

U.S. Federal Income Tax Information Relating to Sara Lee Corporation's Distribution of DE US Inc/DEMB 1753 Common Stock on June 28, 2012

After the close of business on June 28, 2012, Sara Lee Corporation spun-off its international coffee and tea business through a stock dividend to Sara Lee shareholders. Several separate transactions occurred in connection with the spin-off:

- First, Sara Lee distributed all of the common stock of DE US, Inc., the U.S. subsidiary that held Sara Lee's international coffee and tea business ("CoffeeCo"), to an exchange agent on behalf of Sara Lee shareholders of record as of the record date (the "distribution"). The CoffeeCo shares were not physically delivered to you, but were held by the exchange agent for your benefit until completing the merger (described below).
- Next, CoffeeCo paid a \$3.00 per share special dividend to CoffeeCo's shareholders of record immediately after the distribution of the CoffeeCo common stock, which were the Sara Lee shareholders of record as of the record date.
- Then CoffeeCo merged with a subsidiary of D.E MASTER BLENDERS 1753 N.V., a Dutch company ("DEMB"), with CoffeeCo becoming a subsidiary of DEMB (the "merger"). In the merger, each share of CoffeeCo common stock was exchanged by the exchange agent for the benefit of the shareholders for one ordinary share of DEMB. Shares of DEMB are listed for trading on the NYSE Euronext Amsterdam and are denominated in Euros.

As a result, Sara Lee shareholders of record as of the record date received one ordinary share of DEMB for each one share of Sara Lee common stock they held before the distribution. Immediately after these actions, Sara Lee completed a 1-for-5 reverse stock split of its shares of common stock and changed its name to The Hillshire Brands Company (Hillshire Brands).

If you received DEMB common stock on June 28, 2012, this memo summarizes some basic U.S. federal income tax information regarding those shares.

The tax rules are very complex and we urge you to consult your own tax advisors regarding the application of these rules to your particular circumstances.

U.S. Federal Income Tax Basis of the CoffeeCo Common Stock You Received

The tax basis in the CoffeeCo common stock you received depends upon the tax basis you had in your Sara Lee common stock immediately before the distribution. In general, you must divide your Sara Lee common stock pre-distribution tax basis between the shares of Sara Lee and shares of CoffeeCo common stock you hold immediately after the distribution based on the relative fair market value (FMV) of each. We cannot tell you what your tax basis is on your Sara Lee common stock; you will need to determine your tax basis based on how and when you acquired your Sara Lee shares.

Example - assume that:

- before the distribution, you owned 100.5 shares of Sara Lee common stock, for which you had tax basis of \$12.00 per share, or \$1,206.00 in total.
- immediately after the distribution, you hold 100.5 shares of Sara Lee common stock (before the reverse stock split is effective) with a FMV of \$572.85 (assume \$5.70 per share market price, pre reverse stock split) and 100.5 shares of CoffeeCo common stock, including the value of the \$3.00 dividend, with a FMV of \$1,286.40 (assume \$12.80 per share market price, pre reverse stock split).

Your tax basis of \$1,206.00 would remain the same, but you would divide that tax basis between the two sets of common stock. In this case, the tax basis for your Sara Lee common stock would be 30.81% (*i.e.*, $\$572.85 / (\$572.85 + \$1,286.40)$) of \$1,206.00 or \$371.58; for your new CoffeeCo common stock, the tax basis would be 69.19% (*i.e.*, $\$1,286.40 / (\$572.85 + \$1,286.40)$) of \$1,206.00 or \$834.42.

Note that the above illustration of tax basis combines the calculations for whole shares and fractional shares. In computing your U.S. tax gains, you will be required to divide the tax basis between whole shares and fractional shares. Attached Annex A illustrates this mechanic, using the same assumptions as above.

If you acquired Sara Lee common stock on different dates or at different prices, the tax basis for each block of Sara Lee common stock acquired on the same date and at the same price will be allocated, to the greatest extent possible, between the shares of CoffeeCo common stock (including any fractional share) received in the spin off in respect of that block of Sara Lee common stock (*i.e.*, you will need to allocate your tax basis among your Sara Lee and CoffeeCo common stock on a block-by-block basis).

Possible Methods for Computing the FMV of Your Shares of Sara Lee and CoffeeCo Common Stock for Purposes of Tax Basis Allocation

Federal tax law does not specifically identify how to determine the FMV of your post-distribution Sara Lee shares and the CoffeeCo shares that you received for purposes of the tax basis allocation. Alternative methods to determine the FMV include using: (i) the average of the high and low trading prices of the stock on the first day of trading of both stocks (note that DEMB, the successor to CoffeeCo after the merger, did not begin trading on the Amsterdam stock exchange until July 9, 2012); (ii) the opening trading price on the first day of trading of both stocks; and (iii) the closing trading price on the first day of trading of both stocks; or (iv) a subtraction from the closing trading price of Sara Lee on June 28 of the opening trading price of HSH stock on June 29 (excluding the impact of the reverse stock split) to arrive at an estimate of CoffeeCo's trading price at the time of the spin, (which would appropriately include the value of the \$3.00 dividend).

Hillshire Brands will post all the above referenced stock prices on its web site, but please note that due to the length of time between the spin and DEMB's first day of trading on the Amsterdam stock exchange and the increase in DEMB's stock price during this period it is possible that use of alternative (iv) above may be given greater weight by taxing authorities. For this reason, Hillshire Brands, and its transfer agent, will utilize the methodology of alternative (iv) in determining and reporting the FMV of your CoffeeCo shares at spin as well as allocating your tax basis. We have also utilized alternative (iv) in preparing the example in Annex A.

Merger and Redomicile Transaction

As noted above, immediately after the distribution of CoffeeCo shares and CoffeeCo's payment of the \$3.00 special dividend, CoffeeCo merged with a subsidiary of a Dutch company (DEMB) and shares of DEMB were distributed to Sara Lee shareholders. This exchange of U.S. stock for Dutch stock is called the "redomicile transaction."

For U.S. shareholders, the merger and redomicile transaction is treated, for U.S. tax purposes, as a taxable exchange/sale of your CoffeeCo shares. You will need to report capital gain on the difference between the FMV of the DEMB shares you receive and your allocated tax basis in the CoffeeCo shares; see Step 5 of Annex A for an illustration of this calculation.

Holding Period for the DEMB 1753 Shares You Received in the Distribution

The DEMB shares you receive will have a new holding period that started on June 28, 2012. This is because you are deemed to have purchased these DEMB shares in exchange for your CoffeeCo shares in the merger and redomicile transaction.

Your future tax basis in your DEMB shares will equal the FMV you use in calculating the taxable gain from the merger/redomiciliation transaction.

\$3.00 Dividend

As noted above, CoffeeCo paid a \$3 dividend immediately after the distribution and before the merger and redomicile transaction. For U.S. shareholders, this dividend is to be treated as an ordinary, qualified dividend.

The tax rules are very complex and we urge you to consult your own tax advisors regarding the application of these rules to your particular circumstances.

Annex A

This is an illustration of the tax implications resulting from the Sara Lee Reorganization (Spin-off/Cash Dividend/Stock Merger/Reverse Split) for a holder of 100.5 shares of SLE with a tax basis of \$12.00 per share.

This illustration utilizes Alternative Method (iv) from the associated text to arrive at FMV's of Sara Lee, HSH and CoffeeCo Stock at the time of the spin-off.

Note: Lines highlighted in green are where the shareholders are taxed

Step 1: Determine the initial tax basis of your SLE shares and how many SLE shares you have

# of SLE shares owned pre-spin	100.5
Tax basis per share pre-spin	\$12.00
Total tax basis of SLE shares pre-spin	\$1,206.00

Step 2: Determine the Fair Market Values of HSH and CoffeeCo at the time of spin - method (iv)

	<u>Per Share</u>	<u>Total for 100.5 Shares</u>
Closing Price of SLE on 6/28/12	\$18.50	\$1,859.25
Less: Opening Price of HSH on 6/29/12 (\$28.49 ÷ 5)	<u>(\$5.70)</u>	<u>(\$572.85)</u>
Implied Value of CoffeeCo at the time of spin (Includes value of \$3 dividend)	\$12.80	\$1,286.40
Less: \$3 Special Dividend	<u>(\$3.00)</u>	<u>(\$301.50)</u>
Implied Value of CoffeeCo after \$3.00 dividend (at time of merger /redomiciliation)	<u>\$9.80</u>	<u>\$984.90</u>

Step 3: Using the numbers from Step 2, allocate your initial tax basis between HSH and CoffeeCo

	<u>Allocation Percentage</u>	<u>SLE Tax Basis Per Share (See Step 1)</u>	<u>Allocated Tax Basis Per Share Before Reverse Split</u>	<u>Allocated Tax Basis for 100.5 Shares</u>	<u>Allocated Tax Basis Per Share After Reverse Split</u>
CoffeeCo	$\frac{\$12.80}{\$18.50} = 69.19\%$	\$12.00	\$8.30	\$834.42	\$8.30
HSH	$\frac{\$5.70}{\$18.50} = 30.81\%$	\$12.00	\$3.70	\$371.58	\$3.70

Step 4: Calculate the total cash value of the special dividend received

# of SLE shares pre-spin	100.5
Special dividend per share	\$3.00
Total dividends received	\$301.50

Should be treated as a qualified dividend
Shareholders will receive a 1099-Div

Step 5: Calculate the capital gain / step up in basis from the redomiciling of shares to Amsterdam

	<u>Per Share</u>	<u>100.5 Shares</u>	
Fair market value for CoffeeCo at time of spin (See Step 2)	\$9.80	\$984.90	
Less: Allocated basis for CoffeeCo (See Step 3)	<u>(\$8.30)</u>	<u>(\$834.42)</u>	
Step up in basis	\$1.50	\$150.48	Taxed at the capital gains rate only if a gain Shareholders will receive a 1099-B

Step 6: Determine how many fractional shares you had liquidated for HSH and DE

	Beginning Shares	Shares After Reverse Split	Round Down to Nearest Full Share	Fractional Shares Liquidated
HSH	100.5	20.1	20	0.10
DE	100.5	100.5	100	0.50

Step 7: Calculate the amount received from the liquidation of fractional shares

	Cash in Lieu Per Full Share		Fractional Shares From Step 6			
HSH	\$29.03918	x	0.100	=	\$2.90	Pro rata cash proceeds, net of brokerage fees and other costs
DE	\$11.77010	x	0.500	=	<u>\$5.89</u>	Pro rata cash proceeds, net of brokerage fees and other costs
Total					\$8.79	

Note: the cash in lieu per full share values above are the actual values for all shareholders

Step 8: Determine the capital gains for the fractional shares

	DE	HSH	
Cash in Lieu per full share	\$11.77010	\$29.03918	See Step 7
Less: Tax basis per share after reverse split	<u>(\$9.80)</u>	<u>(\$18.49)</u>	Step 5 for DE (FMV at spin, since shares have been redomiciled) See Step 3 for HSH
Gain per full share	\$1.97	\$10.55	
Fractional shares	x <u>0.500</u>	<u>0.100</u>	See Step 7
Gain from fractional shares	\$0.99	\$1.06	This is taxed at the capital gains rate Shareholders will receive a 1099-B

Summary

Taxable dividend income (Step 4)	\$301.50	Taxable qualified dividend income
Redomiciling of CoffeeCo shares (Step 5)	\$150.48	Taxed at the capital gains rate only if a gain
Capital gains on DE fractional shares (Step 8)	\$0.99	Taxed at capital gains rate
Capital gains on HSH fractional shares (Step 8)	<u>\$1.06</u>	Taxed at capital gains rate
Total taxable income	\$454.02	

	Per Share
New tax basis for DE shares	\$9.80
New tax basis for HSH shares	\$18.49