

**Cadbury
Todd Stitzer
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09h00**

Operator: Good day and welcome to the Cadbury's Interim Management Statement conference call. For your information 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 everyone, thanks for joining us and welcome to our trading update conference call. I am Todd Stitzer (Chief Executive) and I am joined today by our Chief Financial Officer, Ken Hanna. The purpose of today's announcement is to update you on trading and other important developments.

From a trading perspective we have had another good quarter with revenues ahead by 6%. We have continued to make good progress on our Vision into Action cost reduction program and following a review of our structure we are today announcing major changes to our organisational structure to further streamline the management of our business.

The significant additional savings generated by these changes further underpins the delivery of our 2011 mid-teens margin goal.

I would like to make a few brief comments on each of these in turn, starting with our trading performance.

Revenues were 6% ahead in the third quarter bringing our year-to-date growth to 7%. The key

highlights of the quarter were an excellent performance from our business in Britain where revenues were ahead by 11%; and continued double digit growth from our emerging market businesses where nearly all performed strongly.

Each of our categories – chocolate, gum and candy – also performed well supported by our sustained investment in innovation and marketing.

Looking briefly at our regions, Britain, Ireland, Middle East and Africa was up by 11%, within that as already mentioned Britain was up an exceptional 11% driven by a significant recovery in our candy business after the floods in our Sheffield factory last year. A strong innovation program and increased marketing; key product launches included the new range of Cadbury Dairy Milk Bars, Cranberry and Granola and Apricot Crumble and the re-launch of Wispa.

In Europe revenues were up 4% with good performance in gum despite difficult market conditions. The integration of Intergum in Turkey is progressing well with positive market share and revenue trends.

Revenues in the Americas were ahead 7%, reflecting good growth in South America and the US partly offset by a weaker performance in Canada. Our US candy business performed well driven by Swedish fish and Sour Patch Kids, and we are continuing to develop long term plans to grow the market and capture further share in US gum after strong growth in the last 5 years.

In Asia Pacific revenues were 2% up, within that confectionery was ahead by 5%, while beverages revenues fell by 5%. Confectionery growth was particularly strong across our key emerging markets, notably India and South East Asia.

Looking to the year as a whole, the guidance we gave at the half results is unchanged. Overall our revenue performance remains robust despite the weaker economic backdrop. We continue

to experience weak conditions across most of Europe but this is being more than offset by strong growth elsewhere. We are confident that successful price realisation will allow us to recover the average 5 to 6% increase in raw material costs we have experienced during the year despite the phasing impact of higher inflation in the second half. This means that the benefits of our cost cutting program and operational leverage will drive a good improvement in our operating margins and important first year down payment on our 2011 mid-teens margin goal.

Let me now turn to the non-trading topics covered in the statement today. In terms of our VIA cost reduction program we have announced a number of further initiatives which will deliver cost savings starting from 2009. All in all the initiatives we have announced over the last year account for around 60% of our total planned Vision into Action cost savings. New initiatives include reconfiguration of our chocolate supply chain in Australia and New Zealand combined with a major rationalisation of the SKUs sold in that market place.

In our half year results we said that in order to underpin the delivery of our margin goals we would reinforce our focus on costs, pricing, and organisation structure and business portfolio. Accordingly today we are announcing important changes to our management structure which further streamlined the organisation while at the same time importantly strengthening our focus on globally lead categories.

We are removing the regional operating structure, allowing the operating units which are centred around our focus markets to work more closely with the centre and the category leaders. Given our move over the past 18 months to aggregate these smaller units into larger commercially cohesive clusters, we no longer need the regions. Around 250 people including a number of senior managers will be leaving the business as a result and we expect the changes to deliver significant cost savings from 2009. As we said at the half year, the cost of restructuring will be funded from our existing restructuring program.

So in summary, our revenue momentum remains robust, despite the more challenging economic backdrop and we continue to aggressively execute our Vision into Action cost reduction program. In 2008, given the combination of good top line momentum, increased price realisation and cost cutting, we continue to expect a successful outcome for the year in line with the guidance we gave at our half year results in July.

Looking further forward into 2009, while we do not expect to be immune from any further deterioration in the world economy we operate in a resilient category with a strong business model. Not only in relation to the products we sell but also in the way we finance the business with long term and committed facilities. As we said in July we will be facing higher commodity headwinds in 2009, which we currently estimate in the 6 to 8% range and we are seeking to increase our price realisation further in order to recover these higher costs. The organisation changes announced today will not only generate significant cost savings to underpin our margin goals from 2009 onwards but they're also importantly designed to speed up our decision making process and further improve the quality of our commercial execution.

So we are off to a good start with our Vision into Action program. We are well positioned to make further progress and we are confident we can reach our goals. Thanks for your attention and being with us this morning, now Ken and I would be happy to take your questions.

Operator: Thank you sir, the question and answer session will be conducted electronically if you would like to ask a question please press the star or asterisk key followed by the digit 1 on your telephone keypad. 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 we 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's signal for questions. We will take our first question now from Julian Hardwick of RBS. Please go ahead.

Julian Hardwick: Morning, I wondered if you would be able to just to help us with the volume trends in Q3, I think you talked about 1% growth in the first half, is that broadly the picture that is continued or have you seen volume ease a little bit in Q3?

Ken Hanna: Hi Julian it is Ken here, as we normally do we don't really talk about volumes on a quarterly basis but we prefer to do it half year, when there is a more sensible trend, but what I would say is that the trends are broadly similar; a high percentage of our revenue growth is from price but we still expect positive volume for the full year. That is what we are prepared to say today, still expect positive volume for the full year.

Julian Hardwick: Okay and just looking ahead to next year can you just take us through the components of the 6 to 8% cost increase that you are looking at and give us a feel for what sort of scale of pricing you are going to need to do. I mean, I see you have taken, you have announced a price increase in US gum, are there any other areas where you have announced price increases for 2009 yet?

Ken Hanna: I will do commodities and then I will pass over to Todd on pricing. 6 to 8 is a pretty wide range; that is a £14 million gap between the 6 and the 8%, so it is early days. We have got obviously a mix that is dominantly by cocoa, so cocoa, I would say there is three or four big things; cocoa is an increase, we are anticipating an increase for 2009; we are anticipating an increase for gum and, gum related raw materials, all of the various components that go into gum are going up. I think the other thing that is a factor for us is foreign exchange. We buy a lot of raw materials in Euros, and particularly a lot of gum materials for global consumption are bought in Euros and obviously the weakness of the Pound against the strength of the Euro has hit us on foreign exchange. I would say the other elements in the input costs would be energy, even though oil is coming down, we don't see energy coming down dramatically as well. So, early days, we start our detailed budgeting in a few weeks so we have given a wide range. We are

planning, I would hope we are planning for the worst, and pricing accordingly and I'll pass over to Todd.

Todd Stitzer: Yes I think Julian you have heard us comment before that we to some extent missed the boat in 2005 and a little bit in 2006 on pricing and we are determined to make sure that we cover intelligently commodity cost increases with price realisation. So we will, we have announced at the end of September in the US a 8% gum price increase that would be effective in varying degrees across our gum portfolio there. We are determined to make sure that we recover cocoa cost increases across our big chocolate businesses and we are in conversations with our retail partners now about price increases that will be effective later this year and very early in the next year to make sure that we make up for that. So you know I think we would be looking at an overall price realisation and remember that is not just headline price, but it is price, it is promotional frequency and it is reformatting, you know in the range of sort of 6 to 7%.

Julian Hardwick: Okay many thanks.

Operator: Thank you, we will take our next question now from Marco Gulpers of ING. Please go ahead.

Marco Gulpers: Yes good morning, I have got two follow up questions, maybe the first is could you highlight for us what the reason for the sector slow down is in gum in the US, and maybe a little more of colour for that, is that just a quarterly issue or do you foresee the market growth to also slow in the coming quarters?

And the second question I have is your performance in the emerging markets is still very strong, what are you currently seeing your categories that you are operating, is that no witness of any slow down whatsoever?

And the final question is on Australia, you are mentioning that you are going to cut about, substantial or major, in your words, SKUs could you clarify for us as a percentage of sales in the region, how much is this likely going to be? Thank you.

Todd Stitzer: Okay, a lot of questions there Marco, let me see if I can keep track of them. First was America's gum. The American gum business or the US gum business has grown sort of 8 to 10% for the last 7 or 8 years. We think it is a lull in the growth; we are, we personally are cycling a very strong quarter three and quarter four, in our US gum business, we are also cycling a price increase of 10% in April of 2007. We now have announced an 8% price increase. We certainly believe that our competitors and ourselves will have an active marketing and innovation program so I think our view of the gum market, you know, slow down and remember it is still growing 5%, it is a sort of temporary one and that our two strong competitors will continue to grow the market through marketing and innovation.

On emerging markets, our emerging markets portfolio of countries has grown 13%, South Africa grew 22%, Turkey grew 36% and India grew 20%. So we have a broad range of emerging markets, certainly some of them are a little bit slower than others, but on the whole, a 13% across a broad range of emerging markets is, I think, testament to the broad range of geographic position we have and the strong brands we have in those markets.

In Australia, we have cut a significant number of the SKUs at the percentage of regional sales, I don't think I have the answer; as a percentage of Australian SKUs it is around 30%, I think 15% of our SKUs in Australia derives 74% of our volume right? So I think, you know, confectionery portfolios in order to add variety are generally broad, and we are trying to, as we have done in a number of markets, make our Australian portfolio as efficient as we have made other markets. I would say Australia is a little behind the UK and sort of coming to that sort of better growth model and you are just seeing the roll-on effect of our focus on making each of our chocolate markets as productive as we possibly can from an operating perspective.

Marco Gulpers: Would this still fit in your around 1% reduction on sales from SKUs going forward?

Ken Hanna: I think there is only 1%, partially the 1% is a reduction related to withdrawing from non-core products as well. We don't see necessarily this 30% reduction in SKUs do imply a huge impact on revenue. It's, I will give you an example, it's for example, and harmonising recipes between Australia and New Zealand, the same product may be slightly different packaging, so we are just harmonising what the products look like. We don't expect a huge impact on revenue, so it is a minor impact on the 1% but not major.

Marco Gulpers: Alright thank you.

Operator: Thank you we will take our next question now from Warren Ackerman of Dresdner Kleinwort. Please go ahead.

Warren Ackerman: Good morning Ken, good morning Todd it is Warren Ackerman here at Dresdner. Morning. Canada, would you mind giving us a bit more colour in terms of the trends in Canada, I appreciate you don't give a you know, quarterly revenue number but clearly there has been a sort of slowdown in that market. Secondly on your comments about currency, I think you were saying in a statement, revenue is up 7% but underlying EBIT up 12%. Can you remind me what you were previously saying on the currency, I think you were saying 7% on revenues and 7% on EBIT and if that is right, what has changed, what particular currency has changed that assumption and then finally on the, some of the underperforming markets you have talked about historically you know markets like Russia, China, you know clearly there has been a improvement in profitability, can you talk about sort of, you know the latest trends in those markets, thanks?

Todd Stitzer: I will take Canada, Ken will have Currency and we will both comment on underperforming markets. As it relates to Canada, first I think you well know Canada is one of those markets in

the developed world where there are four strong competitors, so you have got Mars, Nestle, Hershey and Cadbury duking it out. It is a developed market where you know the developed market, some of the developed market trends, we have a big chocolate business there and you have got fewer consumer trips to convenience stores and gas stations, so the whole market is slow and we are you know, we are working our way through it. I don't think there is any structural problem; we have done a lot of good work over the last couple of years to sell our underperforming businesses in Canada, refocus on the portfolio. I just think it is one of those developed markets where you have got heavy competition and a bit of a slowdown.

Warren Ackerman: Would sales actually be down slightly Todd, in the quarter in Canada?

Todd Stitzer: They are slightly down for the quarter, Ken do you want to ...?

Ken Hanna: Yes, on currency, the three big currencies for us are US Dollar, Aussie Dollar and Euro and obviously the weakening of the Pound versus these currencies coupled with a mix of earnings has just increased it for an obviously clearly, what we, the way we look at this is, it is the average for the year so we have taken the nine months to September and factored in an estimate for the last quarter. Obviously that estimate is subject to a lot of volatility in the current market and we will update people again in December, but clearly there is, there seems to be a better than expected currency benefit for, quite frankly the first time in a number of years.

Warren Ackerman: I was just wondering why the revenue impact remains the same as what you have previously been saying it is 7% but the underlying EBIT number seems to have been more beneficial, I guess, it is a mix of possibilities within the different regions but...

Ken Hanna: It is the Dollar, our high margin US business and the Dollar denominated market obviously have powerful quarter fours and that is, it is just mixed, that is all it is.

Todd Stitzer: Okay the underperforming markets. I will start with the good news, Nigeria was probably up revenue double digits, Russia was positive in the, for the mid single digits and China was down a bit given that we were subjected to the recall in the very sort of last couple of weeks of the quarter which had an impact. I think we hope to make a little money in Nigeria this year, a little more in Russia and still lose a bit in China, that would, I think you will see continued positive financial progress on the underperforming markets as a whole, but we have got the fourth quarter to go so that is kind of where we are.

Ken Hanna: We did say at the half year the three markets combined lost ten million in 2007; did say at the half year that we expected them to break even and were broadly to track. There is a small uninsured deductible that we will have to charge in China and the majority of and in any product recall issues are covered by insurance. But it might not get to break even but it won't be far away.

Warren Ackerman: Okay very helpful thanks.

Operator: Thank you we will take our next question now from Polly Barclay of Cazenove. Please go ahead.

Polly Barclay: Good morning.

Todd Stitzer: Hi Polly.

Ken Hanna: Polly can you just get a bit closer to the phone if you could.

Polly Barclay: Hi is that better? Hi, could you possibly just quantify the savings from the new Vision into Action restructuring plans you have announced today or perhaps put another way, we have

obviously got consensus margin progression in 2009 of 100 basis points. Are you seeing these new announcements actually accelerate the phasing of the margin improvement or are broadly happy with where the phasing consensus is currently? Thanks.

Ken Hanna: Polly, we, the words that we have used in July and to date is 'underpin' so I wouldn't add the new 250 head count reduction today to 2009, is to underpin against generally tougher economic environments. As we attempted not to do we prefer not to quantify details, nitty-gritty saving programs, but I think what we are prepared to say, it is 250 middle to senior managers, spread around the globe and you know most people kind of arrive at a broad estimate of that, so we are not really getting into detailed savings by program.

Polly Barclay: Okay thanks.

Operator: Thank you we will take our next question now from Martin Dolan of Execution. Please go ahead.

Martin Dolan: Yes good morning guys. Yes just if I can a bit more focus on the outlook you have given for cocoa and can you kind of give us an indication of how much of the 6 to 8% would be cocoa driven and also, I mean a layman's view of the cocoa chart which seems to imply that you have rolled over contracts in the middle of this year at quite high rates, why would that be wrong?

Ken Hanna: You mean this, you mean 2008?

Martin Dolan: Yes, it looks like, for that kind of guidance you must have rolled over contracts for 2009 in somewhere at the higher prices rather than where we are right now.

Ken Hanna: No, that would not be right; we have not rolled over any, or taken out contracts at the

summer's peak. Let me just give you, we prefer not to get into nitty-gritty details on cocoa because it is a highly commercial and sensitive issue but let me just give you a little bit of a framework.

In 2007, cocoa averaged around about £1,000 per ton, 2007. That is the spot rate. 2008 it has been above £1,300 to £1,400 per ton for all year, for the whole year. You look at your records, now that is a 40% increase from 2007 to 2008, we have not changed our guidance on input cost pressures since October of 2007. The market peaked in the summer at £1,750 and is now around about £1,400 to £1,500. So looking at a two year view from today back to 2007, it is still up 40 odd %. But it doesn't mean we have taken, cocoa, the spot rate of cocoa and the forward rate of cocoa has been above £1,300 per ton for 8 to 9 months. So we are looking at the harvest, we are looking at 2009 and we are planning for cocoa prices to be high like I presume most commentators are. What I would say is that, I don't want to go into too much detail but cocoa is around about half of our cost increase guidance.

Martin Dolan: Good, thank you.

Operator: Thank you we will take our next question now from Martin Deboo of Investec. Please go ahead.

Martin Deboo: Gentlemen thanks, I had the same question as Martin on cocoa, so let me move on, can you just quantify for me roughly what you think the impact of the reversal of Sheffield has been on the UK top line growth rate. And in terms of the re-org, can you confirm who is going to be heading the seven new units?

Ken Hanna: I will take the first one Martin. Sheffield flattened the third quarter B&I numbers by about 3 or 4% we think.

Martin Deboo: Okay thanks for that.

Todd Stitzer: And the leaders of the business units will be the leaders of the business units, say two people, and each of those people have actually run the principle unit that is a part of the new business unit, so there is a great degree of continuity and performance sort of history behind the people who will lead the BUs. I just prefer not to get into the individual names ultimately I am sure you will find them all out but you know, given the recent nature of the information we would like to just stay focused on the sort of overall quality and consistency of that BU leadership.

Martin Deboo: okay thanks for that Todd but a very quick follow up on Martin's question on cocoa, you just said you think cocoa is around half of your profit guidance, i.e. 3 to 4%, so you are saying this is non-cocoa cost guidance is effectively 0 or, I just want to make sure I understand that.

Ken Hanna: Another 3 to 4%, it is half of the 6 to 8%.

Martin Deboo: Half of the 6 to 7 I see okay. Thanks for that gentlemen thanks.

Operator: Thank you we will take our next question now from Sarah Wilfred of Merrill Lynch.
Please go ahead.

Sarah Wilfred: Hello, morning gentlemen, a couple of questions. First of all on the volumes, I appreciate that you don't want to give an exact number but perhaps if you can help us with the trends you'd, I think you have seen a slight slowdown in volume between Q1 and Q2 from what you had indicated, can you tell us if that has continued into Q3 or whether you have seen a stabilisation to the broad levels you saw in Q2? Secondly, could you give us some colour on the slowdown that you mentioned in France , Spain and Northern Europe and then finally in terms of the interest rate you have reiterated your guidance for 2008, are you prepared to make any comments on 2009?
Thanks.

Ken Hanna: Volume Sarah, again we don't go into quarterly but quarterly volumes are very, they are a snapshot and they are distorted by Christmas deliveries, new product launches etcetera, I would say, what we are prepared to say is that the trends are broadly similar and we expect the full year to be in positive territory, broadly similar to the half year.

Sarah Wilfred: Okay thanks.

Todd Stitzer: As it related to Europe, in the sort of major developed markets of Europe, meaning France, Spain etcetera, we are seeing consumers stay closer to home to preserve petrol to visit their local markets or there is this very, you know, the hard discounters as opposed to the big retailers, the big retailers have responded by attempting to have a line that mirrors the hard discounters. So we are seeing people be very conservative, very careful with what they spend; much of our product in France and Spain is sold in the impulse isles of big retails and as the big retailers attract more people we think our impulse sales will increase in the checkout. So it you know, it is, I think as you will have read from about, from almost every consumer products company in the Europe markets, the consumer is being very careful and that has a knock-on effect on our business.

Ken Hanna: As regards interest, as we said in the statement this morning, around two thirds of our interest is fixed and will be fixed for most of 2009. The other third is a bit of a guess and I would rather not have a bit of a guess on interest at this point in time. We will know nearer the year end how the world is settling down, but clearly it is going to be at least, I would say it is at least a 6.5% which is the guidance for the second half.

Sarah Wilfred: Okay thank you.

Operator: Thank you we will take our next question now from Jon Cox of Kepler. Please go ahead.

Jon Cox: Okay sorry, just on the deliveries for Christmas you were taking about I was just wondering if you could give us some ideas of the trends you are seeing there, particularly in some of the more developed markets, you just touched briefly on say Spain and France; I am just wondering, have you seen a slowdown in delivery, I know it is mainly different markets but, for the trade at Christmas. Also in the UK what is going on there, does everything look pretty normal for Christmas or are you seeing that retailers are maybe holding back on some of the orders to the Christmas business? And you mentioned obviously the discounters, are you seeing any inroads from say private label into parts of the business. That is my first question.

The second question on this re-tooling of the Australian business; I guess that would enable getting rid of basically the drinks business down there, one of you could comment on that.

The third question, just on China, I understand that you can't actually, I am not sure on the production, I know you have production there, but I understand that you can't actually export any chocolate out of China at the moment and I am just wondering what sort of impact that has if any on your business. You touched briefly on the fact that you maybe have insurance in China, I am just wondering if you could just give us a bit of a view of what is going on in that market in the, after the melamine scandal. Thanks.

Todd Stitzer: Okay see if I can cover these and if I miss any Ken will pick me up. Delivery of Christmas products; our Christmas products are selling beautifully into the trade into the UK, no one is refusing any product and indeed our tin business, our Roses tins are selling like hot cakes and we are struggling to keep up with production. In the context of that we have sold 47 million Wispa bars into the trade in the UK which is almost 1 Wispa bar for every human in the country and Sainsbury's sold about a million the first week they went on sale so they are not only going into the retailer but they are going out of the retailer. Private label in the UK is actually down; private label chocolate sales are down in the UK which is an interesting comment on everyone's concern about down-trading but at least in the UK market it is down.

We are not seeing huge private label growth in other chocolate markets but remember the UK and Europe, the UK is our biggest chocolate market along with Ireland, so from our perspective those are going well.

Retooling in Australia is a part of our confectionery program; it doesn't really affect our judgment about the beverages business and when we make our strategic determination about beverages we will certainly let the market know what that is. We don't make chocolate in China for export other than some chocolate candy called éclairs. We now can make the éclairs because the dairies have been certified as clean and we are getting back into that process.

Ken Hanna: Let me quantify that. The exports from China for éclairs are under £1 million annually of revenue. So it is completely immaterial and on, we are covered by insurance for both the cost of the recall and potential loss of profits. Clearly it is a negotiation and we are going through that now, there is a few million Pounds deductible, but that is normal, so you now, we stand by what we said right at the beginning the impact on our results for the China recall for this year should be fairly immaterial.

Jon Cox: Okay I am wondering, I just have a couple of follow up questions just on the drinks in Australia. I understood that, you know, part of the problem of doing a disposal in the past was the fact that the whole supply chain was so integrated it was very hard to actually unbundle the drinks business down under. I am just wondering, once you have gone through this process, I know you are talking about the confectionery, will it in theory enable a cleaner disposal of the drinks business, that is my first question.

Second question just on consensus for this year, obviously you have come out now with the first nine months, you are up 7% local currency. You are talking about sterling adding 7%, so assuming we have similar growth in Q4 then, you know we are looking at something around 14

points. Consensus I see for this year top line is around 11%, would you agree with my assumption that consensus is probably looking a little bit light particularly in regards to the top line and then on the third question, you mentioned you know various initiatives going on. And I am just wondering if you could, I could just push you to just to tell us who your outsourcing partners are there in that, in Australia and New Zealand and also with this global outsourcing, is it you know the usual suspects like the Cargill's and the Barry Callebaut's or is there somebody else that I am maybe missing there. Thank you.

Ken Hanna: Let me take the, the supply chain in Australia, confectionery and beverages are not, never really been massively integrated, they are two different businesses. The business was integrated, we had the same sales force, the same back office, the same logistics, but not actually you know the manufacturer. We are, as we announced in July, we are going through a process of a strategic review. What are the implications for shareholder value of keeping and developing versus, obviously exiting? We have not finished that study yet and we will update the market when we do so. But we have separated the sales force and we have always had in mind this confectionery reconfiguration cost reduction project that we announced today. So that has always been on our minds.

Let me take the second one on consensus. I prefer to talk consensus at constant currency because everyone has their own view as to what the currency may be and therefore let me just concentrate on the 7% for the first nine months. We have kept guidance around the top of our goal range; we still have the critical fourth quarter to do. Around the top doesn't mean absolutely no higher and for some people are slightly above 6% and some people slightly below. So I think we have, if we are just being sensible with the fourth quarter to go and we are not saying anything else other than that. As regards to outsourcing we did announce in June of 2007 our outsourcing partner for chocolate was Barry Callebaut and we announced a global contract back in June 2007, we have also announced that several other outsourcing projects in terms of the back office. We announced a financing outsourcing with Genpact and we announced and IT outsourcing with

Hewlett Packard. That is the partners that we have, all been publicly announced before.

Jon Cox: Sorry, I will continue to keep biting at the cherry if I can, just so with regards to the factories in Australia will you actually be giving them over to Barry Callebaut?

Ken Hanna: No absolutely not; this is not, absolutely not. Barry Callebaut tops us up for certain products around the world and in fact I don't believe they are involved in Australia, it is mainly Europe.

Todd Stitzer: Yes the facilities outsourcing refers to maintenance of facilities and similar type functions not actually owning the assets.

Jon Cox: Okay great thank you.

Operator: Thank you our next question now comes from Xavier Croquez from Exane BNP Paribas. Please go ahead.

Xavier Croquez: Good morning gentlemen. Three little questions; the first one is regarding pricing in the US in the fourth quarter has it flattened growth in Q3 just as Sheffield did? The second one is I am trying to understand the Forex impact on your guidance regarding commodity costs. The Sterling didn't help as well in 2008 versus 2007 in that respect, is Forex more impacting 2009 versus 2008 just because of lag time or is there anything I am missing here? And thirdly, in terms of market share, if you have made several comments here and there, but the overall picture that I keep in mind now at this point in the call is that market share broadly speaking has remained flat. That is particularly true for the US; could you comment a little bit on US, UK and perhaps continental Europe if you want and Brazil? Many thanks.

Ken Hanna: I am going to take the pricing. We have made it very clear that retailers cannot buy in.

We have restricted the buy-in of products ahead of price increases in both the US and the UK and quite frankly that is relatively easy to do in the current economic and financial environment. So we don't believe third quarter has been flattened by a buy in ahead of the US pricing.

Let me take the second one as well which is the, Xavier it is a purely a lag issue when we negotiate contracts. We think that we are pretty clear that the 2009 contract will reflect the latest reality that in the, I mean a year ago, the Pound to Euro was 1.42, it is now 1.26/1.27. So the new contracts for 2009 will reflect that new reality in respect the Forex cost.

Todd Stitzer: Let me focus on share and see if I can come up with the things that you listed. In the UK our total confectionery share is up 300 basis points for the last four weeks, 200 basis points for the last 12 weeks and minus 10 basis points for the last 52 weeks. So we are steadily moving our share in the UK off the back of innovation and focus. That follows in chocolate significantly candy is up very significantly because of the Sheffield flood last year and gum is off a bit in the UK. In the US our overall confectionery share would be up a bit, our gum, because we are doing double digits in Sour Patch and Swedish Fish and mid single in Halls. Our gum share US is off just a bit, so all in all. In France our gum share is up 70 basis points our candy share is up 190 basis points, in Spain our gum share is up 20 and our candy share is up 10. Most of Europe our gum shares are up significantly. In general our gum share is down about 200 basis points but our Trident share in Brazil is up 400 basis points and we are focusing our higher margin faster growing brand. Is that helpful?

Xavier Croquez:Very, thanks.

Operator: Thank you our next question now comes from Jeff Stent of Citigroup. Please go ahead.

Jeff Stent: Good morning just one point of clarification if I may, did Todd say earlier that certain aggregates that you were looking for 6 to 7% price increases?

Ken Hanna: Yes that is what the chief executives looking for, at least that and clearly the price realisation it is very difficult to, that will be the headline prices, there will be obviously promotions that will reduce that so, what I wouldn't do is assume, you know, add some volume to that and that is 2009 outlook. We are not going there yet. Clearly we are setting the organisation targets to go for that and we are in the middle of negotiations at the moment.

Jeff Stent: The reason I ask about that Ken as you have quantified the 6 to 8% increase on raw materials and packaging which by my sort of back of an envelope maths equates to around about a 2% price increase, so I guess by difference you are sort of suggesting that your overheads base must be up in the sort of broadly 6 to 8 range as well, assuming you are sticking true to the model of recovering pressures through price and letting the savings flow through to the margin. Is there anything on that I am missing; it is just that level of inflation seems quite high for overheads?

Ken Hanna: It does, we will not let our overheads go up 6 to 8% I can assure you. Obviously we have got inflation on our salary bill, we are planning further increases in innovation and marketing but what we have told you here is the price, headline price that we are negotiating with our customers, what we will get at the end of the day. A year ago I think our expectation was higher, our headline ask was higher than we would actually get so we are planning for aggressive price increases to cover our costs. I wouldn't assume our overheads have gone up 5 to 6%. Jeff our algorithm is the same; let me just repeat that for you, commodity costs and inflation covered by price increases and margin progression driven by restructuring and operational leverage.

Jeff Stent: It is just that, I am in a situation where I want to fit that all together, either you are going to peel bit a lot of that headline price or there is going to be significant offside on margins because effectively you have overpriced because you have just said you wouldn't let overheads go up that much.

Ken Hanna: Well if you were listening earlier I didn't encourage Polly Barclay to increase her consensus for 2009.

Jeff Stent: Yes I am not trying to increase Ken; I am just trying to sort of piece these bits together. Maybe I will pick up with you later.

Ken Hanna: Pick up with us later it is not as easy as it seems to, you shouldn't assume a headline price is paid by absolutely every customer.

Jeff Stent: Okay I will chat later. Thank you.

Operator: Thank you we will take our next question now from Alex Smith of Nomura. Please go ahead.

Alex Smith: Hi there good morning, I just had a follow up question on the one earlier about guidance or consensus. I mean effectively your guidance for full year sales, it does imply quite a meaningful slowdown in growth in the fourth quarter against a significant easier comp. So I was just wondering, is this really just prudence given the macro uncertainties or are there other factors which we need to be aware of. I mean in particular you are talking about volumes being positive for the full year you have got fourth quarter gum prices coming through in the US, I am just trying to figure out how all this adds up.

Ken Hanna: Okay just, our fourth quarter last year was 8%. So it still was a strong, admittedly it is less than our 10% we just had on quarter three last year but it is still, we are still cycling an 8%. I would say, you should read into the statement a sense of sensible prudence in view of challenging economic conditions.

Alex Smith: Okay thanks, are you able to comment on the growth trend you have seen through the quarter so far, I mean August, September, is that, notably weaker than July for example?

Ken Hanna: I think in keeping with lots of other retailers, sorry lots of other consumer goods companies and retailers, August was a weak month for everyone. That is all I have said, it just felt like the consumers were weak in August, but September and July were fine.

Alex Smith: Okay thanks.

Operator: Thank you we will take our next question now from John Parker of Deutsche Bank Securities. Please go ahead.

John Parker: Yes, good morning, a couple of questions, can you...you say you are happy with the consensus on margins for this year, could you just say what your perception of the consensus expectation for margin expansion is this year? And second question, I think you were saying at the half year that you expected advertising and promotional costs as a percentage of turnover to go up modestly in the second half. I guess I can assume there is no reason to expect the reality to be different from that, otherwise you would probably have said so at his point.

Ken Hanna: Okay I will take this Todd. The margin consensus is around 120 basis points, around at constant currency; clearly obviously because there is an actual currency benefit on top of that. Just a reminder I reckon for most of you know this, ten basis points is only £5 million so it is a fairly tight range so 120 basis points. And you are right John we have not changed the guidance on marketing, we still expect marketing increase as a percentage of sales to be there for the full year.

John Parker: Yes. Okay thank you very much.

Operator: Thank you we will take our next question now from Stephanie Foster of Alliance
Bernstein. Please go ahead.

Stephanie Foster: Good Morning gentlemen and just three questions please all related to CP and
liquidity. Firstly how are you finding the CP market, we have seen reports in the press that is sort
of getting a lot tighter, more expensive etcetera, so some comments on that would be
appreciated. Second, is it right to say you are pretty much at your peak for CP borrowing now
running up to Christmas and then finally, if in the worst case scenario the CP market was to close
down, say tomorrow, do you have sufficient back up lines to cover that?

Ken Hanna: Okay let me take that Stephanie, CP market has been opened and closed for the last few
weeks, it was open for a bit last week, it has been closed, It was closed yesterday, we are waiting
to see if it is open today. We have a little bit of CP and a little bit of revolver facility. We always
have adopted a prudent view that whatever we needed on the CP market we had a backstop
revolver facility that is currently turned out to 2010, just in case the CP market ever closed. We
don't if the CP market closed tomorrow, we do not have a problem, in fact, and some of you may
have read in the FT, last week that we drew down a little bit of our revolver because the CP
market was closed. So we have got plenty of liquidity to back up a) our needs and b) if the CP
market was ever to close again

Stephanie Foster: Fantastic, I mean just to confirm, the 2010 facility is a billion and then also have a
full 50 million 364 day facility as well?

Ken Hanna: No we don't that expired on the demerger.

Stephanie Foster: That is expired okay so it is just the one billion. Fantastic thank you very much.

Operator: Thank you we will take our next question now from Charles Pick of Finncap please go

ahead.

Charles Pick: Good morning gentlemen, I have two questions please. In Asia Pacific, you have sales growth of over 8% in the first half slowing to 2% in Q3 and the various factors that are given in the statement to explain that, can you put a little elaboration on those please and would the underlying rate of sales growth would have been similar to H1 but for those factors? And why in particular has the Australian beverage business slowed down in Q3 please and the other question is the move to the business unit structure doesn't seem to have been part of the original Vision in Action program, why was that the case given the significant cost saving that have been eluded to today? Thanks.

Todd Stitzer: Okay I will take a crack at those. Q3 in AsiaPac, would the run rate have done the same but for the Australian circumstances. The answer is yes. The Australian beverages business is approaching its big summer season given the sort of, being on the other half of the world and it is a very competitive market with, again, referring back to some of the comments I made about Canada, it is a developed market and it has had its own you know, impact on the slow down. We were not immune to that although our confectionery business there did a bit better. We have been in both businesses reducing our promotional frequency and trying to get pricing in line, and so I think that is what is going on in Australia. Let's see, why not. I mean organisation is always an evolutionary concept in business, we went into the VIA with the regional structure and imagined that its productivity would wane over time. A number of the things that you have seen us announce over the past year and a half were always imagined in the plan but not disclosed at that particular time because it wasn't appropriate to do so. So, I think the, literally making the business units more transparent, taking a layer away and linking them up to the centre at this point in our organisation evolution is the right thing to do and it is obviously efficient as well as effective in terms of making the business work.

Charles Pick: Right, thank you very much indeed.

Operator: Thank you we will take our next question now from Pablo Zuanic of JPMorgan. Please go ahead.

Pablo Zuanic: Good morning everyone, a couple of questions, first on the pricing front. Has Wrigley followed the price increase from September and did I understand right when you said that you are giving guidance of 6 to 7% price increase for 2009 at gross before you. If you could clarify those two points and then I have a follow up please.

Todd Stitzer: Okay well I will answer the first one and Ken can answer the second one. On the first one, you will recall that Wrigley took large price increases when it introduced its new product called "5" a little less than a year ago, so they haven't followed yet to our knowledge and you know we make our pricing decisions separately from our competitors as you might imagine. You know we did this because we felt it was right for our business.

Ken Hanna: And Pablo, on the, as we said earlier, Todd and I and the team have challenged the markets to try and get 6 to 7% headline price increases, but these obviously vary between, there is a huge variation between geographies and between outlets for example. We might get less away in grocery and more away in impulse in some markets. We might get less away on chocolate and more away on gum. Do not take the 6 to 7% as a price realisation estimate for 2009; we will get more update in due course when we have completed negotiations with our major customers.

Pablo Zuanic: Thanks and related to that and maybe this is a more you know longer term questions, when we think of your 500 basis points profit margin you know guidance through 2011, roughly 500 basis points. How would you compare that when you are looking at chocolate versus gum? I mean I know you don't provide the margins for products but obviously your gum margins are higher. The Americas division has margins in the high teens and the rest of the divisions are high

single digits. So how should we think about that, is there first a, the heavy lifting, is that going to be done mostly by chocolate or by gum or both the same and at the regional level you know, which are the regions that we want to drive the heavy lifting; is it BIMA mostly, Asia more about growth, minimal margin expansion, and America is already so high that can't go up more. How should we think about that when we look at your margin guidance?

Ken Hanna: Okay Pablo, the heavy lifting as you call it, this is a good expression, has to be paid for more by chocolate than gum as you can see. Gum is, if the US margins, sorry the Americas margins are a proxy for what a good gum department looks like clearly there is a lot of chocolate reconfiguration. We announced the UK chocolate reconfiguration a year ago and we have just announced Australians so, two big chocolate markets have got very big reconfiguration projects. To chocolate has got, and therefore in terms of the margin challenge, B&I and Europe have, they have got more heavy lifting to do than the other regions, but chocolate, Europe B&I which is something we, and obviously NZ as well. That we have talked about for a while.

Pablo Zuanic: And just a couple of more questions if I may. In other quarters you have given, you have given the breakdown for growth within the different products, can you give that for this quarter, gum candy and chocolate and related to that, in the past, gum has been growing faster than the rest of the portfolio, gum seems to be slowing down. Is that going to create mixed issues as we go forward, given that gum, it is a higher margin product?

Ken Hanna: Pablo, we don't give growth by categories on a quarterly basis, we just don't. On your perception of gum slowing down, is all I would respectively say is probably only related to the US market. Gum in the rest of our market, particularly our emerging markets is still growing well but I will say is that in the third quarter and year-to-date, gum is still growing faster than the other two categories.

Pablo Zuanic: Okay and one last one. In terms of emerging market growth you know 13% obviously

great numbers and you gave numbers for South East Asia and South Africa, what is driving that?
I mean, suddenly innovation improvement in distribution, can't you just give a big picture
comment in terms of what is actually driving that, it is a very solid number, in those markets?

Ken Hanna: Well it is being driven by innovation and execution in the market place, I mean using an
already strong route to market and a greater focus on sales and marketing innovation to drive the
business. In India for example, chocolate sales grow, are growing 30% and we have a 70%
share of the market and an increasingly strong route to market as we focus on you know getting
our products everywhere in that market.

Pablo Zuanic: Okay that is good, thank then.

Operator: Thank you. As we have no further questions, I would like to turn the call back over to you
sir, any additional or closing remarks?

Todd Stitzer: Well, thanks everybody for a robust question and answer session, just to close by
saying, we have a business that participates in a resilient category and has a very strong
business platform. We like every other consumer products company are watching carefully the
external economic environment and taking actions accordingly internally so that we can try to
navigate through those challenging time. We appreciate your interests in the business and look
forward to seeing you in person in the not too distant future, thanks for your time.

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