

Cadbury Schweppes

2007 Results Presentation - 19th February 2008

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Todd Stitzer:

Well, good morning, ladies and gentlemen, and many thanks for coming to our 2007 results presentation.

For the Chinese 2007 was the Year of the Pig, but for Cadbury Schweppes it was the Year of the Gorilla. No - not a certain activist shareowner [laughter], but a wonderfully creative television advert which achieved a record 91% awareness with consumers and became the most watched ad online, while on air Cadbury Dairy Milk sales grew 9% in the UK. But more of this in a moment.

2007 was another significant year in the continuing strategic evolution of Cadbury Schweppes. In March we announced our intention to separate our Americas Beverages business and our Confectionery business, and in June we set out a new four-year Vision into Action plan for our standalone Confectionery business - Cadbury plc. From an operations perspective confectionery had an excellent year, and Americas Beverages produced good results in challenging markets. Both businesses continued to benefit from the strategic and operational improvements we have made over the last four years. And by the end of the year they were also showing the benefits of greater focus as they were increasingly managed as separate businesses.

In confectionery significant early progress was made against each key element of our new Vision into Action Plan, notably embedding our new category organisation and focusing our efforts on fewer, faster, bigger and better growth initiatives; aggressively driving our efficiency programme by accelerating a number of important cost reduction initiatives; further upgrading capabilities across the business and announcing major initiatives in environmental and cocoa sustainability.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

In Americas Beverages standalone central functions and shared services were put in place, and in the fourth quarter the senior leadership team there planned and executed a significant restructuring expected to yield around £35m of savings in 2008.

As all of you know, commodity costs were a challenge across the food and beverage industry in 2007, and they will be again in 2008. But we said in June that we intended to take robust pricing to recover these cost increases, and over the intervening months we've been working with our customers to effect these pricing initiatives and will continue to do so over the next several months.

Our presentation today focuses on the operational performances of the businesses in 2007, the progress we're making against our confectionery Vision into Action plan and the outlook for 2008. We're also providing some additional information on the financial policies of our new beverage business, Dr Pepper Snapple Group. So our agenda will be as follows: first I'll review key performance highlights for Confectionery and Americas Beverages. This review will incorporate the usual regional reviews but will, in the case of Confectionery, also have a category and a brand overlay.

Next our CFO, Ken Hanna, will provide more detail behind the financials and the drivers of revenue and margin performance in 2007 as well as a more detailed review of progress against our Confectionery efficiency agenda. Ken will also outline the financial performance metrics for Dr Pepper Snapple Group as an independent company and give an update on the demerger process.

Finally I'll close with a summary and the outlook for 2008 for both Confectionery and Americas Beverages.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Before I move to detail the 2007 results, I'd like to say just a few words about the separation, specifically to update you on the appointment of two new Chairmen and the capital structures of the businesses.

Today we announce the appointment of Roger Carr and Wayne Sanders as Chairmen elect for Cadbury plc and Dr Pepper Snapple Group respectively. Roger Carr is currently our Deputy Chairman and will be appointed Chairman of Cadbury plc. Roger knows the company extremely well, having been on our Board since 2001. Wayne Sanders will be appointed the Chairman of Dr Pepper Snapple Group. Wayne has a distinguished track record in the US consumer products industry, latterly as Chairman and CEO of Kimberly-Clark, serving in that role for over 11 years. He's also no stranger to the demerger process, having recently participated in the demerger of Belo Corp into separate newspaper and television companies in the United States.

Turning to the capital structure. Throughout the separation process our Board has been focused on creating capital structures for both the businesses which maximise shareowner value. In light of the current turbulent conditions in the debt markets, particularly as it relates to the cost and availability of sub investment grade debt, it's become clear that both companies can only be financed economically by implementing investment grade capital structures. This will mean that the leverage on Cadbury plc will be slightly increased from the levels we indicated in June, and on this basis there will be no capital return to shareowners.

Now this is an unusually complex separation. It's the first US UK to US demerger in over ten years, and we're working toward a completion date during the second quarter, subject to the usual legal and shareowner approvals and our debt refinancing. Ken

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

will provide more details in his presentation including more detail around the high level financial policies for Dr Pepper Snapple.

As we move towards completion, we remain confident that the greater focus two separate management teams will bring to these businesses will create long-term value for shareowners.

Let me now turn to our 2007 results starting with the confectionery business. Like-for-like confectionery revenue growth at 7% was above the top end of our new goal range. Performance was strong and very broadly based. Developed markets grew by 4% and emerging markets continued to grow in the double digits at 14%. We grew share in 12 of our top 20 markets and increased our share of US gum by over 300 basis points.

Results from our underperforming markets in Russia, Nigeria and China improved significantly, and you'll hear more about this from Ken.

In Britain, while performance was helped by a strong market, we clearly began to see the benefits of a stronger commercial and operational execution in the second half.

We made very good progress on margins. Confectionery margins rose by 30 basis points over the year, driven by an excellent performance in the second half with margins 80 basis points ahead.

The second half increases were particularly encouraging and resulted from a combination of operating leverage, a tighter focus on cost control across the business, with good early progress on our efficiency agenda.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Taken together, all these initiatives are expected to generate meaningful margin performance in 2008. Ken will give you a more detailed review of our efficiency and margin improvement agenda.

Let me now spend a few moments looking at our revenue performance in more detail. Our 2007 confectionery revenue growth, at 7%, was the highest for well over a decade; around a third higher than the confectionery market overall for the year. Note that this growth includes the impact of an exit from low margin contracts and promotions and some SKU rationalisation, the type of which we spoke to you about at our June seminar.

This brings our four-year average confectionery revenue growth to over 6%, and compares with average growth in the overall confectionery industry of around 5%. Our share of the global market will have increased again in 2007 for the fourth year in a row.

Our new performance scorecard has an explicit goal of profitably growing our global share over the next four years. A year ago we appointed a new global leader of our commercial sales and marketing function. In June we said we'd implement a new category based commercial function to focus on fewer, faster, bigger and better commercial initiatives on a smaller number of brands, markets and customers. We've made good progress putting in place these new category based structures in the regions and the local business units. We've also upgraded the quality of the talent in our commercial function, particularly in our chocolate and candy categories.

As I think you'll see, even at this very early stage, this focused and increased capability is beginning to have a real impact on the quality of our commercial execution, not just in innovation where

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

we have done well for a number of years, but also in the quality of our marketing and selling effort. And the commercials you saw at the beginning and you'll see in a little while are testament to this.

Taken at its highest level in the performance of our focused markets, customers and brands, you can see this new focus on execution. Our 12 focus markets - which include Britain, the US, Mexico, India and Russia - grew by 7% in line with the group overall, even though our third biggest market - Australia - had an unusually difficult year, as we'll discuss a bit later.

Our focus customers - which include Wal-Mart, Carrefour, Tesco and 7-Eleven - grew by 12%. And our 13 focus brands - which include Cadbury Dairy Milk, Trident and Halls - grew by 10%.

Well let's take a look at our performance from a category perspective, starting with chocolate. Overall our chocolate revenues were ahead by 6% compared to growth of less than 2% over the two prior years, in part reflecting a much better year in Britain. Cadbury Dairy Milk, our largest chocolate brand, grew revenues by 5%, with performance boosted by a good performance in Britain and very strong growth in emerging markets. Green & Black's had another good year with the majority of its 20% growth coming from the roll-out of the brand into new markets, notably Australia, Ireland and South Africa. In 2008 we'll roll out the brand in the United States where it previously had only a modest presence through third party distributors. Our food drinks business, which is an important part of our offer in emerging markets, did extremely well, with Bournvita, our main product in this category, up by nearly 50%.

While our overall candy business grew by 2%, our focus brands in the candy category grew strongly, with revenues ahead by 7%. Two factors were largely responsible for this relatively slow

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

overall category growth. One, the majority of our brand and SKU rationalisation activity took place in the candy category in 2007, and two, our largest candy factory in Sheffield was closed for three months during the peak summer season as a result of local flooding. Our largest brand, Halls, had a much better year with revenues up 7%, driven by strong performance in emerging markets and in Europe. In Europe Halls was launched successfully into France and Poland.

In North America Halls was down modestly despite the launch of new products in the second half, and Halls is a key focus for our candy category team in 2008.

The Natural Confectionery Company brand had revenues that were ahead by 7%. There were further gains in Ireland where it's now the single largest candy brand, having been introduced just two years ago. We launched the brand in Britain during the year, but unfortunately flooding disrupted supplies; however, we were encouraged by the consumer response we got in the British market.

Our Chocolate Éclairs, an indulgent candy, grew by 10%, driven by the emerging markets of India and South Africa where the brand is positioned as an affordable indulgent candy.

In gum, revenues were ahead by 14%, driven by the continued rollout of our two successful platforms of centre-filled pellets and longer-lasting flavour slabs. Centre-filled was launched in 11 countries during the year, including for the first time in Asia Pacific, Africa and the UK. This brings the number of countries where centre-filled pellets are now sold to 23. Centre-filled pellets are now generating annual revenues of around £200m, up from zero two and a half years ago. We're now using the longer-lasting flavour technology that we originally developed for the Stride

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

brand in North America in five countries, generating annualised revenues of over £100m - that's including Stride in the US.

From an individual brand perspective Trident was once again our star performer with revenues up for a second year running by 26%. The brand was launched in two white space markets in 2007 - Turkey and Britain - with excellent results. Think about this: revenues of Trident have nearly doubled since we acquired it from Adams in 2003. It's now our largest global brand and the largest gum brand in the world. Moreover, we believe Trident still has significant growth potential.

Stimorol, our leading brand in Northern Europe, which was acquired in 2002, had an outstanding year, growing by nearly 30%. This brand is scheduled for launch in Nigeria in the second quarter, and we sell it already in South Africa where it's the number one gum brand.

Bubbaloo was launched in India at the end of the second half as part of our drive into affordable confectionery in India, and is exceeding expectations, as you'll hear later.

In the case of both Stimorol and Bubbaloo it was the cross fertilisation of proven technologies and excellent marketplace execution which delivered the results.

Let me now turn to performance in the individual regions. I'll start with Britain, Ireland, Middle East and Africa - or as we call it - BIMA. Like-for-like revenue growth of 6% reflected good performances across the BIMA region, both in developed and emerging markets. Our business in Britain had a good year with revenues up by 5% due to strong growth in chocolate and a successful launch into the UK market of Trident chewing gum. Our emerging markets business in the region grew 15%,

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

reflecting an excellent performance in South Africa and improved results in Nigeria. In South Africa chocolate benefited from continued growth in our successful range of affordable count lines which increased our share in a competitive market.

Our Nigerian business made solid progress after a turbulent 2006. Margins in the region were lower year on year mainly as a result of the significant increase in marketing investment in the UK behind our media advertising for our core Cadbury Dairy Milk brand and the launch of gum and very much higher milk costs in the back half of the year.

Let me just spend a few minutes focusing on our business in Britain. The year was very much one of two halves. In the first half revenues were ahead by a modest 2% and share was down 120 basis points. While we made a strong start in gum, our chocolate business was affected by a Mini Egg recall at Easter. But in the second half revenues were ahead by 7% and share was flat, despite the factory flooding I've already mentioned.

At our presentation in June I said we were confident that a renewed focus and investment in Britain would revitalise the commercial performance of that business, and that there was a big margin opportunity from refocusing our efforts on bigger initiatives and reducing complexity. The business clearly benefited from a more favourable market environment in 2007, but results also benefited from higher quality operational and commercial execution in the second half, as we strengthened the team and focused on the basics.

Operationally, consultations to reconfigure our chocolate manufacturing in Britain were successfully concluded with the phased closure of our Somerdale plant scheduled to start next year. A major management reorganisation across Britain and

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Ireland, designed to delay and simplify the business, was completed. Our Sheffield candy factory was brought back into production remarkably in half the time we estimated after the flooding in Yorkshire. Service levels which had been adversely impacted by the recalls and the Sheffield closure were continuously improved so that at the end of the year our customer service levels were close to 98% which is the kind of standard we seek to have on a regular basis, and frankly a standard that we hadn't met for two or three years.

Commercially it was a much more exciting and rewarding year. Our entry into the gum market through the launch of Trident was an outstanding success, securing a 10% share of the UK market in its first year and exceeding our revenue expectations by 50%.

Significant activity is planned for Trident in 2008 starting in February with three new products launched into the market and exciting new marketing creative you'll get a sneak peak at in a moment.

Wispa was successfully reintroduced to the market supported by a huge viral internet campaign, indeed we were urged to relaunch Wispa by a gorilla consumer marketing campaign focussed on us in 2006.

Our new and innovative advertising execution for Cadbury Dairy Milk became the most viewed ad online, particularly on youtube spawning a hundred gorilla imitation groups on Facebook with more than 70,000 members, a remarkable example of the utilisation of the internet to assist our brands.

Building preference through innovation and awareness through excellent marketing combined with flawless in-store execution by the second largest consumer product sales force in the UK, lies at

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

the heart of our commercial programme in Britain for 2008. We gave you a brief look at some of our best advertising and spots around the world for 2007 at the beginning of the presentation, so let's take a look at our UK Creative for 2008 for Flake, Trident and Crème Egg. Can we now run the ads?

Running Ads.

Todd Stitzer:

So they're really clever and hopefully you recognised Joss Stone in the Flake commercial, where actually the biggest audience for Flake - eating Flake is women and so we are seeking to appeal to young women who admire Joss Stone and change the dynamic of that advertising and it's been pretty successful.

Next Cadbury Dairy Milk execution for a Glass and a Half Full Productions, the team who brought you Gorilla is hard at work and at the end of March you'll see the results of their creativity. So watch this space.

Let's move onto Europe where we had a very good year with revenues ahead by nearly 7%. The performance was extremely broad based with nearly every country in the region delivering good results and gum once again the key driver of performance, as you'll hear in a moment.

In Northern Europe share gains were driven primarily through strong sales execution. In Southern Europe we had an excellent year in Spain with a further increase in our gum share to 46% as a result of the launch of Trident Splash in Spain. In Russia revenues were ahead by over 20% due to strong market growth and share gains in gum and chocolate. And for the first time in a number of years the business reported a modest operating profit.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

In Turkey, our business benefited from good market growth and successful expansion into chocolate gifting products for the important Bairam religious festivals. Trident was also launched during the year and we acquired Intergum the largest gum company in Turkey.

Before the impact of acquisitions and business improvement costs, margins in Europe were ahead for the year.

Now the creation of a successful European gum business over the past four years has transformed the region, from a collection of unconnected, low growth, low margin candy and chocolate companies into a cohesive gum and value added candy business growing in the mid single digits with respectable and expanding margins. The key to its success was the integration of four acquisitions, Hollywood, Dandy, Adams and Kent followed by the successful rollout of a small number of winning gum formats from other markets under strong local European brands.

Our base products were first upgraded through the transfer of core Adams gum based technology and then we began to launch new products: Centre-filled pellet and longer-lasting flavour slabs in new packaging, all of which were developed in other markets.

In 2007 we launched centre-filled in four new markets in Europe and longer-lasting in two. And the rollout of winning innovation coupled with strong market place execution has now seen us grow gum share in seven of the twelve countries in which we operate in 2007.

Let's move to Americas Confectionery. The region had another outstanding year. Overall revenues were up 11%; 9% in developed markets and 15% in emerging markets. In the US results were driven by a combination of strong pricing and market

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

share gains. Our overall gum share increased in the US by 310 basis points, with Trident continuing to perform strongly and Stride's share of the market increasing from 3% at the beginning of the year to 6.3% at the end.

In Canada revenues grew by 3%, reflecting continued focus on core brands and rationalisation of non-branded products and less advantaged brands. We also sold our slow growth, low margin Allan Candy business during the year.

Performance was strong across all of Latin America. We were particularly pleased with the results from Mexico where revenues grew by 12% and our gum share - remember this is a place where Wrigley built a factory and created its own sales force, our gum share grew by 100 basis points, reaching 80% by the end of the year.

The successful launch of Trident centre-filled gum in Mexico and further investments in expanding our route to market were the keys to this excellent performance in Mexico. Margins in the Americas Region increased significantly during the year to over 18%. Remember when we bought Adams the margins were 11%, 18%. The nearly 300 basis points increase in margins was driven by a range of factors including higher pricing, supply chain savings, positive mix and operational leverage.

Performance in Brazil was strong for the fourth year in a row. Again, remember the Adams acquisition, people were unhappy about Brazil, China, when we bought Brazil was described as a problem market. It was a business with a weak top line and negative margins. Four years later revenues are up by 70% and after over a 200 basis points increase in margins in 2007, operating margins are now in the high teens.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Today Brazil is our eighth largest market by revenue and one of our most profitable businesses. It's something of a poster child for the group - a great example of how a focus on fewer, faster, bigger and better initiatives, driven by a great leadership team, using a total business approach is such a potent force for superior profitable growth.

So how did the team in Brazil do this? First they focused relentlessly on four core brands and transformed the economics of the brands through a significant rise in net pricing and a reduction in manufactured costs. It's a pretty simple formula and we're applying it to our entire confectionery business across the world and we've committed to improve it across the next four years.

Second, targeted innovation extended the reach of the brands, both at the premium end of the market and the affordable end of the market. So in 2007 we launched Trident Splash as a premium offer only available in the organised trade and a new two pellet Trident pack in the lower trade to expand the range of products - affordable products to the greater population in Brazil. The result; Trident grew over 80% in 2007 in Brazil. An outstanding results.

Our route to market investments, number three, have extended our penetration into fast growing parts of Brazil. For example the formally sort of not developed north east of the country does have a significant population and we've invested in our route system there to make sure that our products get to the north east of Brazil.

Fourth, the team in Brazil have focused relentlessly on cost with indirect costs reduced by over 300 basis points over the last three years. And fifth starting in mid 2003 we managed Brazil as part of

a cluster of six countries in Central and Northern South America and that did so well that in the middle of 2007 we included all of South America under the leadership of a great leader in Brazil to co-ordinate both the commercial and the operational approach to all of South America. We expect to see significant further revenue and cost benefits from this move over the next four years.

Let's switch to our final region Asia Pacific. Like-for-like revenues in Asia Pacific grew by 4% in the year, with continued double-digit growth in emerging markets partly offset by a 1% increase in revenues from our developed market operations. The slowdown in revenues in developed markets was partly due to an exit from a non-core beverage packing contract in Australia. If you exclude that, revenues in the region would have grown by about 5%.

In Australia while our beverage business performed quite well during the year our confectionery revenues were modestly lower. In beverages the market grew strongly and our share rose by 100 basis points as a result of strong growth in our flavoured carbonates and energy drinks.

In Confectionery while the market also grew strongly the reduction in our volumes was due to a combination of retailer de-stocking and a reduction in low margin promotional activity, particularly around the Christmas period.

In Japan we continued to gain share in gum, with our share of the market reaching almost 20% by the end of the year, in part due to the launch of centre-filled gum in December. Recall that when we purchased Adams in 2003 Japan was a problem market and its market share was 11%. So we've grown our share in Japan 900 basis points over the last four years and it is now comfortably profitable.

In emerging markets, India continues to produce outstanding performances, growing at over 20% again, more of that in a moment.

In China we completed the refocus on a small number of key cities, and while revenues were over 20% lower our losses in China were reduced in line with expectations. China has started the year in a much better state and you'll hear a little bit more about that from Ken.

Underlying margins in the A PAC region were slightly down due to the adverse mix in Australia and higher growth in emerging markets.

Returning to India where we have a strong and well established business. Our business in India has grown at over 15% for three years in a row. It's a confectionery market with enormous untapped potential and we're increasing our investment to tap into that potential. Historically, we've only really focused our attention on the affluent urban consumer of chocolate and chocolate beverages. More recently we've sought to grow our business, both by expanding our category and our demographic presence in the market. This has been a key driver of our growth over the last three years.

In chocolate the expansion into more affordable and gifting formats has been the primary driver of growth. In 2007 we had another successful gifting season, notably Diwali. In candy which is an area we've been traditionally quite weak in India, we've focused on launching variants of Éclairs and more recently Halls.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

In 2007 we had a 130 basis point increase in our candy share, driven by continued success of Éclairs and in the second half by a relaunch of Halls.

In 2007 we also entered the large and growing bubblegum category with our Bubbaloos brand developed using affordable gum base technology from Latin America. Today, around six months after the launch, Bubbaloos has about a 5% share of the Indian bubblegum market which is actually the bulk of the gum market in India.

That completes my review of our confectionery businesses and I think you'll agree an excellent performance around the world from our confectionery business.

Turning now to Americas Beverages, revenues in Americas Beverages grew by 4% on a like-for-like basis; a good result given the continuing challenging marketing conditions particularly in US CSDs. Our carbonate revenue grew by 1%, with our share of US CSDs increasing by 40 basis points to 18%. In our US non-CSD business revenues grew by 3% with performance boosted by excellent results from our core four brands. Snapple had its best year in eight and a particularly good year, as you'll hear in a moment.

As we explained in October the launch of our new sports drink Accelerade was not successful. Despite significant upfront marketing investment we've taken the decision to focus the brand on a much smaller range of outlets going forward.

Our bottling and distribution businesses which are still in the process of integrating a number of acquisitions had a good year with like-for-like revenues ahead by 8%.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

During the year we also bought all our bottling distribution business under one management team and are now managing it as a single truly integrated supply chain. In Mexico after a number of really, really good years, performance was a little slower with results impacted by poor weather and increased competitive activity. Revenues were 4% in Mexico and profits were broadly in line with the prior year.

Our 40 basis point gain in CSDs in the US is our fourth consecutive year of share gains, bringing the total gain over the last four years to nearly 200 basis points as this chart shows. This is a considerable achievement given Dr Pepper and 7 Up, our two largest CSD brands were both cycling significant innovation activity in 2006. I think it should give you a sense of the strength of the great portfolio of brands that we've put together in this market over 20 years and honestly the focus that the management team has put on this business in creating a track record of real success in a market that isn't the best market in the world but is certainly a unique one for our brands.

Total Dr Pepper volumes fell by 2.5% as we cycled out of a number of soda fountain classic line extensions, notably cherry vanilla. Excluding the fall off on line extension volume, base Dr Pepper volumes which account for 97% of the total trademark were actually ahead driven by diet Dr Pepper which continues to benefit from increased penetration in food service outlets, particularly McDonalds and Subway, and in those outlets from a shift towards diet products.

Following a number of independent bottling acquisitions, over 50% of our core flavour brands, 7 UP, Sunkist, A&W and Canada Dry, are manufactured and distributed by our own bottling operations. The greater focus and investment these brands get within our own systems clearly benefit their performance.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Volumes of Sunkist, A&W and Canada Dry have continued to grow and all of those brands grew share in the year. Although we did gain 60 basis points of share in the lemon-lime category with the launch of 7 UP Natural, our overall 7UP volumes were down reflecting a 6% decline in the overall lemon-lime category.

We continue to focus our efforts in non-CSDs on our four core brands of Snapple, Mott's, Hawaiian Punch and Clamato. Collectively revenues of these four brands grew by 4% with strong growth in Snapple, Mott's and Clamato, partially offset by a 10% decline in Hawaiian Punch where we decided not to continue with a number of low margin, low profit promotions. Snapple had its best year since we acquired it. Revenues were ahead by 5%.

At our October 2006 seminar we described our plans to revitalise the Snapple brand. At the heart of this revitalisation was a focus on Snapple being made from the best stuff on earth, and recreating consumers love for Snapple as a premium brand by creating new super premium teas and super premium juices. The relaunch of these products which started in 2006 has been phenomenally successful. It was followed by the launch of super premium juices and most recently by enhanced vitamin waters. And in 2008 we intend to relaunch the base Snapple brand that we all know and love. In addition to the launch of super premium products we also launched a range of mainstream cold fill products produced through our bottling network. We're very encouraged by the results of our new Snapple strategy and expect it to perform strongly in 2008 as we roll out new products and new concepts.

Our beverages brands clearly have consumer preference and in our CSDs our flavour products continue to benefit from the trend away from cola beverages. Historically we've been

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

disadvantaged versus our other market competitors by their greater route to market strength. In 2006 we broke the US industry mould by vertically integrating our franchise CSD business with third party manufacturing and distribution; not only to strengthen our route to market for all brands but also to respond to challenging needs for our customers and consumers.

While we still are in the early stages of our consolidation journey the performance for Americas Beverages in 2007 has clearly demonstrated the power of our new model and the scale of the under exploited potential of our brand portfolio. I would remind you when we started our bottling acquisitions we said that the combination of bottlers with a concentrate business would initially lower the margins for that business, but that as we integrated the bottlers the margins would come back closer to where they were as a standalone concentrate company. That remains our view. We're optimistic about the prospects for our integrated business.

That completes my operational review and I'd now like to hand over to Ken who will take you through the numbers.

Ken Hanna:

Thank you Todd. Good morning everyone. My presentation this morning will be a little different given the separation of the businesses. I'll start with a quick run through of group financials and some technical items and just a reminder, we'll continue to treat Americas Beverages as a continuing operation until the demerger becomes effective. After that it will be treated as a discontinued business in Group results. I'll spend the majority of my time looking in more detail at our confectionery and beverage operating performance, and then I'll run through an update on the demerger.

Let's start with the group income statement. There are several charts in the supplementary schedules that give more detail but

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

there are five areas I want to run through fairly quickly; underlying profit, net finance costs, restructuring, earnings and finally working capital and cash flow.

At constant currency and excluding business improvement costs, the underlying profit from Confectionery was up by £49 million or 10%. The underlying profit from Americas Beverages was up £13 million or 2%. As you know this is after the cost of Accelerade around £30 million. The health of the Americas Beverages business is better than the 2% would suggest. However in overall terms our profit from operations has decreased by £23 million. There are two factors here. As we outlined in June of last year we expect to incur ongoing business improvement costs in our Confectionery business of around 0.5% of revenues. This is the first year we've charged that. A charge of £24 million is included in our underlying profit. And the US dollar has weakened by around 8% during 2007 and most of our other currencies have also weakened. In total foreign exchange has reduced our profits by £61 million.

The net underlying finance cost is £6 million lower than last year due to lower interest charge and higher pension financing credits. You'll note that the net interest charge has increased from around 5.1% to 5.6%. We flagged this at our Quarter Three Trading Update. We were seeing an increase in rates and as we're preparing firstly for a sale of Americas Beverages and then a demerger, the proportion of our fixed rate debt was reduced. In the short term this has increased our exposure to floating rates which did increase at the back end of 2007.

We incurred a charge of £200 million in the year for restructuring. In Confectionery we invested £151 million behind the efficiency priorities, part of our new Vision into Action programme. We announced in June that the total cost of this programme would be

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

£450 million, so another £300 million to be charged. And we expect between £130 and £150 to be charged in 2008. The £9 million relating to Gumlink and £9 million relating to CSBG integration are both in line with previous guidance. Americas Beverages charged £26 million out of the planned circa £40 million for the restructuring and cost reduction programme announced in October and which will deliver annual savings of £35 million.

At constant currency we reported EPS up by 2%. Operating performance was a bit better than that, 7% reflecting profit growth in both confectionery and beverages. The change in accounting for business improvement costs has a one off impact this year of 2% and an increase in the number of shares and M&A activity dilutes EPS by another 3%.

Now onto cash flow. Our Group free cash flow for the year was pretty strong at £527 million. Around £55 million better than prior year. The most significant areas were a working capital inflow which I'll discuss shortly, and an inflow of other items including £38 million in respect of the Glaceau termination. This represents value generated by the Americas Beverages team which have been distributing the Glaceau brand for the last three years. These have been partially offset by a £25 million increase in capital expenditure. Of that almost all of it was in Americas Beverages in 2007 and related to bottling acquisitions and route to market extensions.

In Confectionery we've increased capital expenditure to around £300 million in each of the two last years as we've built capacity and reconfigured our manufacturing assets. One such investment which we announced in December 2005 was the building of a large state of the art gum factory in Poland. I've shown you here a picture of the plant that Todd will be opening in

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

a couple of months. This will allow us to significantly improve efficiencies and provide a platform for the production of new innovation in gum. Most of the CAPEX on this project was spent in 2006 and in 2007. I don't get to show pictures in my presentations very often so I'll leave this on the screen for a bit longer.

Moving on to working capital. Working capital has been a key focus area since 2004 and we've reported three consecutive years of reduction in average working capital days, primarily driven by the Confectionery group where we reported a pretty good improvement of eight days in 2007. We will continue to focus on working capital but we're unlikely to see such a material improvement towards the back end of 2008. We know now that in the early part of 2009 we will see plant reconfigurations as part of our efficiency programme and we will be building safety stocks towards the end of 2008 to ensure that we have got excellent customer service.

That completes the review of the Cadbury Schweppes group numbers. Let's turn now to Confectionery which as you know will be renamed Cadbury plc following the demerger. Looking first at underlying revenue growth the contribution from our four regions. Americas have been the biggest contributor once again but the performance of BIMA is notably improved with a rebound from our business in Britain as you heard from Todd.

Revenue growth of 7% is ahead of our goal range and let me give you just a little more insight. Growth and revenue were split approximately 3% on volume and 4% on price/mix. Volume growth accelerated from 2% in the first half to around 5% in the second half driven largely by the recovery in our chocolate business in Britain. The contribution from price/mix slowed slightly in the second half and we did flag this in December. It

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

primarily reflects the mix impact of stronger growth in chocolate and seasonal products in the fourth quarter. Remember we did implement significant price increases in chocolate right at the end of 2007, particularly in Britain and in Australia. And these will start to impact from quarter one 2008 onwards.

As you heard from Todd emerging markets had another excellent year and increased revenues by 14%, around 60% of our confectionery growth. They've grown double digits for four years and emerging markets now represent one third of our confectionery revenues. Revenue growth accelerated from 6% in the first half to 8 in the second. A number of one off factors have influenced this profile and I'll run through them. On the positive side our chocolate business was boosted by a particularly cool summer in 2007 and the recovery from our UK product recall. We've also seen the benefit from a launch of UK gum. Partially offsetting these, our candy business suffered the disruption in flooding that Todd referred to. In Australia our beverages business was impacted by the termination of the co-packing contract. And in Australia the business had a particularly slow quarter four due to the phasing of a number of promotions and de-stocking of the trade. Adjusting for all these factors we believe underlying growth would be closer to 6.5%. A good recovery from just over 4% in 2006.

This next chart shows the key drivers of underlying margin. Working from the left the base margin of 10.1% in 2006 is the sum of the confectionery regions, as we previously reported, less 100% of the Group's central costs. Base business growth increased by 40 basis points and M&A diluted margins by 10 basis points getting an underlying increase of 30 basis points.

Set against this a couple of factors. The business improvement costs that I referred to earlier and foreign exchange which has

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

reduced our sales by around 2% and our profits by around 3% and therefore our margins by 10 basis points. This gives our reported 2007 confectionery margins at actual currency of 9.8%.

Let me summarise. The underlying growth of 30 basis points for the year reflects a decrease that we reported in July of 30 basis points in the first half and an increase of 80 basis points in the second half. The second half performance was boosted by Nigeria as we were lapping some accounting corrections last year, but it also highlighted an improving trend in operating performance. This table shows the breakdown of our underlying margin improvement. You can see here that Nigeria diluted margins of 40 basis points in the first half and boosted it by 50 basis points in the second half. M&A had a negative impact on margins in the second half, primarily due to a small loss in Intergum as we normalised inventory levels in the trade. We continued to invest behind growth in 2007 with a full year investment of 30 basis points behind UK gum and 20 basis points behind other initiatives.

Excluding these factors our base performance has remained strong with margin growth from operational leverage and savings increasing from 70 basis points in the first half to over 90 in the second. Just a comment on the second half. It's important to note that this second half performance is particularly encouraging given the significant increase in dairy costs of around £20 million, most of which we suffered in the second half and most of which we were unable to recover in price increases in 2007.

Our Confectionery marketing spend increased in line with our revenue growth of 7%. In absolute terms the increase was £36 million of which a high percentage was invested behind UK gum and UK chocolate. We also invested a further £20 million behind growth in areas such as innovation, science and technology and

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

route to market. Investments behind these areas, particularly in gum, have helped drive double digit revenue growth. As we indicated back in June this 2007 spend represents the final tranche of our step up in investment programme. Going forward we expect growth investment to increase broadly in line with revenue.

Turning now to our efficiency programme, a key part of our VIA or Vision into Action. I showed you this slide back in June setting out the key priorities and I want to run you through and give you an update on the five key areas I've listed on the slide. During 2007 we made significant progress on our cost reduction programme announcing a number of central, regional and supply chain initiatives as summarised here. Collectively these initiatives will deliver a significant proportion of our savings programme and will lead to the reduction of around 2,500 roles. Our SGA initiatives will deliver significant benefits in 2008 and 2009, and the supply chain reconfiguration programmes have a slightly longer timetable and they will have an impact from 2009 onwards. We gave a considerable amount of detail on these initiatives in October last year and they will contribute to our goal of meaningful margin progression in 2008.

Central costs, up £170 million in 2007 represented 3.3% of confectionery revenues. We flagged an increase in 2007 at the half year, largely as the result of IT expenditure. As I outlined in June around £50 million of this cost base relates to confectionery growth costs in areas such as central commercial, supply chain and science and technology. From 2008 onwards we will be reallocating these costs to our confectionery regions rather than treating them as a central cost. I've included a summary of the regional allocations of these costs for 2007 in the supplementary schedules. Excluding these costs the central cost base for 2007 would have been 2.3% of Confectionery revenue. For 2008 our

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

stated target is to reduce this to below 2% of revenue through our efficiency initiatives. This will generate around 40 basis points improvement in margins. A useful contributor to our overall margin progression.

We also announced in June that we've targeted portfolio and SKU rationalisation as a lever to improve our margins. We took some steps in 2007 particularly in Australian Beverages and to a limited extent in Europe in candy. In 2008 we are deliberately withdrawing between £25 and £30 million of revenue that we believe is dilutive to margins. This will reduce revenue growth by 50 to 75 basis points but it will improve the overall quality of our performance.

Also back in June I highlighted our three underperforming markets, Russia, Nigeria and China where we're really focussed on turning around and improving performance. All three markets made positive progress in the year, improving both financial and commercial performance. Collectively the markets reduced losses from £26 million in 2006 to £10 million in 2007. And improved margins or perhaps more correctly reduced losses by 900 basis points.

Despite the improvement in 2007, these markets are still diluting overall Confectionery margins by around 70 basis points of the total Confectionery level. So we still have some way to go and remain a high focus of attention.

In October 2005 I announced we would be disposing of some non-core businesses with target proceeds of between £250 and £300 million pounds. We've continued to make regular announcements on the disposals culminating in the disposal of Monks Hill our UK confectionery business just a few weeks ago.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

That completes the programme and total proceeds are £263million.

One of the metrics in our new Vision into Action scorecard is ROIC. We've measured this internally for a number of years but this is the first time we've put it on our financial scorecard. I've included the methodology for calculating ROIC in the supplementary schedules and this chart sets out the drivers for 2007.

The operating improvement of 80 basis points is primarily driven by profit and margin growth with a little help from working capital. We've also seen a 10 basis point benefit from the lower tax rate and the impact of recent confectionery acquisitions has had a dilutive impact in the year of 40 basis points. This gives a like-for-like ROIC progression of 50 basis points to 7.5%. This underlying growth has been offset by the initial and one off impact of business improvement costs and by foreign exchange.

The pro forma ROIC of 7% for 2007 would be a good initial starting point for your 2008 models although I would caution the number may change ever so slightly once we've firmed up the figures on completion of the demerger.

As a reminder, our definition of ROIC does include intangibles and out of our total invested capital of just over £5 billion approximately £4 billion is related to intangibles.

Moving on to the Confectionery outlook for 2008, dairy costs as many of you know, did spike sharply in the second half of 2007 and our anticipated 2008 cost will be more than 50% higher than our 2006 milk bill.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Since the year end we've seen the world prices of milk powders ease a little but liquid milk, the heart of CDM, liquid milk prices have remained high.

A number of other commodities have seen market price increases in recent weeks, such as grain, cocoa and oil, however we guided to overall 2008 input cost increases of 5 to 6% in December and this continues to be our view.

We've announced a number of price increases, particularly in chocolate, which will come through in the early months of this year. And we will continue to seek to offset input cost pressures through further price increases if required. And as I said earlier, we're targeting around 40 basis points of margin improvement to come from central costs.

Now a few highlights for each of our confectionery regions. In Britain we expect the category growth to revert to more normal levels in 2008. It's too early to assess the volume impact of the price increases that we just implemented in December. And the recovery of our Nigeria business continues on track and we expect to see further improvements in 2008.

In Europe we expect continued strong momentum from gum and several markets in Europe will see the impact of some portfolio and SKU rationalisation.

And finally we'll be looking hard at the integration of Intergum in Turkey and Kandia in Romania which is a big focus for our management team in 2008.

Americas did have an outstanding year in 2007 and we are continuing to see continuing strong category momentum. Our US business is lapping the pricing action taken on gum in the first

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

quarter, towards the end of the first quarter of 2007. And like in the UK, the US economic outlook remains a little uncertain, economic growth in Latin America is very robust.

In Australia and New Zealand consumer demand is strong and category growth is robust. However the retail environment continues to be a little challenging. Offsetting this our emerging markets across the region, as you heard from Todd, are showing continued strong momentum, in particular India, where we just had several years of nearly 20% growth.

Turning now to our Americas Beverages business, Dr Pepper Snapple Group, all four of the business units in this group contributed to revenue growth of 4% which is a good result given market conditions and the ongoing separation process. In particular bottling operations grew by 8% accounting for more than half the growth.

This next chart shows the key drivers of underlining margins for beverages in the same way that I explained it for confectionery. The base margin of 22.8% in 2006 includes eight months contribution from the acquisition of DPSG or DPSU I should say.

2007 is impacted by a further four months which is worth around 260 basis points. Excluding Accelarade, base business margins increased by 20 basis points. At constant currency Americas Beverages margin was 19.4%. A weaker dollar had a 20 basis point impact taking reported margins to 19.2% in actual currency.

Moving on to the outlook for Americas Beverages, we expect revenue growth to be within the new beverages goal range of 3 to 5% which we announced today. We are taking price increases ahead of inflation and are taking CSD pricing two months earlier

than normal, in February rather than our traditional date of April. This will help revenue growth slightly.

On margins there are a number of factors and again they're in line with the guidance we gave in December. But let me recap them: commodity cost inflation is likely to be around 6%, primarily driven by aluminium and juice concentrates, profits will be reduced by around £20million from the loss of the Glacéau distribution contract, and a further six months consolidation of the SeaBev acquisition will reduce margins by around 30 basis points in 2008.

On the positive side we've announced a cost reduction programme delivering annual savings of £35 million. We will increase investment behind CSDs by around £15 million in the year and finally we're implementing price increases above inflation.

In addition to the above factors the business will incur incremental standalone costs of around £25 million. This covers areas such as a new Board and separate corporate functions such as IT, tax treasury and legal etc.

My final topic is the demerger. I want to cover three areas here: the operating metrics for DPSG, the current debt structure and the demerger process and next steps. In our press release today we outlined several operating metrics that the DPSG team will use to guide their financial strategy over the next few years. Prior to the demerger, Larry Young, CEO, and John Stewart, our CFO, will present to shareholders and analysts in some detail their strategy and operating metrics.

Today we've announced an annual revenue goal of 3 to 5%, underlying EPS growth of high single digits and capital expenditure of around 5% of revenue. We're planning to

announce other measures relating to the capital structure by the end of March.

Now let me turn to the debt structure of the Cadbury Schweppes Group today and the implications for the demerger. As at the end of December the Group had £3.2 billion of net debt financed by £1½ billion of bonds and approximately £1.7 billion of commercial paper and bank debt. The bonds were issued by Cadbury Schweppes plc and are subject to a Group guarantee and practically cannot be transferred. They will therefore remain with the Cadbury Confectionery group. Commercial paper has also been issued in the name of Cadbury Schweppes and will need to stay with Cadbury plc or be repaid upon demerger. Therefore the newly listed DPSG entity will have to be financed with new debt. DPSG is a highly cash generative and stable cash flow business and we're very confident, that despite the current state of the global debt markets, the business is an attractive lending proposition. We've appointed five leading global banks to help us raise the debt.

At the end of 2007 our group debt represented a debt EBITDA multiple of two and a half times. By the time of the demerger we estimate the Group proforma net debt will have increased, reflecting the payment of the Group's final dividend and the tax and transaction costs relating to the demerger, which are still anticipated to be around 5% of the transaction value. This will result in a group net debt to EBITDA ratio of around 2.8 times.

In the light of the current debt markets and the Board's wish to create capital structures which maximise share on a value, it has become clear that both companies can only be financed economically by implementing investment grade capital structures. This will mean that there will be no additional capital return to shareholders. We will therefore target an initial Cadbury

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

plc debt rating of BBB, as against the BBB+ target that we announced last year. This would imply an initial debt to EBITDA ratio for Cadbury plc of just over 2 times.

We will target an initial debt rating for DPSG of BBB-.

We're working all these assumptions through with our banking group and the rating agencies and expect to make a further announcement by the end of March.

That brings me to the process and the next steps. There is no doubt that the demerger and listing of a US division from a UK listed plc is extremely complex. But we're up to schedule and the process is continuing. We've made multiple filings of the Form 10 to the SEC and we've also made a number of submissions of the Circular and Prospectus with the UK Listing Authority. The process should near conclusion by the end of March when we insert the final audited numbers under IFRS and US gap.

Following debt negotiations with our lead banks we will announce the capital structure for each of DPSG and Cadbury plc, send the Prospectus to our shareholders, DPSG management will present their equity and debt story and will then arrange a Cadbury Schweppes plc EGM to put the proposed structure to our shareholders. We continue to work towards a demerger during quarter two subject to normal legal and shareholder approvals.

Finally back to Cadbury plc and a couple of final slides from me, a recap on margins a critical part of our Confectionery Plan. This is a chart I showed many of you in this room in June last year which summarises the key drivers of our goal to get to mid-teens margins by 2011. These are a combination of cost savings, profit and growth initiatives and effective management of input costs.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

We're making good progress on all the positive margin drivers and are confident that we'll get to mid-teens margins by 2011.

Turning more specifically to 2008, let me just recap the significant margin factors that we've discussed this morning. Central cost reductions will contribute 40 basis points; we'll see the benefit of SG and A actions taken in the regions, particularly in the Americas and in BIMA. We do expect input cost inflation of around 5 to 6% but we're taking pricing to offset this, particularly in chocolate. Portfolio rationalisation will reduce revenue growth but will have a positive effect on margins. Underperforming markets will show continued improvements particularly from China. We'll continue to invest behind growth but going forward we expect this investment more in line with revenue.

We are entering the year with strong top line momentum and are fully focused on delivering against this efficiency agenda.

We're confident we'll deliver meaningful margin progression in 2008.

Thank you and back to Todd.

Todd Stitzer:

Okay we're almost done, it's a long time hang in there.

Before I close I think it would be remiss of me not to note that this is Sir John Sunderland's last Cadbury Schweppes results presentation for the full year. He's been around for 40 of them. And over the last ten years or fifteen years he's led many of them, and he has reported on a considerable amount of change and progress at this great company. So I invite all of you to give John a round of applause for 40 years of fantastic contributions to Cadbury Schweppes.

Applause

Todd Stitzer:

Let's talk about the story of Cadbury Schweppes. I'd like to place 2007 in the context of that Cadbury Schweppes journey and provide you just some final top line thoughts on 2008.

Our company is a business which has constantly evolved to meet the challenges and the opportunities that lay before it. We've done it with shareholder input and we believe that we have responded to that.

The business was created in 1969 at a time of significant consolidation in the food industry, with Schweppes international operations to be the key for the expansion of Cadbury's sales, which were then largely a domestic business. In the mid 1980s, after a decade and a half of diversification and consolidation into other food groups, the group refocused on confectionery and beverages. Over the last 20 years the company has expanded and strengthened these core businesses through about 40 acquisitions.

In early 2003 we purchased Adams for \$4.2 billion, our largest ever acquisition. In late 2003 we set out a four year plan to integrate Adams and transform our business. On the strategic front we did integrate Adams and we did it ahead of our acquisition plan, and in so doing created the world's largest confectionery company. We followed it up with a series of targeted and strategic bolt-on acquisitions.

On the beverages side we integrated our US Beverages businesses and then sold Europe Beverages for a very good price. We invested part of the proceeds from the Europe sale to strengthen our route to market in the US by buying independent bottlers. Finally we announced the separation of our

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

Confectionery and Americas Beverages businesses to create greater focus and ultimately greater shareowner value.

From a commercial perspective we've delivered four years of revenue growth at double our historic rate. This performance drove four years of consistent market share growth against our toughest competitors in their home markets. Significant investment in marketing, innovation and commercial capabilities has led to a doubling of our innovation rate in support of that commercial performance. Operating performance over the duration of the plan is consistently improved through restructuring, systems implementation and focus.

We closed or sold 25% of our factories and distribution centres, and reduced our workforce by 10%. We sold a number of underperforming assets, as you heard from Ken, and implemented a consistent SAP based IT system. In June we announced plans to close another 15% of our factories and reduce our headcount by 15%.

On the financial front our business has done extremely well by focussing on our working capital and reducing working capital significantly, as you saw from Ken. We have sold underperforming assets, and our growth rate on dividends has improved consistently, and importantly in the year we've had a significant increase in dividends, and over the period of time our total share owner return has averaged 17% a year for close to a total of nearly 90%.

Our 2007 results are a continuation of these trends. There was a plan, and we've executed against the plan and it's working. Confectionery had another excellent year. Revenues grew at a record pace with strong performance across most of our businesses, including in Britain, where we had an excellent

recovery from a challenging 2006. Underlying margins were ahead, driven by strong performance in the second half.

Americas Beverages produced good results in challenging markets for the fourth year in a row, as the business reaped the benefits of focus on core brands and route to market consolidation.

Although economic conditions remain uncertain as we look into 2008 we take confidence from the fact that we have created strong foundations for two businesses over the past four years, and that they operate importantly, in resilient categories in difficult times.

In 2008 Americas Beverages will continue to benefit from the focus on those wonderfully core advantaged brands, and a route to market consolidation that we've created. The business does face a number of cost headwinds this year, including significant rises in commodity costs and the loss of the profitable Glaceau contract. But we expect to largely cover these headwinds through above inflation pricing and restructuring benefits.

Taking into account the consolidation of bottling acquisitions, which we've told you about since 2006, reported margins will be modestly lower year on year for 2008. But those margins will recover in future years under the leadership of a great new team in Americas Beverages.

In confectionery our strong revenue momentum has been driven by sustained investment in growth and capabilities, and that momentum has continued again into 2008. While we will be rationalising some of our portfolio during the year, we expect confectionery revenues to grow towards the upper end of our goal range.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

On the margin front, our top line momentum is driving positive leverage, as you saw on Ken's charts. We have numerous initiatives in place to deliver savings from central costs, regional SGNA and the supply chain. And we've made good early progress on turning around our three underperforming markets, just as we did with Brazil and Japan in 2003 when we bought Adams. Although we're continuing to invest behind growth this investment is likely to go broadly in line with revenues from now on, again levelling off at a good level because we've revitalised the commercial guts of the business.

And we're taking a robust approach on pricing to offset the input cost pressures that are impacting us and the rest of our industry.

Taken together we are absolutely confident that these actions and initiatives will enable us to deliver meaningful margin progress in 2008 and mid teens margins by 2011.

Today, nearly 40 years after Cadbury and Schweppes came together, we believe that our beverages and confectionery businesses will have more successful futures and create greater value for our shareowners as separate companies.

In Americas Beverages we've built a portfolio of powerful consumer preferred brands. The integration of our franchise CSD business with third party manufacturing has not only significantly strengthened our route to market for our brands, but allows us to better respond to the changing needs of our customers and consumers, and I think you can see that in the results of the Americas Beverage business.

The business is in the very early stages of delivering the significant benefits we've described of the new integrated model,

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

and delivering this will be the major focus of Larry Young and his management team going forward.

Our Confectionery business has a significant under exploited potential, and a motivated team focussed on realising that potential. It is the greatest confectionery business in the world and we have a great team focussed on delivering value from it.

Revenue growth will continue to benefit from our advantage brands and our focus on geographic participation and increased investment. But the greatest opportunity as any number of you have commented, is margins, where we have already begun to deliver a step change by reconfiguring our business model. Our results in 2007 give us confidence in our ability to deliver against our new performance scorecard, and we really look forward to 2008 as another exemplar of a great team focussed on a very specific agenda.

So thanks for your time, we will be happy to answer your questions. We are going to change the format a little bit by not hiding behind the desk. Ken will join me and we'll take your questions. I'd ask you, if you would please, to push the button on your microphone so that you can be heard, and if you'd raise your hand so that we can call on you that would be good.

Here we go.

Arnaud Langlois:

Good morning, it's Arnaud Langlois, JP Morgan, I've two questions. The first one is related to margin expansion in 2008. You mentioned in the presentation 40 basis points on the margin increase related to the reduction in central costs. Should we understand that you are targeting 40 basis points of margin increase in 2008, or is it just one of the many levers to deliver some margin expansion in 2008?

The second question is a technical one related to the tax rate. We know that the tax rate of the beverages business is going to be pretty high from the finding you have, what should we expect really from the confectionery business once it becomes independent?

Todd Stitzer:

Well on the margin front I think we've been clear about this since June, and the 40 basis points from central savings is one of the elements of meaningful margin delivery in 2008. So I think Ken showed you a recipe of actions we're taking, but we certainly expect to deliver from central costs 40 basis points at least. And on the technical point ...

Ken Hanna:

On the tax rate exactly the same as the guidance we gave in June of last year. Confectionery, I think round about 29%. Our objective is to get that down a bit, not in 2008, but eventually down to 28%. But if you think around 29% that is a good number for 2008.

Martin Dolan:

Hello it's Martin Dolan, from Execution. Just a quick question on the slides on page 101/102, which gives us a clear picture on the base business. And if I look at Cadbury plc it looks like, stripping out Americas because I think the Adams performance was stunning, it looks like the base business confectionery revenues are up £196 million, which is 6% like-for-like but the profit contribution's only £5 million which is a 2.5% margin contribution. How are we supposed to have confidence that next year you can drive the top line and the margin at the same time, because it does seem that that didn't happen at all this year?

Ken Hanna:

I would say you need to - if you remember from one of my slides, I can't remember the number, we said that marketing increased £36 million. Out of that £36 million you'll find the majority of that

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

increase was outside of the Americas, so UK gum and UK chocolate. So a huge increase in investment to lead to a step change in improvement of margins.

I would also say again, look at our efficiency programmes. A lot of the impact is coming through the BIMA region and European region as well. So we totally recognise the point Martin but I think we're not just going to be relying on Americas Confectionery. Everyone else will contribute to that growth.

Martin Dolan: Just to follow. Can we expect the marketing to be maintained at that level next year, or are we happy at the same percentage of sales?

Ken Hanna: Marketing will go up broadly in line with revenue. It may move around the group, but it will certainly go up at least in line with revenue.

Martin Devine: Hi Martin Devine, Investec. Are you still open to offers for Americas Beverages from either the financial or strategic bias, and are already such discussions taking place?

Todd Stitzer: I think given the state of the financial markets at the moment the opportunity for that is, in our view, not possible. And we're very focussed on a demerger process, as you heard from Ken, it's very complex and we are very focussed on completing it by the end of the second quarter.

Simon Marshall-Lockyer: Simon Marshall-Lockyer from Bear Stearns. Given your BBB- estimated initial rating for the beverage business and about - the BBB for the Confectionery business. Do you think that this is enough at this point of your development, and I am thinking particularly of the Confectionery business, your ambitions in terms of growth, are there maybe other measures that you might

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

need to implement in terms of - to strengthen that balance sheet?

Todd Stitzer:

Ken will comment in detail, I think if you are talking about the opportunity for headroom in terms of perhaps investment in capital and bolt-on acquisitions I think we are comfortable that that level provides us with that headroom. As we've said we are very focussed on delivering organic growth and margin growth in 2008. So I think it will be fine for now, but we have a reasonable cash flow that will change the characteristics of that fairly quickly.

Ken Hanna:

We do, there's an important word in the press release which has said, the initial rating will be BBB and BBB-. Both businesses deliver pretty quickly. Beverages will deliver very quickly, because of the attributes of that business. I think that we have been very clear that 2008 is a big year in Confectionery with CAPEX and restructuring. Therefore significant de-levering in confectionery will be evident in 2009 and we will be working hard to try and look for an upgrade in our debt rating in 2009 clearly in depends on the debt rating agencies. But I'll just repeat what Todd said, we are not going to prejudice our growth and development in confectionery by imprudent capital structure.

Julian Hardwick:

Julian Hardwick of ABN Amro I just wondered if you could update us on your thoughts about how much price/mix is going to contribute to your revenue growth this year and on the raw material front how much of your costs have you now mopped in and what is the potential exposure to further spikes up in input costs as we move ahead?

Todd Stitzer:

I'll answer the second point and you answer the first. We have said that for the confectionery business this year we think the input costs will challenge us to the tune of 5 to 6%, and that we have implemented price increases that we felt will more than

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

cover that. So we think that given the puts and takes, we don't have to go and do a point by point, which input costs. I mean I think as a basket we think we can manage using the price increases to cover that off.

In beverages, it's 6%, so it's a little bit higher in beverages, but again we think we can manage that dynamic.

Ken Hanna:

On your first point Julian, a reminder 2007 was 3% volume and 4% price/mix, I think the price mix in 2008 will have to be - we expect it to be slightly higher than 4%. With everything that we are doing, price/mix will be higher than 4%. It's too early, very much too early in the year to assess the volume impact of the price increases, because the first month was Christmas and there's a lot of Easter being sold at the moment in both UK and Australia. So it's very difficult to assess the volume impact.

Julian Hardwick:

How exposed are you to future input cost rises?

Ken Hanna:

Let me ask - the question, if I focus it on confectionery at the moment, our two biggest input costs in confectionery are dairy and cocoa, by far. They are the two biggest baskets. On dairy we are not hedged, you cannot hedge liquid milk prices, it's a local market, and we buy it locally. Clearly some people can hedge the global powder milk market. We are not hedged, so we are reliant on the market, as I said powders come off a little bit, liquid has not come off.

Our other major product is original input is cocoa, we are one of 5, 6, 7 major buyers in the world and as I have said, we have said for years, we really don't comment on our cocoa hedging position. We prefer not to, it's commercially sensitive.

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

- John Parker: John Parker from Deutsche Bank, you said that in the Americas Beverages, I think you would be putting up prices ahead of inflation, can you give us any indication of what percentage price increase you are looking for, or what your perception of inflation may be if you don't want to give us exactly the pricing? And I was also just interested in your Green and Blacks comment there. I think you said you were going to launch that in the US, I wondered what sort of scale of launch you were looking at there?
- Ken Hanna: I'll take that one, you take the first one. On pricing it's already been announced in terms of CSDs. CSD price increases have gone up 1st February over 4%, and obviously, clearly a lot of it depends on the mix and how that translates to the on-shelf prices. So it's circa over 4% on some of our juice products, where juice concentrates have gone up significantly. It's over 5% price increase.
- Todd Stitzer: On Green and Black's within the context of our comment that our marketing would increase in line with revenues in 2008, we have allocated a reasonably generous amount towards launching Green and Black's in the US market, in a very much more focussed but, broad channelled way. Until November 2007 Green and Black's was largely sold into speciality retailers in the US, places like the Whole Food Store or Trader Joe's. It's now being rolled out through our Americas Confectionery sales force. It was sold by a distributor previously with a partnership with Green and Black's from London. It's now being sold directly through our US Confectionery sales force in a much broader way and being supported intelligently, with higher levels of marketing. Is that responsive?
- Michael Steib: Michael Steib from Morgan Stanley. The outlook for the restructuring charge for 2008 for £130 to £150 million takes the two year accumulative spend to over £300 million. Yet you've

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

reiterated a £450 million cumulative figure for the five year programme, can we be sure that the spending is essentially going to drop to £50 million average for the remaining of the three years per annum?

Ken Hanna:

Yes, but I just would remind you that the amount - you need to look at the cash that's charged to restructuring which obviously you can see from our more detailed cash flow statements. In terms of accounting terms, when we have consulted with employees, and agreed a course of action we have to take a charge. So for example, an element of our 2007 charge will not be physically spent until probably - some of it will not be spent till 2009. As a result of the accounting conventions we follow, because the factory were particularly talking about here will not actually close till 2009. So we can give you more guidance, look at the cash rather than the accounting. We are very confident £450 million will do the trick.

Todd Stitzer:

Are there questions?

Jeff Stent:

Jeff Stent from Citi. The 50 to 75 basis point of sort of low margins SKU rationalisation, could you quantify just how low margin that is, i.e. what will be the impact on the overall margin? Thanks.

Ken Hanna:

I don't think - Jeff we are not going into the nitty-gritty detail, the one number I've given is central cost of 40 basis points. Todd and I have been through it in some detail, I can tell you that it will help margin a bit, it's not huge but it's part of the shopping list. I just don't think it would be worth going through each individual part.

Todd Stitzer:

It comes through in factory efficiency and reduction in complexity, not just eliminating lower margin products. It has an effect on the

Cadbury Schweppes 2007 Results Presentation - 19th February 2008

efficiency of the whole system because it's just focussed on fewer things, fewer bigger things.

Jeff Stent:

If I can just make one last attempt on this topic. Are consensus margins meaningful?

Ken Hanna:

I'll tell you after I look at consensus that comes out in the next few weeks. A lot of people in this room are getting their mind round 2008 following the separation of beverages. Good try Jeff.

Polly Barclay:

Polly Barclay from Cazenove. Reading through your margin guidance, are you in fact implicitly saying that you'll see smooth margin progression over the next four year, or will there actually be a sort of slight back end weighting into the latter two years?

Ken Hanna:

Again we were asked that question in June, Polly, and it's the same answer. There's a not a pronounced hockey stick at the back end. And we recognise that we have to deliver meaningful margin in the first year to make sure there's full buy in and credibility of the plan. So hopefully, that answers your question, I'm not saying it's exactly linear divided by 4, but it's not a huge hockey stick.

Xavier Croquez:

Xavier Croquez, Exane I have a question on top line actually, and the relative growth you have versus the market trends you are in. Actually, you are growing 25% faster than confectionery across the board, and this is broadly the case in chocolate, you are obviously growing faster in gum and not that fast in candy. Is that a pattern moving forward, or how should we get a sense of, adjusted for the excuse that you are dropping?

Todd Stitzer:

Candy is the place where a lot of our SKU rationalisation will take place over the years. We would like to focus on fewer bigger candy brands, as opposed to the multiplicity of brands that we

have. We certainly think that 2% growth isn't where we want to be on candy, I think we would like to grow with the candy market. That would be our goal. So that's growth in the sort of 3 to 4% range on a regular basis with candy as opposed to a 2%.

Xavier Croquez:

But are you implying that on chocolate and gum the current relative speed is sustainable?

Todd Stitzer:

I think that we would be foolhardy to say that the current rate on gum is sustainable at that rate. But we think that there are attractive characteristics to the gum category, there have been for the last six or seven years. There is relatively low penetration of gum usage outside of the United States, and some other developed markets. It is a low fat, low calorie way to satisfy a sweetness craving. And we think there is plenty of room to go in gum. And we think that people love chocolate, and despite what you may read in by various commentators, there are lots or closet chocolate eaters in the world; you just have to look at the rate of chocolate growth. I mean it's a wonderful product and people like a bit of it. So we think that chocolate is not going to grow as fast a gum, but with the right innovation and execution by us in our leading markets we can continue to grow chocolate in a healthy way.

Any other questions? Well thanks so much for coming, we appreciate your time.

END