

[Ad montage plays]

Good morning ladies and gentlemen, and thanks for the opportunity to share our Cadbury story.

Hopefully, that video montage gives you a taste of the category we operate in. Confectionery is a robust sector, and it's growing. Cadbury has a total confectionery model with chocolate, gum and candy. And we also have a very broad geographic spread with particular strength in emerging markets.

In June last year, we launched our Vision Into Action strategic plan for the stand-alone Cadbury confectionery business. Today, I want to explain why we believe confectionery is a robust category and why Cadbury has an outstanding business platform with significant underexploited potential. And I want to show you that we are committed to deliver on that potential using the Vision Into Action plan.

Firstly then, why do I say that confectionery is a robust category? Well, it's growing, it's highly profitable and performs reasonably well in tough economic times. For instance, the category has grown consistently at a healthy mid-single digit rate. That splits into 3% for developed markets and around 10% for emerging markets.

Own-label penetration is low in confectionery relative to the grocery market as a whole, reflecting the strength of brand equities and the nature of confectionery as an impulse purchase.

It's also sold across a whole range of outlets like big supermarkets, small mom and pop stores, cinemas, canteens, theme parks and kiosks in street markets. You can see that even in developed markets, small outlets – what we call the impulse trade - account for a significant proportion of confectionery sales.

In developed markets, the share of own label in confectionery is quite low. However own-label penetration is even lower in emerging markets. You would expect this given the unconsolidated nature of the trade.

If you look back through history, you'll also see that confectionery growth has been relatively unaffected by changes in GDP. So, it's a highly resilient category.

And it's not surprising why that is. When you think about it, at Cadbury, we sell "small moments of pleasure" - affordable treats. And everybody likes "small moments of pleasure" - whatever's going on in the world.

If you look at this chart showing confectionery 'value growth' in the UK set against changes in GDP over the past 40 years, you can see confectionery has grown through the recessions of the 70s, 80s and 90s. The mix between volume and price does vary from year to year. But, value has grown pretty consistently.

And that trend isn't just confined to the UK and other developed markets. Emerging markets have also been resilient.

In emerging markets, a significant proportion of confectionery by value is sold to middle and higher income consumers.

In Brazil for instance, the wealthiest 20% of the population account for around 70% of all GDP. These consumers have an average GDP per capita of \$7,000 and account for an estimated 50% of confectionery spend.

We are the market leader in Brazil through our 75% share in gum, and have built our leadership by adapting and thriving through the ups and downs of the economic cycle. Our new product activity in recent years has been more focused on the high value end of the market.

Trident Splash and Trident Bottles, which were launched in Brazil last year, have been highly successful and now have a 9% share of the gum market. That consumption picture at the high value end is not dissimilar in a lot of our other emerging markets.

Where we do sell to lower income consumers, we tailor our products to specific price points.

Mexico is a good example. In Mexico, we have a gum share of around 80%. Per capita gum consumption is nearly two times higher than the emerging market average. That's because we've been able to target a broader range of consumers by launching smaller formats of our core brands.

Our local brands, such as the four-piece Clorets shown here, at half a peso are primarily designed to meet the requirements of lower income consumers.

On our Trident brand we have a multiple-price-point strategy. The brand includes a 3 peso Trident slab and a 3.5 peso Trident Xtra Care pack. Xtra Care primarily drives value on the premium side, but we have also introduced a 1 peso two-piece Trident XtraCare pack, making this functionality more accessible to lower income consumers.

While we don't expect to be immune from the global economic slowdown, we do expect our businesses in both developed and emerging markets to be relatively resilient. What gives me confidence is that so far this year, our overall growth was slightly ahead of our four year average.

So, we operate in an attractive, robust category. And, as well as that, we have a strong and differentiated platform. In the last four years we have grown our revenues faster than the confectionery market as a whole.

Our four year average of 6.2% compares to 5.1% for the market, with our share growing in each of the last four years from 9.2% in 2003 to 10.4% in 2007.

We attribute that success to the strength of our confectionery platform, a platform which was transformed by our highly successful acquisition and integration of Adams in 2003. The Adams acquisition gave us significantly greater exposure to faster growing categories such as gum.

Today, gum accounts for around one third of our revenues compared to 14% for the market as a whole. We also increased our exposure to faster growing emerging markets which now account for around one third of all our sales.

It also gave us scale presence in all categories, so that today we have an outstanding portfolio of strong local and regional brands in chocolate, gum and candy and an unrivalled route to market.

Let me explain more about our scale presence.

Our business built around a total confectionery model, gives us global scale across all three categories - chocolate, gum and candy.

We now hold over 20 number one or number two positions in the world's top 50 confectionery markets. This allows us to offer true category solutions to our retail

partners. And, that's strategically important in a world of consolidating retailers. As you may have noticed, it's the model that others are beginning to copy.

But that scale, that depth and breadth of our market positions, continues to give us an advantage in many of our markets.

That's especially true in emerging countries, where we have a leading 10.6% share with strong leadership positions across the whole of Latin and South America, Africa and India.

As well as scale, our second distinctive advantage is our portfolio of strong regional and local brands some of which you can see on this slide. This means we can tailor our offer to local consumers' tastes under brand names that not only they, but their parents, their grand-parents and sometimes their great-grandparents grew up with.

Just to give you some idea what I'm talking about - Cadbury Dairy Milk has been around since 1905, Flake since 1920 and my favourite brand, Maynards since 1909.

Our three biggest brands: Cadbury Dairy Milk, Trident, and Halls are also among the largest brands globally in their category. And, they're still growing strongly.

Trident, the world's largest gum brand, and the third largest confectionery brand globally, has doubled its sales value since we acquired the brand in 2003. In the first half of this year, Trident grew by another 12%.

Halls is the largest candy brand globally. It's a brand which is sold as a cough candy in the northern hemisphere and as a refreshment candy in the southern hemisphere. Halls grew around 7% last year and a remarkable 13% in the first half of this year.

And, our flagship chocolate brand, Cadbury Dairy Milk - over 100 years old - the third largest chocolate brand globally with retail sales of nearly \$2 billion. CDM revenues grew by 5% in 2007 and by a further 9% in the first half.

As you can see, there are other key regional and local Cadbury brands that are also growing strongly.

As well as scale and strength of brands, our third distinctive advantage is the strength of our route to market. We've invested millions in strengthening our route to market in recent years.

Nowhere is that strength more evident than in emerging markets where our products are sold through hundreds of thousands of small outlets, sometimes far away from any conventional transportation. Here you see just a few ways our products actually go to market

In Mexico, nearly 80% of the business is done in the traditional trade, or the "up and down the street" market as those of us who grew up in the US would say. In 2006 and 2007, we increased our resources focused on the traditional channel in Mexico by around 20%.

Our unique model, of direct and wholesaler coverage, drives distribution levels of around 90% on our core brands across this critical universe. Our door-to-door salesmen in customised vans making in total around 40,000 calls per day.

We call directly on nearly 350,000 small stores, and in these stores, we have an 80% hit rate on placing a Cadbury dedicated display fixture. We are a clear leader in impulse merchandising. These sorts of distribution networks take years to build and are difficult and expensive to replicate.

Having told you why we believe confectionery is a great market to be in, and how the strength of our business platform has enabled us to grow faster than the market in each of the last four years, let me tell you more about our Vision into Action plan and the progress we're making.

Vision into Action aims to unlock what we still see as significant revenue and margin opportunity in our business - unlocking those opportunities by driving for greater scale and simplicity.

Given the way the business has developed, Cadbury is more complex than it needs to be. The way we're organised, our factory footprint and the number of different product formats we produce. Given that complexity, our plan aims to do fewer things, and do them faster, do them bigger and do them better.

Fewer things like fewer brands, fewer pack sizes. Bigger and better innovation projects. Fewer organisational layers and fewer managers. Fewer and bigger factories. You get the picture!

Over the four year period to 2011, our plan calls for a significant reduction in headcount and factories with an increase in margins from below 10% to mid teens. And revenues continuing to grow in the 4% - 6% range.

So, how are we doing? As I suggested earlier, when I mentioned our performance so far this year, we're doing pretty well.

We announced these results at the end of July and showed that we grew like-for-like revenues by 7%. That's ahead of our goal range. Growth was strong in both developed and emerging markets. And each of our categories grew strongly, chocolate up 6%; gum up 10% and candy up 7%.

We recovered significant increases in raw material costs through strong price realisation. And, combined with the benefits of cost reduction programmes and leverage, we achieved a 190 bps increase in operating margins.

In June 2007, we used this diagram to demonstrate the drivers of our expected margin expansion. In the last 18 months, we've put numerous actions into motion and seen excellent results.

At the half-year, we shared with you our actions to reduce central costs, to realise the Americas SG&A reduction programme, the Britain and Ireland supply chain configuration and the turnaround in our underperforming markets.

Let me spend a few minutes on the recently announced VIA initiatives. Please bear in mind that these are part of the original VIA plan and, projects representing 60% of the planned cost savings have been announced to date.

Following in the footsteps of the Americas and the UK, we have started a major programme of plant optimisation and supply chain configuration in chocolate in Australia and New Zealand to realise major savings.

While the overlap of products in the two geographies is significant, formulations have evolved with minor differences, leading to unnecessary complexity. We will be harmonising products across the region, allowing for the three main plants to each specialise in a product line.

By doing so, we aim to create centres of excellence as well as reduce SKU's by 30% and reduce headcount by 330.

We are also in the process of establishing a single, state-of-the-art science and technology centre of excellence in Europe. The centre will be focusing on gum and candy. It will be based in Switzerland and will consolidate three separate facilities, currently in Denmark, Spain and France. This plan is part of our One Europe concept. It builds on the centralisation of commercial and supply chain management for Europe in Switzerland.

I'm willing to bet that there isn't one person in this room who does not have a somewhat negative economic outlook for the near future.

At Cadbury, we expect that the global financial crisis will inevitably have some impact on our trade customer and consumer behaviour. These increased headwinds require that we take actions faster and deeper than originally planned in our VIA.

Hence, as announced in our October Interim Management Statement, we are taking further action to underpin delivery. These actions are to do with our organisation and I will now attempt to explain the changes we are making and how they represent faster and deeper action than originally planned.

In the past, we ran our confectionery business on a regional basis supported by global functions. In 2006, we developed our commercial function further by introducing categories to drive scaleable and repeatable global commercial agendas. Since 2006, we have been running our business as a matrix of four regions and global functions with an overlay of product categories.

In this structure, the regions reported to the group, and played a useful role. They served as a bridge between the seven business units and the group, and helped ensure consistent strategic action and commercial coordination between the units, while our global categories were in their early development.

In the last two years, category management evolved and provides good coordination and global leadership to the business units. I also feel that the business units are mature and strong enough to stand on their own two feet.

Hence, the progress of the global categories and the increased self-sufficiency of the business units presented an opportunity that we have decided to capitalise on.

From 2009, we will eliminate the four regions, operate as seven business units and establish their connection with global category leadership and strong functions more effectively.

These actions will delay and streamline the organisation and enable faster decision-making. They will also align the categories more closely with the business units and commercial programmes. Together, these changes will lead to improved in-market execution.

So, those are the long-term structural benefits. How about the cost savings?

As a result of these changes, roughly 250 people, including a number of senior managers, will leave the business. The resulting cost savings will help to underpin our margin targets.

So, ladies and gentlemen, what I've been talking about today should have reinforced what we told you in June last year when we said that as a focused confectionery company.

Cadbury operates in a robust category with a strong business model and a clear action plan to deliver improved performance.

As I said a few minutes ago, it's early days, but we've made a strong start and we're making good progress. There's no doubt that we and the rest of the business world are facing very challenging macroeconomic times.

We are not complacent. We will continue to raise our game to make absolutely sure we deliver on our plan. By recovering further commodities cost increases through intelligent price realisation. And by reorganising our structure, drive more cost out of our business and underpin the delivery of our margin goal in 2008 through to 2011.

Thank you very much for your interest in Cadbury and before I turn the session over to Q&A, let me show you an ad for one of our very successful Australian products which we recently launched in the UK ...