to market. By realigning the U.S. Sales structure to create more focused teams, each company can customize its approach to in-store sales and execution to maximize impact.

The snacks business will leverage a direct store delivery model, with most U.S. retail sales employees shifting to the North American region of the global snacks company.

To capitalize on its warehouse distribution strength, the grocery company will reorganize within the United States. Local retail support will be contracted to two leading sales agencies, with Kraft oversight and direction. Acosta Sales & Marketing will become the company's partner for grocery store and mass retail channel execution. CROSSMARK will continue to support Kraft in the convenience store channel.

Kraft anticipates having both U.S. Sales organizations in place by April 1.

Consolidating U.S. Management Centers

When the North American grocery company is spun off later this year, it will reduce its U.S. management center locations from four to two.

"Consolidating our management locations is a sound business move," said Tony Vernon, Executive Vice President and President, Kraft Foods North America and CEO of the future grocery company. "Having the majority of our business units together in one location will provide greater development opportunities for our people and will help us continue building our brands more efficiently and collaboratively."

The Beverages business unit in Tarrytown, N.Y., and the Planters brand in East Hanover, N.J., will relocate to the Chicagoland area by December 2012. Most of the employees affected by these moves will have the option to transfer with their businesses to the future grocery company headquarters in Chicagoland. Kraft also will close its Glenview, Ill., management center by the end of 2013.

The future global snacks company will also have its headquarters in the Chicagoland area, with the choice of site currently under consideration. The North American region for the global snacks company will be based at the East Hanover campus.

In Canada, both companies will retain sites in the Greater Toronto area. The Kraft grocery business will stay in the current Don Mills offices, while the snacks business moves to recently opened offices in Mississauga. The Madison, Wis., management center will remain the site for the Oscar Mayer business unit.

Workforce Reductions

Throughout 2011, the North American business has been lowering costs to provide funds to invest in its brands. With leaner structures planned across both the future grocery company and the North America Snacks region, Kraft plans to eliminate approximately 1,600 positions throughout the United States and Canada over the next 12 months, primarily from sales, corporate and business unit areas. About 20 percent of these job eliminations are currently open positions.

These planned workforce reductions do not include manufacturing facilities. With the impending separation into two independent companies, Kraft is continuing its review of manufacturing facilities to consider what's best for both new companies.

"Making these tough choices is never easy, and we recognize the impact these changes will have on many of our people and their families," said Vernon. "But our plan for a more nimble company, combined with the current economic and competitive pressures, led us to this point. Taking the necessary steps now will enable us to continue investing in our beloved brands to drive growth."

ABOUT KRAFT FOODS

Kraft Foods Inc. (NYSE: KFT) is a global snacks powerhouse with an unrivaled portfolio of brands people love. Proudly marketing delicious biscuits, confectionery, beverages, cheese, grocery products and convenient meals in approximately 170 countries, Kraft Foods had 2010 revenue of $49.2 billion. Twelve of the company's iconic brands – *Cadbury*, *Jacobs*, *Kraft*, *LU*, *Maxwell House*, *Milka*, *Nabisco*, *Oreo*, *Oscar Mayer*, *Philadelphia*, *Tang* and *Trident* – generate revenue of more than $1 billion annually. On Aug. 4, 2011, Kraft Foods announced plans to divide and create two independent public companies: a high-growth global snacks business and a high-margin North American grocery business. The transaction is expected to be completed before the end of 2012. A leader in innovation, marketing, health & wellness and sustainability, Kraft Foods is a member of the Dow Jones Industrial Average, Standard & Poor's 500, Dow Jones Sustainability Index and Ethibel Sustainability Index. Visit http://www.kraftfoodscompany.com/ and www.facebook.com/kraftfoodscorporate.

FORWARD-LOOKING STATEMENTS

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This press release contains a number of forward-looking statements. Words, and variations of words such as "expect," "intend," "goal," "plan," "believe," continue," "may," "will," and similar expressions are intended to identify our forward-looking statements, including but not limited to, steps to position the company for successful spinoff; North America-based businesses are well-positioned to become two independent companies; intent to deliver sustainable top-tier performance; continued investment in our iconic brands; effectiveness and fuel the future growth of both companies; plans, goal and timing for reorganization and realignment of the U.S. sales and customer logistics; consolidation of U.S. management centers; our workforce reduction plans; and investing in our beloved brands to drive growth. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause our actual results to differ materially from those indicated in our forward-looking statements. Such factors include, but are not limited to, our failure to successfully separate the company, management's distraction with spin-off activities and away from business operations, continued volatility of input costs, pricing actions, increased competition, risks from operating internationally including weak economic conditions outside of the U.S., continued consumer weakness and tax law changes. Please also see our risk factors, as they may be amended from time to time, set forth in our filings with the SEC, including our most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q and 8-K. Kraft Foods disclaims and does not undertake any obligation to update or revise any forward-looking statement in this press release, except as required by applicable law or regulation.

SOURCE Kraft Foods Inc.

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