

**Cadbury Schweppes  
Preliminary Results Conference Call  
Todd Stitzer and Ken Hanna  
19<sup>th</sup> February 2008  
15h00**

Operator: Good morning ladies and gentlemen and welcome to the Cadbury Schweppes 2007 Preliminary Results conference call. Today's conference is being recorded. At this time I would like to turn the call over to your host today, Mr Todd Stitzer. Please go ahead, sir.

Todd Stitzer: Good morning ladies and gentlemen or good afternoon, wherever you may be. Welcome to our conference call for our 2007 preliminary results. I'm Todd Stitzer, Chief Executive Officer, and I'm joined by our Chief Financial Officer, Ken Hanna. I'll start with a quick overview of the results and an update on the demerger process and then Ken and I will be happy to take your questions.

2007 was another significant year in the strategic evolution of Cadbury Schweppes. It marked the end of our 2004 to 2007 strategic plan that we set out in late 2003. This plan helped transform our confectionery and Americas Beverages businesses over the last four years, laying the ground for the March announcement of our intention to separate these businesses. In June we set out a new four year Vision into Action plan for our standalone confectionery business, Cadbury plc. In terms of operating performance, both of our businesses benefited in 2007 from the changes made over the last several years, contributing to a very strong overall performance.

Confectionery had an excellent year, with the best revenue performance in over a decade and good progress on margins despite significant commodity headwinds and further investment in growth and this was particularly true in the second half where we recorded 80 basis points of margin growth. Americas Beverages produced good results in challenging markets. Let me start

with a review of both businesses, starting with confectionery, the business that will become Cadbury plc.

Like for like revenue growth at 7% was above the top end of our new goal range and almost a third higher than the overall confectionery market. Both developed and emerging markets performed strongly, with growth of 4% and 14% respectively. Revenue growth was broadly based across most of our geographical markets and product categories. A new category structure to drive revenue growth and share was implemented in the regions and the businesses and we started to focus on fewer, faster, bigger and better commercial initiatives. Our focus brands, markets and customers grew by 10%, 7% and 12% respectively. Highlights included the rollout of key gum technologies, soft-centre and long-life to new markets and the promotion of focus brands in the whitespace markets where we didn't have representation across the three categories. From a category point of view: chocolate revenues rose by 6%, candy by 2% and gum by 14%. The 6% growth in chocolate was driven by good growth in Britain and very strong growth in emerging markets. In candy, while overall growth was 2%, our focus brands grew by 7% including 7% growth in Halls. In gum, Trident was once again our star performer growing by 26%. Trident revenues have doubled since we bought the brand in 2003. It's now our largest brand and the world's largest gum brand.

We also performed well on the margin front. Margins rose by 30 basis points, despite a significant increase in growth investment and sharply escalating raw material costs and, as I said a moment ago, by 80 basis points in the second half as a result of good operating leverage, tight focus on cost controls and the early benefits of our efficiency agenda. Good early progress was made in terms of implementing our Vision into Action confectionery plan. On the efficiency side, we move forward in a number of areas. The right sizing of central overheads, major changes to our manufacturing configuration – especially the chocolate supply chain in Europe and the candy supply chain in Asia-Pacific – and the reorganisation of our regional structures to encourage clustering benefits.

From a regional perspective the best performance came in the Americas where sales rose by 11%. We enjoyed double digit growth in nearly every market and a highlight was gaining a further 310 basis points of market share in the US gum market. Europe and BIMA were up 7% and 6%, respectively. Within BIMA our business in Britain performed very well with revenues of 5%, thanks to our successful launch into the UK gum market and strong growth in chocolate which was driven by a focus on seasonal products during Easter and Christmas and also the hugely successful relaunch of Wispa. Growth in Asia-Pacific was a little slower at 4%, with strong emerging market growth offset by a slower performance in Australia, where we decided to exit certain non-core activities.

Let me turn now to the Americas Beverages business, which will become Doctor Pepper Snapple Group or DPSG on demerger and will be listed on the New York Stock Exchange. Beverage revenues grew by 4% on a like-for-like basis, a good performance in challenging markets. Our carbonated soft drink revenues grew by 1% led by A&W and Sunkist with our share of the US CSD market increasing by 40 basis points. This is our fourth consecutive year of share gains against the majors in their home market. In CSDs in the US, revenues grew by 3% boosted by the successful launch of Snapple Premium teas, juices and enhanced waters. Margins were lower in the beverage business reflecting the structural shift in margins following our bottler acquisitions and losses on the Accelerade launch.

Looking forward into 2008, we expect Americas Beverages to continue to benefit from a twin focus on consumer preferred brands and route-to-market consolidation. The business faces a number of cost headwinds this year including significant rises in commodity costs and the loss of the profitable Glaceau contract. We expect to largely cover these headwinds through above inflation pricing and restructuring benefits. However, taking into account the consolidation of further bottling acquisitions made in the middle of 2007, reported margins in Americas Beverages are likely to be modestly lower year-on-year.

In Confectionery our strong revenue momentum has been driven by sustained investment in growth and capabilities over the past four years and this momentum has continued from 2007 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. On the margin front our top line momentum is driving positive leverage, we have numerous initiatives in place to deliver savings from central costs, regional SG&A and the supply chain and we have made good early progress on turning around our three underperforming markets of Russia, Nigeria and China. In addition, although we are continuing to invest behind growth this investment is likely to grow broadly in line with revenues from now on and we are taking a robust approach on pricing to offset the input cost pressures which are impacting our industry. Taken together, we are confident that these actions and initiatives will enable us to deliver meaningful Confectionery margin progression in 2008 and mid-teens margins by 2011.

That completes my review of our results, let me now update you briefly on the demerger process. Firstly, I would like to re-affirm that the two businesses are already being run separately and the benefits of focus are evident. We've announced today that Roger Carr - currently our Deputy Chairman - will be appointed Chairman of Cadbury plc and that Wayne Sanders – who had a distinguished career as Chairman and Chief Executive of Kimberly Clark and who has recent experience of demergers through his role on the board of Belo Inc. will be appointed Chairman of DPSG. Turning to capital structure: throughout the separation process our Board has been focussed on creating capital structures for both businesses which maximise shareowner value. In light of current turbulent conditions in the debt markets, particularly the cost and availability of sub-investment grade debt, it has become clear to our Board 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 of last year and on this basis there will be no capital return to shareowners. This is an unusually complex separation, it's the first UK to US demerger in over 10 years and we are working towards

a completion date during the second quarter, subject to legal and shareowner approvals and debt re-financing.

So, in summary, 2007 was another significant year in the evolution of our company. Both businesses showed the benefits of the actions we've taken since 2003 to strengthen them strategically and operationally. Although the economic outlook is uncertain, we take confidence from the fact that we created strong foundations for two great businesses over the past four years and, importantly, that they operate in economically resilient categories. As we move forward towards demerger we also remain confident that the separation of these two great businesses will create long term value for our share owners. That's all from this side. Ken and I will now be happy to take your questions.

Operator: Thank you sir. The question and answer session will be conducted electronically. If you'd like to ask a question please press the \* or asterisk key followed by digit 1 on your telephone key pad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. We will take questions in the order received and will take as many as time permits. If you find that your question has been answered you may remove yourself from the queue by pressing \* 2. Once again, please press \* 1 to ask a question. We will pause for just a moment to allow everyone to signal for questions. We will take our first question from Jonathan Feeney of Wachovia. Please go ahead.

John San Marco: Yes, hi this actually John San Marco, on behalf of Jonathan Feeney, thank you for taking our questions. Real quick: did acquisition plans play any role in your decision not to return the capital and, if not, would you expect to immediately return capital if the debt markets were to normalise post-separation?

Todd Stitzer: The capital structure that we have in mind gives us adequate headroom to both invest in capex and invest in small bolt-on acquisitions but frankly we are very focused on organic growth

and margin generation, certainly in 2008 and likely into 2009. We said in our press release that it's an initial capital structure. I think Ken can give you a bit more perspective on that.

Ken Hanna: Well clearly it would be – we create a capital structure, we get shareholder approval to implement that capital structure and if debt markets subsequently open up sometime afterwards it would be up to the new Board at DPSG to decide their capital and shareholder return policy but once we've made the commitment and got shareholder approval we're fairly fixed.

John San Marco: Got it, that's helpful and just a quick follow on. I assume you've had at least preliminary discussions with the rating agencies, have they given you any indication and can you give us any indication, what – BBB rating implies in absolute terms or relative terms that that load would be, initially?

Ken Hanna: John, it's really too early. You are right, we've had discussions with the rating agencies and we are in the middle of that so I'd prefer not to comment on this at this time.

John San Marco: Great, that's helpful thank you.

Operator: Thank you. We'll take our next question from Todd Duvick of Bank of America Securities. Please go ahead.

Tom Truxillo: Hi, this is actually Tom Truxillo speaking for Todd. Just a quick question on how the transactions are going to actually get done? I'm assuming that DPSG will issue debt here in the US market and then pay a dividend back to Cadbury plc to pay down the remaining debt, is that how you guys plan on doing this?

Ken Hanna: That is exactly right Tom, yes, that's exactly right.

Tom Truxillo: Okay, and no word on which type of debt plc will hold on its balance sheets? Are they going to pay off all long term debt?

Ken Hanna: Cadbury Schweppes plc will retain the bonds that were issued in its name and will basically be retiring short term commercial paper and bank debt with the receipt of funds raised by DPSG.

Tom Truxillo: Great, thank you very much.

Ken Hanna: Thank you.

Operator: Thank you. Ladies and gentlemen as a reminder, if you'd like to ask a question please press \* 1 on your telephone keypad. We'll take our next question from Alex Smith of Lehman Brothers. Please go ahead.

Alex Smith: Hi there, I was just wondering if you could comment on the magnitude of the price increases you said you took in December, I think across your chocolate business because I think you said at the full year update you were looking to get at least 5% pricing through to be able to cover your incremental costs, is that what you've been able to achieve?

Todd Stitzer: Well that is the level of the price increases we have taken. It's clearly early days, we're in the middle of our Easter selling season so they appear to be sticking, but it's early days.

Alex Smith: And if your cost base still looks to be 5 to 6% up for the year do you feel you now have enough pricing through to cover those costs for the year?

Todd Stitzer: As it stands right now we believe we can cover the 5 to 6% input cost increase that we described to you in December.

Alex Smith: Okay, very helpful thank you.

Operator: Thank you we'll take our next question from Kevin Dreyer of Gabelli & Company. Please go ahead.

Kevin Dreyer: Hi just a couple of housekeeping questions. What's the tax rate you expect for confectionery in 2008 and also what kind of corporate expenses can we expect?

Ken Hanna: Tax rate, Kevin will be in the region of 29% that's the kind of guidance we gave back in June and that holds fine. It terms of corporate expense I presume you mean group or central costs...

Kevin Dreyer: Yes, central.

Ken Hanna: Yes, there's a very clear explanation on our presentation but I'll summarise it. We expect central cost to be just under 2% of confectionery revenue, that's our new definition of central costs. Just under 2%, a 40 basis points – a reduction compared to 2007.

Kevin Dreyer: And also in terms of with the contemplated debt levels for each company, any idea of what the cost of debt will end up being roughly speaking?

Ken Hanna: I would prefer not to speculate at this point in time. Obviously we're fairly certain on Confectionery because it will be a mixture, it will be predominantly the bonds that we have at the moment, but I would prefer not to speculate on the overall package until the DPSG debt is firmed up.

Kevin Dreyer: Thank you.

Operator: Thank you it appears that we have no further questions at this time.

Todd Stitzer: Okay, well if there are no further questions thank you so much for being a part of the call and thanks for your continued interest in Cadbury Schweppes. Take care.

Operator: Thank you that will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect