

KRAFT FOODS INC  
Form 11-K  
June 25, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 11-K**  
**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS AND**  
**SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE**  
**ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: Kraft Foods Inc. 1-16483

**Kraft Foods Group, Inc. Thrift Plan**

(formerly Kraft Foods Global, Inc. Thrift Plan)

(Full title of the plan)

# **KRAFT FOODS INC.**

**Three Lakes Drive**

**Northfield, Illinois 60093-2753**

(Name of issuer of the securities held pursuant to the plan

and address of its principal executive office)

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KRAFT FOODS GLOBAL, INC. THRIFT PLAN  
ANNUAL REPORT ON FORM 11-K  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
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23.1 Consent of Crowe Horwath LLP, Independent Registered Public Accounting Firm	
All other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.	

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Kraft Foods Global, Inc. Management Committee for Employee Benefits and

the Participants of the Kraft Foods Global, Inc. Thrift Plan

Kraft Foods Global, Inc.

Northfield, Illinois

We have audited the accompanying statements of net assets available for benefits of the Kraft Foods Global, Inc. Thrift Plan ( the Plan ) as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Line 4i Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2011 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2011 financial statements taken as a whole.

/s/ Crowe Horwath LLP

Oak Brook, Illinois

June 25, 2012

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KRAFT FOODS GLOBAL, INC. THRIFT PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

at December 31, 2011 and 2010

(in thousands of dollars)

	<b>2011</b>	<b>2010</b>
Assets:		
Investment in Master Trust, at fair value (Notes 2 and 3)	\$ 5,435,858	\$ 5,219,588
Investments, at fair value (Notes 2 and 5)	129,964	
Receivables:		
Employee contribution		1,916
Notes receivable from participants	60,153	55,120
Total receivables	60,153	57,036
Total assets	5,625,975	5,276,624
Liabilities:		
General and administrative expenses payable	(87)	(459)
Total liabilities	(87)	(459)
Net assets, reflecting all investments at fair value	5,625,888	5,276,165
Adjustments from fair value to contract value for investment in Master Trust from fully benefit-responsive investment contracts	(72,958)	(51,827)
Adjustments from fair value to contract value for investment in the Plan from fully benefit-responsive investment contracts	(446)	
Net assets available for benefits	\$ 5,552,484	\$ 5,224,338

The accompanying notes are an integral part of these financial statements.

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KRAFT FOODS GLOBAL, INC. THRIFT PLAN

STATEMENT OF CHANGES IN NET ASSETS

AVAILABLE FOR BENEFITS

for the Year Ended December 31, 2011

(in thousands of dollars)

	<b>2011</b>
Additions to net assets attributed to:	
Net investment income from Master Trust (Notes 2 and 3)	\$ 363,087
Interest from notes receivable from participants	1,930
Employer contributions	76,695
Participant contributions	145,871
 Total additions	 587,583
 Deductions from net assets attributed to:	
Distributions and withdrawals	(383,115)
General and administrative expenses	(7,882)
 Total deductions	 (390,997)
 Transfer in from the Cadbury Adams Holdings LLC Employees Savings Incentive Plan (Note 5)	 131,560
 Increase in net assets available for benefits	 328,146
Net assets available for benefits:	
Beginning of year	5,224,338
End of year	\$ 5,552,484

The accompanying notes are an integral part of these financial statements.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements

**1. Description of the Plan:**

**General:**

The Kraft Foods Global, Inc. Thrift Plan (the Plan) is a defined contribution plan designed to encourage employees to save for retirement by providing eligible employees with an opportunity to invest a portion of their compensation and thereby share in contributions from Kraft Foods Global, Inc. (Kraft Foods). Kraft Foods is a wholly owned subsidiary of Kraft Foods, Inc. Participants should refer to the official Plan document that legally governs the operation of the Plan for a complete description of the Plan's provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and the U.S. Internal Revenue Code of 1986 (the Code).

The Management Committee for Employee Benefits of Kraft Foods Global, Inc. (the Management Committee) is responsible for plan design. The Plan vests the Kraft Foods Global, Inc. Administrative Committee (the Administrative Committee) with authority to control and manage the non-investment operations of the Plan. The Benefits Investment Committee is responsible for selecting the investment options in which participants elect to invest their Plan accounts, appointing investment managers to manage one or more of the investment options and monitoring the performance of the investment options. The Administrative Committee and the Benefits Investment Committee are hereinafter collectively referred to as the Fiduciaries.

**Contributions:**

*Participant Contributions:*

Eligible salaried and hourly non-union employees of Kraft Foods can make voluntary, tax-deferred and/or after-tax contributions to the Plan.

Participants may make tax-deferred and after-tax contributions up to 15% of their compensation (with the exception of employees hired after December 31, 2008 with compensation of \$180,000 or more who are subject to a 10% contribution limit).

Participants who will be age 50 or older by the end of a Plan year are eligible to make tax-deferred catch-up contributions up to \$5,500 for 2011. The aggregate contributions made by participants may not cause the Plan to violate limitations on such contributions set forth in the Code. The Code also imposes a dollar limitation on the amount of tax-deferred contributions for a calendar year. A participant's tax-deferred contributions were limited to \$16,500 for 2011.

*Automatic Enrollment:*

The Plan includes a qualified automatic contribution arrangement, pursuant to which all eligible employees are enrolled automatically with a 3% tax-deferred contribution rate, unless the employee elects otherwise. These contributions are invested in the Plan's default investment option. Employees may opt out of the automatic enrollment, stop contributions, modify their contribution rate, or change investment elections at any time. Starting the first year after a participant is automatically enrolled in the Plan, the participant's tax-deferred contribution rate is automatically increased by 1% annually, up to a maximum of 6%. This occurs with the first payroll period in April of each year, and participants may decline these rate increases or elect a different rate.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

*Employer Matching Contributions:*

Eligible employees receive matching contributions from Kraft Foods (the *Kraft Foods Matching Contributions*) based on the amount of each participant's tax-deferred and after-tax contributions, up to a maximum of 6% of a participant's compensation (*Match-Eligible Contributions*). The Kraft Foods Matching Contributions percentage is 100% of each participant's Match-Eligible Contributions that do not exceed 1%, plus 70% of each participant's Match-Eligible Contributions from 2% through 6%.

*Employer Basic Contribution:*

Eligible salaried and hourly non-union employees of Kraft Foods hired after December 31, 2008, who are not eligible to participate in the Kraft Foods Global, Inc. Retirement Plan, or the Kraft Foods Global, Inc. Hourly Retirement Plan, automatically receive a basic contribution equal to 4.5% of the employee's eligible compensation (the *Kraft Foods Basic Contributions*).

**Employee Stock Ownership Plan:**

The employee stock ownership plan (*ESOP*) portion of the Plan permits participants who have an investment in the Kraft Foods Stock Fund, which is invested in Kraft Foods Inc. Class A common stock (*Kraft Foods Common Stock*) and cash, to elect, no later than the business day immediately preceding an ex-dividend date with respect to a cash dividend payable on shares of Kraft Foods Common Stock, to have the dividend paid to them in cash or have the dividend reinvested in additional units of the Kraft Foods Stock Fund.

*Voting Rights:*

Each participant is entitled to exercise voting rights attributable to the shares allocated to his or her account. Kraft Foods is required to make sure the participant receives proxy materials prior to the time the voting rights are to be exercised. Participant votes are tabulated by the transfer agent and communicated to the Trustee. The Trustee generally is required to vote any allocated shares for which instructions have not been given by a participant in the same proportion for which the Trustee received participant direction.

**Participant Accounts and Investment Options:**

Each participant's Plan accounts, which may include a Kraft Foods Matching Contributions account, a tax-deferred contributions account, an after-tax contributions account, a rollover account, a prior plan account, and for participants hired after December 31, 2008, a Kraft Foods Basic Contributions account, are credited with the participant's contributions, the Kraft Foods Matching Contributions, and the Kraft Foods Basic Contributions, as applicable, and the allocated share of the investment activities of each investment option in which he or she participates. Each participant directs the investment of his or her account to any of the investment options available under the Plan, including Kraft Foods Common Stock.



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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

**Vesting:**

Each participant is at all times fully vested in the balance held in his or her tax-deferred contributions account, after-tax contributions account, rollover account and prior plan account. Each participant is at all times fully vested in his or her share (if any) of dividends paid on the Altria Stock Fund, the PMI Stock Fund or the Kraft Foods Stock Fund (including with respect to the Kraft Foods Matching Contributions and Kraft Foods Basic Contributions accounts to the extent invested in such funds). A participant will fully vest in the Kraft Foods Matching Contributions and Kraft Foods Basic Contributions accounts upon attainment of age 65; permanent and total disability or death while employed by Kraft Foods, or any of its affiliates; involuntary termination due to a change in control of Kraft Foods Inc., or upon a termination of the Plan (see Note 6). Otherwise, a participant who is employed by Kraft Foods, or any of its affiliates, will vest in Kraft Foods Matching Contributions made to his or her account on or after January 1, 2008 and Kraft Foods Basic Contributions made to his or her account on or after January 1, 2009 when he or she completes two years of vesting service. The portion of a participant's account attributable to Kraft Foods Matching Contributions made before January 1, 2008 will vest based on the number of years of vesting service determined in accordance with the following schedule:

<b>Years of Service</b>	<b>Vested Percentage</b>
Less than 2	0%
2 but less than 3	25%
3 but less than 4	50%
4 but less than 5	75%
5 or more	100%

Kraft Foods Matching Contributions and Kraft Foods Basic Contributions forfeited by terminated participants are used to reduce future Kraft Foods Matching Contributions and Kraft Foods Basic Contributions to the Plan. For the year ended December 31, 2011, employer contributions were reduced by \$2,308,000.

**Distributions and Withdrawals:**

A participant may take a distribution of his or her Plan accounts following a separation from service or attainment of age 59 1/2. Upon termination of employment, including retirement, a participant has numerous options available, as described in the Plan, with respect to the distribution of his or her Plan accounts.

Participants may make in-service withdrawals in accordance with the provisions outlined in the Plan.

**Notes Receivable from Participants:**

The notes receivable program permits participants to borrow from their Plan accounts in accordance with the provisions outlined in the Plan. Interest on notes receivable from participants for the Plan is charged at rates based on the Citibank Prime Rate, with terms from one to five years. Interest on notes receivable from participants that transferred into

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

the Plan from the Cadbury Adams Holdings LLC Employees Savings Incentive Plan is charged at rates based on the Citibank Prime Rate plus 1%, with terms from one to five years. The minimum notes receivable amount is \$1,000 and the maximum notes receivable amount is the lesser of \$50,000 minus the participant's highest notes receivable balance in the preceding 12 months or the combined value in the participant's tax-deferred contributions account, after-tax contributions account, rollover account and Kraft Foods Basic Contributions account.

A participant's notes receivable account equals the original principal amount less principal repayments. The principal amounts of notes receivable repayments reduce the notes receivable account and are added back to the participant's Plan accounts in the reverse order in which they were charged. The repaid amount (including interest) is reinvested in the investment options according to the participant's investment directions in effect at the time of repayment. Interest rates on notes receivable ranged from 3.17% to 10.5% for the year ended December 31, 2011.

**Master Trust:**

Assets of the Plan are co-invested with the assets of other defined contribution plans sponsored by Kraft Foods in a commingled investment fund known as the Kraft Foods Savings Plan Master Trust (the Master Trust) for which State Street Bank and Trust Company serves as the trustee.

**2. Summary of Significant Accounting Policies:**

**Basis of Presentation:**

The financial statements are prepared using the accrual basis of accounting.

**Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires the Fiduciaries to make estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. Actual results could differ from those estimates.

**Risks and Uncertainties:**

The Plan and Master Trust provide for various investment options. Investments, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. Due to the level of risk associated with certain investments and the sensitivity of certain fair value estimates to changes in valuation assumptions, it is reasonably possible that changes in the values of investments will occur in the near term and that these changes could materially affect participants' account balances and the amounts reported in the financial statements.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

**Reporting of Guaranteed Investment Contracts:**

The statements of net assets available for benefits present fully benefit-responsive investment contracts at fair value within the net investment in Master Trust line item with a separate line item to adjust from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis. Contract value is the relevant measurement criteria since contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan.

**Valuation of Investment in Master Trust:**

Each participating plan holds units of participation in the Master Trust. Net assets, investment income, and administrative expenses relating to the Master Trust are allocated to the individual plans based upon their interest in each of the underlying participant-directed investments.

**Valuation of the Plan and Master Trust's Investments:**

Investments of the Plan and the Master Trust are reported at fair value. The Plan's interest in the Master Trust is reported at estimated fair value based upon the fair values of the underlying investments held within the Master Trust. US GAAP defines fair value as the price that would be received by the Plan and the Master Trust for an asset or paid by the Plan and the Master Trust to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's and the Master Trust's principal or most advantageous market for the asset or liability. The guidance establishes a fair value hierarchy which requires the Plan and the Master Trust to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Plan has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments apply to investments held directly by the Plan and those held as underlying investments of the Master Trust.

*Equities:* Equities are valued using quoted market prices. Securities listed on national and international exchanges are principally valued at the regular trading session closing price on the exchange or market in which these securities are principally traded on the last business day of each period presented (level 1 inputs).

*U. S. Government securities:* U. S. government securities are valued at the closing price reported in the active market in which the individual security is traded (level 1 inputs).

*Corporate bonds, international sovereign and other fixed income securities:* Corporate bonds and international sovereigns are valued based on yields currently available on comparable securities of issuers with similar credit ratings (level 2 inputs). When quoted prices are not available for similar bonds, the bond is valued using matrix pricing, a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (level 2 inputs). Agency-backed bonds, asset-backed securities, mortgage-backed securities, and municipal bonds are valued based on evaluation methodology where prices are based on a compilation of primary observable market information, the value is imputed based on the conversion ratio and other security specific information, or a broker quote in a non-active market (level 2 inputs). Evaluation methodology relies on inputs that may include, but are not limited to, treasury or floating index benchmarks, other benchmark yields, base spreads, spread adjustments, yield-to-maturity, swap curves, prepayment speeds, cash flows, ratings updates, collateral performance and collateral type.

*Registered Investment Companies:* The fair value of the registered investment companies are determined by obtaining quoted prices on nationally recognized security exchanges (level 1 input). The investment objectives and underlying investments may vary. Holdings include, but are not limited to, domestic and international equities: corporate bonds, government bonds, agency bonds, asset-backed and mortgage-backed securities, or a blend of all of these securities.

*Collective trusts:* The fair values of participation units held in collective trusts, other than stable value funds, are based on their net asset values, as reported by the managers of the collective trusts and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date (level 2 inputs). The investment objectives and underlying investments of the collective trusts vary. The investment objective of the domestic large cap equity collective trust is capital growth and dividend income through investment in the companies in the Standard & Poor's 500 Stock Index (the S&P 500). The investment objective of the domestic mid/small cap equity collective trust is capital growth and dividend income through investment in the companies in the Russell Small Cap Completeness Index. There are two international equity collective trusts that are primarily invested in stocks of companies based outside the U.S. The investment objective of these trusts are capital growth and dividend income through investment in common stocks of international companies by broadly tracking the MSCI Europe, Australia, and Far

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

East (EAFE) Index with Japan GDP weighted and the MSCI EMU stock index. The investment objective of the blended collective trusts are to provide varying degrees of long-term appreciation and capital preservation through exposure to a broadly diversified, actively managed global portfolio of securities for investors who have reach their retirement date or with a targeted retirement dates near 2015, 2025, 2035 and 2045. As of December 31, 2011 the benchmark for the blended collective trusts are the Morningstar Lifetime Conservative 2010, 2015, 2025, 2035 and 2045 indices. The investments provide daily redemptions by the Plan with no advance notice requirements, and have redemption prices that are determined by the fund's net asset value per unit.

*Investment contracts:* The fair value of traditional guaranteed investment contracts ( GICs ) is calculated using the income approach by discounting the contractual cash flows based on current yields of similar instruments with comparable durations (level 3 inputs). The fair value of each synthetic GIC wrapper is calculated using the replacement cost approach by discounting the difference between the indicative replacement cost and the current annual fee multiplied by the notional dollar amount of the contract based on the appropriate published Bloomberg credit curve, as of December 31 (level 3 inputs).

The contract value of GICs represents contributions made under the contract and reinvested income, less any withdrawals plus accrued interest. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

*Short-term investments:* Short-term investments largely consist of a collective trust, the fair value of which is based on the net asset value report by the manager of the collective trust and supported by the unit prices of actual purchase and sale transactions. Issuances and redemptions of participant units are made on each business day. Participant units are typically purchased and redeemed at a constant net asset value of \$1.00 per unit. In the event that a significant disparity develops between the constant net asset value and the fair value-based net asset value of the Fund, the Trustee may determine that continued issuance or redemption at a constant \$1.00 net asset value would create inequitable results for the Fund's unitholders. In these circumstances, the Trustee, in its sole discretion and acting on behalf of the Fund's unitholders, may direct that units be issued or redeemed at the fair value-based net asset value until such time as the disparity between the fair value-based and the constant net asset value per unit is deemed to be immaterial. The short-term collective trust is designed to provide safety of principal, daily liquidity, and a competitive yield by investing in high quality money market instruments.

*Stable Value Collective Trust:* The fair values of participation units in the stable value collective trust are based upon the net asset values of such fund, after adjustments to reflect all fund investments at fair value, including direct and indirect interests in fully benefit-responsive contracts, as reported by the audited financial statements of the trust (Level 2 inputs). The fund invests in short-term bonds and other fixed income securities such as U.S. treasury bonds, government agency securities, corporate bonds, mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and derivative instruments, including futures, options and swaps. The fund also enters into wrapper contracts issued by third parties designed to permit the use of book value accounting to maintain a constant NAV and to provide for payment of participant-directed withdrawals and exchanges at book value under most circumstances. The portfolio may also invest in investment contracts offered by insurance companies and other approved

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

financial institutions that provide for payment of a specified rate of interest to the portfolio and the repayment of principal at maturity. A full liquidation of the Plan's interest in the Stable Value Collective Trust was requested in writing on July 29, 2011. The Plan has been informed that the trustee of the collective trust, Fidelity Management Trust Company has the right to affect the withdrawal of the assets of a participating plan for no more than twelve months from the date that written notice of such withdrawal is received, such that the final liquidation will be completed on August 1, 2012.

**Investment Transactions and Investment Income:**

Investment transactions of the Plan and Master Trust are accounted for on the date the purchase or sale is executed. Dividend income is recorded on the ex-dividend date; interest income is recorded as earned on an accrual basis.

In accordance with the policy of stating investments at fair value, the net appreciation / (depreciation) in the fair value of investments reflects both realized gains or losses and the change in the unrealized appreciation / (depreciation) of investments held at year-end. Realized gains or losses from security transactions are reported on the average cost method.

**Contributions:**

Participants' contributions are recorded in the period in which they are withheld by Kraft Foods. Kraft Foods Matching Contributions and Kraft Foods Basic Contributions are recorded in the same period that participants' contributions are recorded.

**Distributions and Withdrawals:**

Distributions and withdrawals are recorded when paid.

**General and Administrative Expenses:**

Investment management fees and brokerage commissions are charged against the net asset value of the specific investment option and reduce investment return.

Administrative fees such as trustee fees, participant recordkeeping, communications, investment advisory, audit and legal fees are paid by the Master Trust.

**Notes Receivable from Participants:**

Notes receivable from participants are reported at their unpaid principal balance plus any accrued but unpaid interest, with no allowance for credit losses, as repayments of principal and interest are received through payroll deductions and the notes are collateralized by the participants account balances.

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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

**3. Master Trust Investments:**

The Plan had a 91% interest in the Master Trust at December 31, 2011 and 2010.

At December 31, 2011 and 2010 the net assets of the Master Trust were (in thousands of dollars):

	<b>2011</b>	<b>2010</b>
Investments at fair value:		
Investment contracts	\$ 1,367,253	\$ 1,303,792
Collective trusts	2,025,278	2,155,997
Registered investment company	382,865	401,733
U.S. Government securities	207,047	200,623
Altria common stock	345,415	314,018
Kraft Foods common stock	596,621	505,700
PMI common stock	923,067	753,263
Short-term investments	142,032	69,940
 Total investments	 5,989,578	 5,705,066
Receivables:		
Interest and dividend income	24,561	25,055
Other	996	362
 Total assets	 6,015,135	 5,730,483
Liabilities:		
Other	(26,994)	(1,390)
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(80,371)	(56,886)
 Net assets	 \$ 5,907,770	 \$ 5,672,207
  Plan's interest therein	  \$ 5,362,900	  \$ 5,167,761

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

The Master Trust's investment income for the year ended December 31, 2011 is summarized as follows (in thousands of dollars):

Interest and dividends	\$ 113,830
Net depreciation in collective trusts	(100,934)
Net depreciation in registered investment company	(7,479)
Net appreciation in U.S. government securities	7,347
Net appreciation in Altria common stock	60,577
Net appreciation in Kraft Foods common stock	93,115
Net appreciation in PMI common stock	243,902
Investment income	\$ 410,358
Plan's interest therein	\$ 363,087



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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

Assets of the Master Trust that are measured at fair value on a recurring basis as of December 31, 2011 and 2010 are summarized below:

	<b>Investment Assets at Fair Value as of December 31, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(in thousands)</i>			
Investment contracts:				
Traditional GIC wrapper	\$	\$	\$ 24,729	\$ 24,729
Synthetic GIC wrappers			3,223	3,223
Collective trust - Mortgage-backed security fund		472,712		472,712
U.S. Government securities	271,051			271,051
Asset-backed securities		104,669		104,669
Mortgage-backed securities		160,486		160,486
Corporate bonds		194,903		194,903
Agency bonds		110,592		110,592
Municipality and state bonds		12,267		12,267
Foreign government bonds		12,621		12,621
Investment contracts subtotal:	271,051	1,068,250	27,952	1,367,253
Collective trusts:				
Domestic equity fund - large cap		748,367		748,367
Domestic equity fund - mid/small cap		433,538		433,538
International equity fund - large cap		380,977		380,977
Blended fund		462,396		462,396
Collective trusts subtotal:		2,025,278		2,025,278
Registered investment company - Blended fund	382,865			382,865
U.S. Government securities	197,203			197,203
Municipality and state bonds		9,844		9,844
Equities:				
Altria common stock	345,415			345,415
Kraft Foods common stock	596,621			596,621
PMI common stock	923,067			923,067
Short-term investments		142,032		142,032
<b>Total investment assets at fair value</b>	<b>\$ 2,716,222</b>	<b>\$ 3,245,404</b>	<b>\$ 27,952</b>	<b>\$ 5,989,578</b>

There were no significant transfers between Level 1 and Level 2 during 2011.

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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

	<b>Investment Assets at Fair Value as of December 31, 2010</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(in thousands)</i>			
Investment contracts:				
Synthetic GIC wrappers	\$	\$	\$ 4,654	\$ 4,654
Collective trust - Mortgage-backed security fund		444,195		444,195
U.S. Government securities	200,641			200,641
Asset-backed securities		134,920		134,920
Mortgage-backed securities		182,496		182,496
Corporate bonds		215,268		215,268
Agency bonds		108,752		108,752
Municipality and state bonds		2,453		2,453
Foreign government bonds		10,413		10,413
Investment contracts subtotal:	200,641	1,098,497	4,654	1,303,792
Collective trusts:				
Domestic equity fund - large cap		765,654		765,654
Domestic equity fund - mid/small cap		479,790		479,790
International equity fund - large cap		476,897		476,897
Blended fund		433,656		433,656
Collective trusts subtotal:		2,155,997		2,155,997
Registered investment company - Blended fund	401,733			401,733
U.S. Government securities	200,623			200,623
Equities:				
Altria common stock	314,018			314,018
Kraft Foods common stock	505,700			505,700
PMI common stock	753,263			753,263
Short-term investments		69,940		69,940
<b>Total investment assets at fair value</b>	<b>\$ 2,375,978</b>	<b>\$ 3,324,434</b>	<b>\$ 4,654</b>	<b>\$ 5,705,066</b>

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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

Below is a rollforward of the Level 3 assets, for the year ended December 31, 2011:

Asset Category:	January 1, 2011 Balance	Net Realized Gains/(Losses)	Net Unrealized Gains/(Losses) <i>(in thousands)</i>	Net Purchases, Issuances and Settlements	December 31, 2011 Balance
Traditional GIC	\$	\$	\$ (271)	\$ 25,000	\$ 24,729
Synthetic GIC Wrapper	4,654		(1,431)		3,223
Total Level 3 investments	4,654		(1,702)	25,000	27,952

The net unrealized gain or loss from the investment contracts are excluded from the net investment income reported for the Master Trust, but are instead reflected in the change in the adjustment from fair value to contract value for fully benefit responsive contracts reported on the statements of net assets available for benefits.

**4. Guaranteed Investment Contracts Held by Master Trust:**

The Master Trust holds investments in guaranteed investment contracts as part of the Interest Income Fund investment option. The Master Trust invests in both traditional and synthetic GICs.

The traditional GICs provide a fixed return on principal over a specified period of time through fully benefit-responsive contracts issued by a third party which are backed by assets owned by the third party. The contract value and fair value of the traditional GICs was \$25,062,000 and \$24,729,000, respectively, at December 31, 2011. The Master Trust did not invest in traditional GICs at December 31, 2010.

The synthetic GICs provide a fixed return on principal over a specified period of time through fully benefit-responsive contracts or wrapper contracts issued by a third party. The portfolio of assets, overall of AAA credit quality, underlying the synthetic GICs includes mortgage-backed securities, U.S. government securities, asset-backed securities, corporate bonds, agency bonds, municipality and state bonds, foreign exchange cash and foreign government bonds. The contract value of the synthetic GICs was \$1,261,820,000 at December 31, 2011 and \$1,246,906,000 at December 31, 2010. The fair value of the synthetic GICs was \$1,342,524,000 at December 31, 2011 and \$1,303,792,000 at December 31, 2010.

The crediting interest rates for the synthetic GICs are calculated on a quarterly basis (or more frequently if necessary) using the contract value, and the value, yield and duration of the underlying securities, but cannot be less than zero. The crediting interest rates for the traditional GICs are either agreed to in advance with the issuer or vary based on the agreed upon formulas, but cannot be less than zero. The crediting interest rate for the Interest Income Fund was 3.35% at December 31, 2011 and 3.71% at December 31, 2010.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

The relationship of future crediting rates and the adjustment to contract value reported on the statement of net assets available for benefits is provided through the mechanism of the crediting rate formula. The difference between the contract value and the fair market value of the investments of each contract is periodically amortized into each contract's crediting rate. The amortization factor is calculated by dividing the difference between the fair market value of the investments and the contract value by the duration of the bond portfolio covered by the investment contract.

Key factors that could influence future average interest crediting rates include, but are not limited to: Plan cash flows, changes in interest rates, total return performance of the fair market value bond strategies underlying each synthetic GIC contract, default or credit failures of any of the securities, investment contracts, or other investments held in the fund, and the initiation of an extended termination (immunization) of one or more synthetic GIC contract by the manager or the contract issuer.

The average yield of the Interest Income Fund was 1.75% for 2011 and 2.47% for 2010 (calculated by taking the annualized earnings of all investment contracts in the Interest Income Fund divided by the fair value of the investment contracts in the Interest Income Fund as of the last day of the Plan year). The average yield earned by the Interest Income Fund that reflects the actual interest credited to participants was 3.17% for 2011 and 3.55% for 2010 (calculated by annualizing the one-day interest credited to participants as of the last day of the Plan year and dividing the annualized earnings by the fair value of the Interest Income Fund on the last day of the Plan year).

There are certain events not initiated by Plan participants that limit the ability of the Plan to transact with the issuer of a GIC at its contract value. Specific coverage provided by each traditional GIC and synthetic GIC may be different from each issuer, and can be found in the individual traditional GIC or synthetic GIC contracts held by the Plan. Examples of these events include, but are not limited to: the Plan's failure to qualify under the Code; full or partial termination of the Plan; involuntary termination of employment as a result of a corporate merger, divestiture, spin-off, or other significant business restructuring, which may include early retirement incentive programs or bankruptcy; changes to the Plan's administration which decreases employee or employer contributions, the establishment of a competing plan by the Plan sponsor, the introduction of a competing investment option, or other Plan amendments that have not been approved by the contract issuers; dissemination of a participant communication that is designed to induce participants to transfer assets from the stable value option; and events resulting in a material and adverse financial impact on the contract issuer, including changes in the tax code, laws or regulations.

The Plan Fiduciaries do not believe that the occurrence of any of these events, which would limit the Plan's ability to transact with the issuer of a GIC at its contract value with participants, is probable.

Contract issuers are not allowed to terminate any of the above traditional GICs and synthetic GICs and settle at an amount different from contract value unless there is a breach of the

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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

contract which is not corrected within the applicable cure period. Actions that will result in a breach (after any relevant cure period) include, but are not limited to: material misrepresentation; failure to pay synthetic GIC fees or any other payment due under the contract; and failure to adhere to investment guidelines.

**5. Transfer from the Cadbury Adams Holdings LLC Employees Savings Incentive Plan:**

Effective as of the close of business on December 31, 2011, the Cadbury Adams Holdings LLC Employees Savings Incentive Plan merged into the Plan. Pursuant to this merger, assets amounting to \$131,560,164 were transferred in the Plan.

Assets and liabilities of the Plan that are measured at fair value on a recurring basis as of December 31, 2011 are summarized below:

	<b>Investment Assets at Fair Value as of December 31, 2011</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>(in thousands)</i>			
Registered investment companies:				
Domestic equity fund - large growth	\$ 11,469	\$	\$	\$ 11,469
Domestic equity fund - large value	7,701			7,701
Domestic equity fund - mid growth	6,902			6,902
Domestic equity fund - small value	7,463			7,463
Foreign equity fund	8,541			8,541
Domestic large blend fund	19,574			19,574
Fixed income fund	17,421			17,421
Lifecycle funds: Freedom income - 2020	17,137			17,137
Lifecycle funds: 2030-2050	15,398			15,398
Registered investment companies subtotal:	111,606			111,606
Stable value collective trust:		18,358		18,358
<b>Total investment assets at fair value</b>	<b>\$ 111,606</b>	<b>\$ 18,358</b>	<b>\$</b>	<b>\$ 129,964</b>

There were no significant transfers between Level 1 and Level 2 during 2011. None of the investments above are over 5% of the Plan's net assets available for benefits.

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

**6. Transactions with Parties-in-Interest:**

Parties-in-interest are defined under Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others.

The Fiduciaries are not aware of any prohibited transactions between the Plan and Master Trust and a party-in-interest (as defined by ERISA). The Master Trust had \$597 million at December 31, 2011 and \$506 million at December 31, 2010 in Kraft Foods Common Stock, which is exempt from the party-in-interest transaction prohibitions of ERISA. The Master Trust recorded dividend income and net realized gains of \$18,396,000 and \$18,928,000 from investments in Kraft Foods Common Stock during the year ended December 31, 2011. The Master Trust invests in collective trusts issued by State Street Bank and Trust Company, the Trustee of the Master Trust and the Plan, and managed by its affiliates; collective trusts issued by The Northern Trust Company, an investment manager, and managed by its affiliates; collective trusts issued by UBS Global Asset Management Trust Company, an investment manager, and managed by its affiliates; and a registered investment company managed by DWS Scudder, an investment manager, and its affiliates, which are also exempt parties-in-interest transactions. The Master Trust invests in investment contracts and the fees paid to issuers of the contracts qualify as exempt parties-in-interest transactions. Notes receivable from participants are also party-in-interest transactions that are exempt.

Pursuant to the Cadbury Adams Holdings LLC Employees Savings Incentive Plan merger referenced in Note 5, as of December 31, 2011 the Plan held investments in a collective trust managed by Fidelity Management Trust Company and mutual funds managed by Fidelity Investments which reflect party-in-interest investments, as Fidelity Management Trust Company was the custodian of these investments as of December 31, 2011.

Actual fees paid by the Plan for investment management, recordkeeping and consulting services, also qualify as parties-in-interest transactions and are included in administrative expenses in the accompanying financial statements. Kraft Foods pays certain expenses for the administration of the Plan.

These transactions are exempt from the party-in interest transaction prohibitions of ERISA.

**7. Plan Termination:**

The Board of Directors of Kraft Foods and the Management Committee have the right, subject to the applicable provisions of ERISA and the Code, to amend (retroactively or otherwise) the Plan, suspend Kraft Foods Matching Contributions and Kraft Foods Basic Contributions to the Plan or terminate the Plan. However, no such action may deprive any participant or beneficiary under the Plan of any vested right. In the event the Plan is terminated or partially terminated (within the meaning of the Code), each affected participant will become fully vested in the balance of his or her Kraft Foods Matching Contributions and Kraft Foods Basic Contributions accounts.

**8. Tax Status:**

By letter dated July 2, 2002, the Internal Revenue Service (IRS) determined that the Plan, as amended and in effect as of December 15, 2001, is a qualified plan under Section 401(a) of the Code and that the ESOP portion of the Plan is a stock bonus plan as described in Sections 401(a) and 4975(e) of the Code. The Plan has been amended since the receipt of the determination letter; however, the Fiduciaries believe that the Plan continues to be designed and operated in accordance with the applicable provisions of the Code. Therefore,

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## Kraft Foods Global, Inc. Thrift Plan

## Notes to Financial Statements, Continued

no provision for income taxes has been included in the Plan's financial statements. A determination letter request with respect to the Plan as amended and restated was filed with the IRS on January 31, 2011 and is still pending.

**9. Reconciliation of Plan's Financial Statements to Form 5500:**

The following is a reconciliation of net assets per the financial statements to the Form 5500 as of December 31, 2011 and 2010 (in thousands):

	<b>2011</b>	<b>2010</b>
Net assets available for benefits per the financial statements	\$ 5,552,484	\$ 5,224,338
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	73,404	51,827
Distributions and withdrawals payable	(203)	(1,030)
Net assets per the Form 5500	\$ 5,625,685	\$ 5,275,135

Investment contracts are shown at fair value on the Form 5500. Additionally, amounts currently payable to or for participants are recorded as required on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

The following is a reconciliation of the increase in net assets available for benefits per the financial statements to the net income per the Form 5500 for the year ended December 31, 2011 (in thousands):

Increase in net assets available for benefits per the financial statements	\$ 328,146
Change in adjustment from contract value to fair value for fully benefit-responsive investment contracts	21,577
Change in distributions and withdrawals payable	827
Net income per the Form 5500	\$ 350,550

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Kraft Foods Global, Inc. Thrift Plan

Notes to Financial Statements, Continued

**10. Subsequent Events:**

Effective March 16, 2012, Kraft Foods Global, Inc. changed its name to Kraft Foods Group, Inc. and the Plan has been amended to reflect this name change.

Kraft Foods Inc. has announced its intent to spin-off its wholly-owned subsidiary, Kraft Foods Group, Inc., by the end of 2012. As of the spin-off date, Kraft Foods Group will become an independent publicly traded company operating a North American grocery business. Kraft Foods Inc. will be a separate publicly traded company operating a global snack business and change its name to Mondelez International, Inc. ( Mondelez ). As part of this transaction, it is expected that the assets and liabilities of the Plan attributable to all active Mondelez employees and certain former Cadbury employees will be transferred to a defined contribution plan that will be sponsored by Mondelez effective as of the spin-off. It is expected that the terms and features of the Mondelez defined contribution plan will substantially mirror the terms and features of the Plan.



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**Supplemental Schedule**

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## KRAFT FOODS GLOBAL, INC. THRIFT PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

at December 31, 2011

Name of Plan Sponsor: Kraft Foods Global, Inc.

Employer Identification Number: 36-3083135

Three Digit Plan Number: 125

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
		<b>Collective Trust Fund</b>		
*	Fidelity Management Trust Company	Fidelity Managed Income Portfolio II	**	\$ 18,357,998
		<b>Mutual Funds</b>		
*	Fidelity Investments	Fidelity Growth Company	**	11,468,944
*	Fidelity Investments	Fidelity Diversified International Fund	**	8,540,936
*	Fidelity Investments	Fidelity Freedom Income Fund	**	1,705,890
*	Fidelity Investments	Fidelity Freedom Fund 2010	**	3,582,900
*	Fidelity Investments	Fidelity Freedom Fund 2020	**	11,848,697
*	Fidelity Investments	Fidelity Freedom Fund 2030	**	9,472,759
*	Fidelity Investments	Fidelity Freedom Fund 2040	**	4,814,190
*	Fidelity Investments	Fidelity Freedom Fund 2050	**	1,111,321
	PIMCO	PIMCO Total Return Institutional Fund	**	17,421,354
	Vanguard	Vanguard Institutional Index Fund	**	19,573,810
	Vanguard	Vanguard Windsor II Admiral Fund	**	7,701,394
	Vanguard	Vanguard Explorer Admiral Fund	**	6,901,631
	American Beacon Advisors	American Beacon Small Cap Value Inst Fund	**	7,462,672
		<b>Notes Receivable from</b>		
		<b>Participants</b>		
*	Notes receivable from participants	Interest rates ranging from 3.17% to 10.5% as of December 31, 2011; Maturity dates of loans range from 01/01/2012 to 01/31/2017	**	60,152,851
		Total		\$ 190,117,347

\* Indicates a permitted party-in-interest.

\*\* Cost information is not required for participant-directed investments and therefore has not been included in this schedule.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Kraft Foods Global, Inc. Administrative Committee, having administrative responsibility of the Plan, has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

KRAFT FOODS GROUP, INC. THRIFT PLAN

(formerly Kraft Foods Global, Inc. Thrift Plan)  
(Name of Plan)

By /s/ Jill K. Youman

Jill K. Youman  
Vice President Human Resources, Benefits  
Kraft Foods Group, Inc.

Date: June 25, 2012