



25 February 2009

## Cadbury Reports Record 2008 Results Strong Growth in Sales, Margins and Earnings

### 2008 Highlights

- **Base business<sup>1</sup> revenue up 7%**; strong growth across emerging markets and focus brands
  - Good growth across all categories; chocolate up 6%, gum up 10%, candy up 6%
  - Emerging markets up 12%; five year compound average growth of 12%
  - Focus brands up 8%; Cadbury Dairy Milk up 11%, Trident up 11%, and Halls up 9%
- **Underlying margins up 150 bps** driven by Vision into Action cost reduction initiatives
  - Reported margins up 180 bps to 11.9%
  - Price realisation offset input cost increases
- **Strong financial performance**
  - Proforma EPS up 16%; up 30% at reported currency
  - Recommended final dividend of 11.1p (2007: 10.5p); full year dividend 16.4p, up 6%
  - Improved Return on Invested Capital, up 110 bps
  - Secure financing – average maturity of long-term debt 6 years
- **Transformation of the business** into a category-led pure-play confectionery company
  - Demerger of Dr Pepper Snapple Group completed in May
  - Announced a conditional agreement to sell Australia Beverages for £550m

*(Except where stated all movements use constant currency – see Basis of Preparation on page 3 for impact of exchange)*

Todd Stitzer, Cadbury's CEO said: "In 2008, Cadbury completed its transformation into a pure-play confectionery company. Our strong revenue growth and significant improvement in operating margin demonstrate the relative resilience of our focused business model. Whilst we will not be immune from the continued weak economic environment, at this early stage in 2009, we expect to deliver revenue growth around the lower end of our 4-6% goal range and to make good progress toward our goal of mid-teens margins by 2011."

£m	2008	Re-presented 2007	Reported Currency Growth %	Constant Currency <sup>3</sup> Growth %
<b>Revenue</b>	<b>5,384</b>	<b>4,699</b>	<b>+15</b>	<b>+6</b>
Underlying Profit from Operations <sup>2</sup>	638	473	+35	+22
Restructuring & other non-underlying items	(250)	(195)		
<b>Profit from Operations</b>	<b>388</b>	<b>278</b>		
Underlying Profit before Tax <sup>2</sup>	559	430	+30	+17
<b>Profit before Tax</b>	<b>400</b>	<b>254</b>		
Discontinued Operations	(4)	258		
Underlying EPS Continuing Ops <sup>2</sup>	24.9p	14.7p		
<b>Reported EPS Continuing Ops</b>	<b>22.8p</b>	<b>7.0p</b>		
<b>Reported EPS Continuing &amp; Discontinued Ops</b>	<b>22.6p</b>	<b>19.4p</b>		
Proforma EPS – Continuing Ops <sup>4</sup>	29.8p	23.0p	+30	+16
<b>Dividend per share</b>	<b>16.4p</b>	<b>15.5p</b>	<b>+6</b>	

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## Notes

- 1 Base business revenue is stated at constant currency and before acquisitions and disposals.
- 2 Cadbury plc believes that underlying profit from operations, underlying profit before tax and underlying earnings per share provide additional information on underlying trends to shareholders. The term underlying is not a defined term under IFRS, and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit. A full reconciliation between underlying and reported measures is included in the segmental reporting and reconciliation of underlying measures note.
- 3 Constant currency growth excludes the impact of exchange rate movements during the period.
- 4 As a result of the Scheme of Arrangement to replace Cadbury Schweppes plc with Cadbury plc as the new holding company of the Group and the subsequent demerger of Americas Beverages, the shares of the Group were restructured with 100 Cadbury Schweppes shares exchanged for 64 Cadbury shares and 12 shares in DPSG. Proforma EPS calculates underlying earnings per share of the continuing Group with reference to the underlying net profit from continuing operations of £403m (2007 - £309m) and assumes that the share consolidation was in place for the entire period in both 2007 and 2008 resulting in the proforma weighted average number of shares used to calculate proforma EPS of 1,347m (2007 – 1,336m).

## For Further Information

<b>Cadbury plc</b>	<b>+44 1895 615000</b> <a href="http://www.cadbury.com">http://www.cadbury.com</a>
<b>Capital Market Enquiries</b> John Dawson	<b>+44 1895 615124</b>
<b>Media Enquiries</b> <b>Cadbury</b> Alex Harrison	<b>+44 1895 615011</b>
<b>Finsbury</b> Rollo Head	<b>+44 20 7251 3801</b>

## Presentation

A presentation on the results will be webcast live on the Group's website <http://www.cadbury.com> at 9.00am (GMT) today. Copies of the presentation will be available on the website from 8.30am (GMT).

## Teleconference Call

A teleconference call for analysts and investors will take place at 3pm (GMT) today, 4pm (central Europe), 10am (EST).

Dial-in numbers:	UK and Europe	+44 20 7138 0819
	USA	+1 718 354 1361
Replay	UK and Europe	+44 20 7806 1970
	USA	+1 718 354 1112
Replay Access Number:		9348463#

The teleconference call will be archived on the Cadbury plc corporate website at [www.cadbury.com](http://www.cadbury.com).

## Video Interview

A video interview with our CEO, Todd Stitzer is available from 7.00am (GMT) today on [www.cadbury.com](http://www.cadbury.com)

High resolution images to accompany this announcement are available for the media to view and download free of charge from [www.cadbury.com/media/imagegallery](http://www.cadbury.com/media/imagegallery).

## **About Cadbury**

Cadbury is one of the world's largest confectionery businesses with number one or number two positions in over 20 of the world's 50 biggest confectionery markets. It also has the largest and most broadly spread emerging markets business of any confectionery company. With origins stretching back nearly 200 years, Cadbury's brands include many global, regional and local favourites including Cadbury Dairy Milk, Flake, Creme Egg and Green & Black's in chocolate; Trident, Dentyne, Hollywood and Bubbaloo in gum; and Halls, Cadbury Eclairs, Basset's and the Natural Confectionery Company in candy.

## **Forward Looking Statements**

Except for historical information and discussions contained herein, statements contained in these materials may constitute "forward looking statements" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. Forward looking statements are generally identifiable by the fact that they do not relate only to historical or current facts or by the use of the words "may", "will", "should", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. Forward looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. These forward looking statements are based on numerous assumptions regarding the present and future strategies of each business and the environment in which they will operate in the future. In evaluating forward looking statements, you should consider general economic conditions in the markets in which we operate, as well as the risk factors outlined in our Form 20-F filed with the US Securities and Exchange Commission and posted on Cadbury plc's website [www.cadbury.com](http://www.cadbury.com). These materials should be viewed in conjunction with our periodic half yearly and annual reports and other filings filed with or furnished to the Securities and Exchange Commission, copies of which are available from Cadbury plc, Cadbury House, Uxbridge Business Park, Sanderson Road, Uxbridge UB8 1DH, UK and from the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). Cadbury plc does not undertake publicly to update or revise any forward looking statement that may be made in these materials, whether as a result of new information, future events or otherwise. All subsequent oral or written forward-looking statements attributable to Cadbury plc or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above.

## **Basis of Preparation**

Following the completion of the demerger on 7 May 2008, Americas Beverages is classified as a discontinued operation in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". The results, including prior periods, are presented within Discontinued Operations in the Income Statement. In addition, following the conditional agreement in December 2008 to sell Australia Beverages, Australia Beverages is also classified as a discontinued operation. From 2008, certain confectionery costs in respect of global supply chain, commercial and science & technology, previously included in central costs, have been allocated to the business segments with prior periods represented on a comparable basis. Ongoing business improvement costs of approximately 0.5% of revenue are included within underlying profit from operations as, although the impact on segmental profits may vary year on year, these are expected to be incurred at similar levels each year at a consolidated level as they relate to the maintenance of an efficient business. Comments on the Group and segmental performances in the commentaries on pages 4 to 9 are made on the continuing business, excluding discontinued operations. Comments on movements in revenue, underlying profit from operations and margins are made on a constant exchange rate basis. In 2008, movements in exchange rates, primarily the Euro and US Dollar increased continuing Group Revenue by 9%, and Underlying Operating Profit by 13% and proforma Underlying EPS by 14%. The contribution from acquisitions and disposals during the period equates to the first twelve months' impact of businesses acquired or disposed of in the current and prior year. Once an acquisition or disposal has lapped its acquisition date then it is included within the base business results.

## 2008 RESULTS OVERVIEW

### CONTINUING OPERATIONS

£m	2007	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	2008
Revenue	4,699	324	(34)	-	395	5,384
- year-on-year change		+7%	-1%	-	+9%	+15%
Underlying Profit from Operations	473	109	(4)	(1)	61	638
- year-on-year change		+23%	-1%	-	+13%	+35%
Underlying Operating Margin	10.1%	+150bps			+30bps	11.9%

Cadbury performed well in 2008 with good growth in revenue and strong growth in margin driving significant increases in underlying profit and earnings per share. In addition, exchange rate movements increased revenue by 9% and underlying operating profit by 13%, adding 30 basis points (bps) to underlying operating margin.

Base business **revenue** growth of 7% was ahead of our 4% - 6% goal range. Overall, acquisitions net of disposals had a modest negative impact in the year. Exchange rate movements had a beneficial impact on revenue with reported revenue ahead by 15%.

Revenue momentum remained good throughout the year. Price realisation and mix benefits of around 6% complemented volume growth of 1%. Price realisation, which includes price rises, adjustments in promotional frequency and product and package resizing, has been essential to recover cost pressures throughout the year, particularly in cocoa, sweeteners and oil based materials.

In **emerging markets**, revenue growth was strong, up 12% for the year as a whole. Cadbury's growth was particularly good in India (up 23%), South Africa (up 20%) and South America (up 18%). In **developed markets**, including the UK, US, Europe and Australia, market growth was more mixed and in most cases slowed somewhat towards the end of the year, reflecting the worsening economic climate. As a result, our growth in developed markets was 4%.

In 2008, we continued to benefit from our strong position in attractive higher growth categories and our focus on more advantaged brands, markets and customers. Growth was balanced across our three categories with chocolate revenue up 6%, gum up 10% and candy revenue up 6%.

Revenue from our **focus brands, markets and customers** benefited from our strengthened global category model and increased focus on fewer, bigger initiatives. Our 13 focus brands grew by 8% with our three largest brands, Cadbury Dairy Milk, Trident and Halls ahead by 11%, 11% and 9%, respectively. Cadbury Dairy Milk growth was led by a good performance in the UK as well as in emerging markets. Trident benefited from continued growth in the US, Mexico and South America. Our focus markets grew by 8% and focus customers by 8%.

Revenue growth also benefited from further investments in **marketing** spend which, at £584m, was £97m higher than 2007 at actual rates and £50m higher at constant exchange rates reflecting continued investment behind our brands. As a result, marketing as a percentage of sales increased to 10.8% - an increase of 40 bps at both constant and actual exchange rates.

**Central costs** fell by £10m to £108m as a result of initiatives implemented as part of our Vision into Action business plan. From 2008, some global supply chain, commercial and science and technology costs, previously included within central costs, are being allocated to the regions and 2007 results have been re-presented on a consistent basis.

**Underlying operating margins** at constant exchange rates rose by 150 bps with exchange rate movements increasing the improvement to 180 bps. The drivers of margin progress were the Vision into Action cost reduction and efficiency initiatives, combined with an improved performance from underperforming emerging markets (Russia, Nigeria and China). Although there were major fluctuations between the first and second halves of the year in input costs and the

benefit from price increases, our price realisation strategy was successful overall. As a result, the margin impact of price, cost inflation and increased marketing spend was broadly neutral.

### Vision into Action Update

In June 2007, we set out our Vision into Action business plan, focused on maintaining our strong revenue momentum whilst significantly improving our operating margins from around 10% to mid-teens by 2011. The plan focuses resources and projects around three key priorities; growth, efficiency and capability. In 2008, we made good progress delivering some of the early benefits of the strategy, achieving all of our 2008 performance objectives and starting to implement many of the programmes that will deliver significant returns from 2010 onwards. In addition, we announced the conditional agreement to divest Australia Beverages, which resulted in the re-presentation of our 2007 underlying operating margin from 9.8% to 10.1%, reflecting the lower margin of the non-core business.

Our Vision into Action cost reduction programme has delivered a number of benefits, primarily from reductions in expenses related to sales, general and administration (SG&A) but also from reduced supply chain costs. Key projects which benefited underlying 2008 results included:

- Down-sizing of central functions and the relocation of Group headquarters from central London to a facility shared with the UK business, which took place at the end of June 2008;
- Restructuring of our Americas business with the consolidation of our businesses in the US and Canada, and operations across South America into larger commercial organisations;
- Consolidation of our distribution and warehousing structure in the UK and increased automation at our chocolate production facility in Ireland.

During 2008 we undertook a number of projects that will provide incremental benefits in 2009, 2010 and 2011. These included:

- Reconfiguration of chocolate and candy manufacturing in Australia and New Zealand. The programme includes a major programme of plant optimisation and supply chain reorganisation, simplifying manufacturing activities and creating centres of excellence focusing on key technologies;
- Completed the start up of a major gum factory in Poland which will enable progressive supply chain efficiencies to be realised from 2009 onwards;
- Further consolidation of European operations, establishing a single, state-of-the-art science & technology centre of excellence in Switzerland, focusing on gum and candy;

From 2009 we have simplified our business by focusing on our seven underlying business units and removing our regional organisation layer. This structure ensures a stronger alignment of category strategies and commercial programmes across Cadbury, enabling faster decision-making and improving in-market execution. In addition, as a result of removing the regional layer, cost savings are being generated that should underpin delivery of our Vision into Action commitments in 2009, particularly given the weaker economic environment.

### ***Our Performance Scorecard***

At the heart of our business plan is the financial scorecard set out below

<b>Performance target</b>	<b>2008 achievement</b>
Annual organic revenue growth of 4-6%	<b>7%</b> growth, above our goal range
Total confectionery share gain	<b>40 bps</b> improvement <sup>1</sup>
Mid teens operating margin by 2011	<b>11.9%</b> as reported, an improvement of <b>150 bps</b> on a constant currency basis
Strong dividend growth	<b>6%</b> dividend growth, reflecting a payout ratio of 55%, above our medium-term target of 40-50%
Efficient balance sheet	Debt to EBITDA <b>2.1x</b> , expected to fall to <b>1.7x</b> with receipt of proceeds from Australia Beverages
Growth in return on invested capital (ROIC)	<b>110 bps</b> improvement in ROIC

<sup>1</sup> Euromonitor provide global market share statistics annually for the preceding year in July. As a result, we consistently measure market share performance using the most recently available information, in this case 2007 v 2006.

## 2009 Outlook

Cadbury is now well positioned as a focused pure-play confectionery business. As a result of actions taken in 2008, we have a strong financial position with secure long-term financing. Implementation of our Vision into Action business plan is well underway and management are committed to delivering the full benefit of planned cost savings and efficiency improvements.

Whilst we will not be immune from the continued weak economic environment, at this early stage in 2009, we expect to deliver revenue growth around the lower end of our 4-6% goal range and to make good progress toward our goal of mid-teens margins by 2011.

## Technical Guidance

We provide technical guidance to aid consistency across a range of modelling assumptions of a technical nature. We will provide appropriate updates to this information on a regular basis as part of our normal reporting. The Outlook for 2009 and accompanying Technical Guidance should be reviewed together with the paragraph on Forward Looking Statements, set out on page 3 of this release.

In October 2008 we announced a **new Group structure** of seven business units instead of four regions. The changes took effect from 1 January 2009. To aid analysis of our results a re-presentation of 2008 continuing operations results is available on line and as part of the analyst and investor results presentation of our full year results.

We continue to expect our **input costs** to rise between 6% and 8%, despite increased pressure from the high market price of cocoa. This expectation reflects a number of factors including movements in other commodities and input costs, such as those derived from oil, hedging positions and other considerations. We have already implemented a number of price realisation strategies which, at this early stage in the year, we expect to be successful in recovering input cost pressures.

The impact of **foreign exchange** translation on our net revenue and underlying operating profit is impossible to predict with certainty. However, assuming exchange rates remain unchanged for the balance of the year from those currently, exchange should increase net revenue by 9% and increase net underlying operating profit by 13%.

**Restructuring costs** for 2009 are expected to be around £150m (2008: £194m) of which around £120m relate to the Vision into Action programme.

The Group's underlying **interest rate** in 2009 is expected to be around 6% (2008: 6.5%).

The 2009 non-cash **post retirement benefit** finance charge is likely to be around £6m for the year as a whole (2008: £27m credit). This principally reflects the fall in pension plan asset values as a result of the downturn in equity markets and a decrease in expected asset returns.

The Group's underlying **tax rate** for 2009 is expected to be around 28% (2008: 28%).

The Group's **depreciation charge** for 2009 is expected to be around £200m (2008: £192m).

**Capital expenditure** for 2009 is expected to be in the range £360-400m, including around £100m of Vision into Action related expenditure.

**Analyst consensus estimates** are collated and circulated to interested parties on a periodic basis. To be added to the circulation of estimates, please contact the Investor Relations team.

## Next Events

Forthcoming Group announcements or events are:

30 April 2009

Interim Management Statement

14 May 2009

Annual General Meeting

# 2008 OPERATING REVIEW

## CONTINUING OPERATIONS

### Britain, Ireland, Middle East and Africa (BIMA)

£m	2007	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	2008
Revenue	<b>1,579</b>	102	(66)	-	30	<b>1,645</b>
- year-on-year change		+6.5%	-4.2%	-	+1.9%	<b>+4.2%</b>
Underlying Profit from Operations	<b>153</b>	30	(8)	(3)	1	<b>173</b>
- year-on-year change		+19.6%	-5.2%	-2.0%	+0.7%	<b>+13.1%</b>
Underlying Operating Margin	<b>9.7%</b>	+120bps				<b>10.5%</b>

In **Britain, Ireland, Middle East and Africa (BIMA)**, base business revenue grew by 6.5% in 2008. The Monkhill disposal, completed in February 2008, reduced total revenue by 4%. Growth was driven by strong performances from the UK business, particularly in the second half of the year, and sustained growth in key emerging markets. Base business underlying operating profit and margin progression of 120 bps was driven by SG&A savings and logistics efficiencies arising from the implementation of our Vision into Action plans which focused on operational performance in both the UK and South Africa.

Within BIMA, the UK business grew revenue by 5%, led by strong growth in Cadbury Dairy Milk, including new variants and formats, and the successful launches of Creme Egg Twisted and Wispa. Wispa, in particular, delivered over £25m of revenue since September 2008, a record for a new product launch. After a strong performance in 2007, led by product innovation and promotional activity, our gum share remained satisfactory at around 10%. In candy, revenue was boosted by recovery from the Sheffield flood which adversely impacted the business in the second half of 2007. Growth was also helped by the successful introduction of The Natural Confectionery Co. into UK grocery channels. Overall, Cadbury ended the year with UK confectionery market share up 50 bps, reflecting gains in chocolate and candy more than offsetting a small decline in gum share, and Ireland confectionery market share up 20 bps.

Our emerging markets business in BIMA grew revenue by 14%, driven by strong performance across all categories. This was partially offset by revenue and volume declines in Egypt due to portfolio rationalisation and pricing actions which significantly improved operating performance in the business. South Africa delivered excellent results with a strong confectionery market share gain of 290 bps in the year, principally driven by chocolate, driving revenue up over 20%. Nigeria was a good contributor to margin expansion, delivering a modest trading profit this year, after several years of significant underperformance.

### Europe

£m	2007	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	2008
Revenue	<b>879</b>	33	45	-	140	<b>1,097</b>
- year-on-year change		+3.8%	+5.1%	-	+15.9%	<b>+24.8%</b>
Underlying Profit from Operations	<b>82</b>	12	3	(2)	20	<b>115</b>
- year-on-year change		+14.6%	+3.7%	-2.4%	+24.3%	<b>+40.2%</b>
Underlying Operating Margin	<b>9.3%</b>	+100bps				<b>10.5%</b>

In **Europe**, revenue was up 4%, reflecting good growth in gum and candy, offset by chocolate where there was some volume weakness in France, Poland and Russia. All countries grew with the

exception of France, where revenue was unchanged. Second half revenue growth was stronger, reflecting the benefit of price increases and a more positive performance in Turkey. The steady performance overall was achieved despite market conditions weakening during the second half of the year. Base business margins were up 100 bps over the year as a whole, reflecting an improved performance as the business improved mix and tightened cost control.

Gum performed well across the region, delivering good revenue growth and gaining market share in all areas of operation except Russia, Spain and Turkey. In Europe, we launched our longer-lasting taste technology across three of our focus brands. This multi-country roll-out was the region's most successful brand launch to date. In Turkey, the integration of Intergum and Kent sales channels was successfully completed in the first half of the year, benefiting year-on-year performance in the last six months. Candy performed well despite a major SKU reduction in Halls, which limited revenue growth but helped improve operating margin through simplification. Revenue from chocolate declined, reflecting strong competitive pressures in France, Poland and Russia which impacted volumes as the business looked to increase prices.

In Russia, our route-to-market changes were less successful than expected, necessitating further changes towards the end of the year. Across Europe, progress implementing key elements of our Vision into Action business plan proceeded well, reflecting good project management of several major investments. These included the head office consolidation, gum supply chain reconfiguration, and working with the Britain & Ireland team to implement a pan-European manufacturing strategy for chocolate.

## Americas

£m	2007	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	2008
Revenue	<b>1,372</b>	135	(16)	-	140	<b>1,631</b>
- year-on-year change		+9.8%	-1.2%	-	+10.2%	<b>+18.9%</b>
Underlying Profit from Operations	<b>234</b>	51	-	2	28	<b>315</b>
- year-on-year change		+21.8%	-	+0.9%	+12.0%	<b>+34.6%</b>
Underlying Operating Margin	<b>17.1%</b>	+180bps				<b>19.3%</b>

Our business in the **Americas** delivered another year of strong overall performance, underpinned by continued strong growth for gum, good growth for candy and a robust performance from chocolate following the launch of Green & Black's in the US. Both North and South America delivered strong growth in revenue, underlying operating profit and underlying operating margin. Underlying market conditions remained generally good, with the US and Canada showing somewhat weaker demand for confectionery in the second half. Our Vision into Action SG&A projects and the simplification of our South American activities into a single business unit contributed strongly to the 180 bps improvement in base business underlying operating margin. In addition, increased productivity in the supply chain benefited margins.

Across the region, gum delivered double-digit revenue growth, with continued growth in Stride and Trident, partially offset by some modest declines for Dentyne. Strong candy growth was driven by Halls, particularly in South America and the US, and by exceptional growth from Sour Patch Kids and Swedish Fish.

In the US, after a very strong first half, demand for gum slowed towards the end of the year, reflecting the weaker economic environment. Despite a significant increase in activity by a major competitor, Cadbury maintained a strong market share, ending the year unchanged, having made gains in the first five months. During the second half, growth in candy was strong, reflecting an excellent performance from all major products. In Canada, overall revenue declined somewhat as growth in candy partly offset declines in chocolate and gum. Operating margins in the US and Canada grew as the benefit from both SG&A savings and distribution and warehousing efficiencies, more than offset increased marketing.

In emerging markets revenue grew 13%, led by strong demand for our core brands and effective price realisation. Innovation contributed to consistent market share gains across the region. In Brazil Trident and Halls were successfully re-launched, including a new creamy fruit range of flavours which expanded the consumer base and increased the frequency of consumption. In addition, new flavours, packaging and advertising campaigns were used to strengthen the market positions of Chiclets, Trident and Halls across the region, having particularly strong results in Argentina, Brazil, Venezuela and Mexico, where the business also grew due to strong demand for Trident Splash.

## Asia Pacific

£m	2007	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	2008
Revenue	<b>860</b>	54	3	-	85	<b>1,002</b>
- year-on-year change		+6.3%	+0.3%	-	+9.9%	<b>+16.5%</b>
Underlying Profit from Operations	<b>122</b>	2	1	6	12	<b>143</b>
- year-on-year change		+1.6%	+0.8%	+4.9%	+9.9%	<b>+17.2%</b>
Underlying Operating Margin	<b>14.2%</b>	-60bps				<b>14.3%</b>

In **Asia Pacific**, revenue grew 6%, driven by strong growth in emerging markets. All business units grew revenue, with the exception of China following a product recall in October, and New Zealand, reflecting the withdrawal from the low-margin cocoa preparation market. Overall, chocolate was the key growth category. Margin improvements in emerging markets and Japan helped the region maintain a good margin, at 14.3%.

In Australia and New Zealand, whilst revenue grew overall, increased competition and the impact of weakening economic conditions limited opportunities to grow market share and recover the full impact of input cost increases. Our business in Japan gained share in 2008 and grew revenue despite softening market conditions.

During the year, our team in Australia started work on the separation of the confectionery and beverages businesses, including separating the combined sales teams and back office functions. In addition, work started on the major Vision into Action project to reconfigure the Australian and New Zealand chocolate and candy supply chains.

In emerging markets, India continued to show strong growth throughout the year. Combined with strong growth in consumer demand, our business continued to gain market share in both chocolate and bubblegum, helped by the launch of Bournville Fine Dark Chocolate, growth from Bubbalo and stronger distribution. Our businesses in South East Asia delivered double digit growth across all categories, despite Thailand suffering from political instability. In China, after a strong start to the year, a product recall in October impacted sales and delayed new product launches planned for the important winter season.

## DISCONTINUED OPERATIONS

The divestment of Cadbury's beverages activities is now largely complete. On 7 May, the demerger of Americas Beverages (now Dr Pepper Snapple Group) was completed and on 24 December we announced a conditional agreement to sell our Australia Beverages business to Asahi for £550m. As a result of these changes, Cadbury will be a focused pure-play confectionery business, with strong brands and leading businesses in Chocolate, Gum and Candy.

We expect the Australia Beverages disposal to close by 30 April 2009, subject to satisfying certain conditions, set out in our announcement on 24 December 2008. The sale is expected to give rise to proceeds in 2009 of around £475m, which will be used to reduce Cadbury's net debt.

## 2008 FINANCIAL REVIEW

(£m)	2008	2007 Re-presented <sup>1</sup>	Reported Currency Growth %	Constant Currency Growth %
<b>Revenue</b>	<b>5,384</b>	<b>4,699</b>	<b>+15</b>	<b>+6</b>
Underlying Profit from Operations	638	473	+35	+22
Restructuring & other non-underlying items				
- Restructuring costs	(194)	(165)		
- Amortisation and impairment of acquisition intangibles	(4)	(18)		
- Non-trading items	1	2		
- IAS 39 adjustment	(53)	(14)		
<b>Profit from Operations</b>	<b>388</b>	<b>278</b>		
Share of results in associates	10	8		
Underlying Net Financing	(89)	(51)		
<b>Net Financing</b>	<b>2</b>	<b>(32)</b>		
Underlying Profit before Taxation	559	430	+30	+17
<b>Profit before Taxation</b>	<b>400</b>	<b>254</b>		
Underlying Taxation	(156)	(121)		
<b>Taxation</b>	<b>(30)</b>	<b>(105)</b>		
Underlying profit for the period – continuing operations	403	309	+30	+17
<b>Profit for the period – continuing operations</b>	<b>370</b>	<b>149</b>		
<b>Discontinued Operations</b>				
- Americas Beverages	(60)	241		
- Australia Beverages	56	17		
<b>Profit for the Period</b>	<b>366</b>	<b>407</b>		
<b>EPS - Continuing Operations</b>				
- Underlying	24.9p	14.7p		
- <b>Reported</b>	<b>22.8p</b>	<b>7.0p</b>		
<b>EPS - Continuing &amp; Discontinued</b>				
- Underlying	30.1p	30.2p		
- <b>Reported</b>	<b>22.6p</b>	<b>19.4p</b>		
<b>EPS - Pro-forma<sup>2</sup></b>	<b>29.8p</b>	<b>23.0p</b>	+30	+16
<b>Full Year Dividend (Interim and Proposed)</b>	<b>16.4p</b>	<b>15.5p</b>		
<b>Free Cash Inflow<sup>3</sup></b>	<b>124</b>	<b>527</b>		
<b>Net Debt<sup>4</sup></b>	<b>1.9bn</b>	<b>3.2bn</b>		

1 Following the completion of the demerger on 7 May 2008, Americas Beverages is classified as a discontinued operation in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" and the results, including prior periods, together with an allocation of interest relating to the debt demerged, are presented within Discontinued Operations at the bottom of the Income Statement. In addition, as a result of the agreement to sell Australia Beverages in December 2008, this business is also classified as a discontinued operation.

2 As a result of the scheme of arrangement to replace Cadbury Schweppes plc with Cadbury plc as the new holding company of the group and the subsequent demerger of Americas Beverages, the shares of the Group were restructured

with 100 Cadbury Schweppes shares being replaced with 64 Cadbury shares and 12 shares in DPSG. Proforma EPS calculates underlying earnings per share of the continuing Group with reference to the underlying net profit from continuing operations and assumes that the share restructure was in place for the entire period in both 2007 and 2008.

- 3 Free cash flow is defined as the amount of cash generated by the business after meeting all its obligations for interest, tax and capital investment. See note 15.
- 4 Net Debt is defined as total borrowings after offsetting cash and cash equivalents and short term investments. See note 13.

**Revenue** at £5.4bn was 15% higher than last year at actual exchange rates. On a base business basis (excluding the impact of acquisitions, disposals and exchange rates), revenue grew by 7%.

**Underlying profit** from continuing operations at £638m (2007: £473m) was up 35%, or 22% at constant exchange rates, with underlying operating margin increasing by 180 bps to 11.9% or 150 bps at constant exchange rates. This was primarily as a result of the continued successful implementation of our confectionery cost reduction programme, with the net benefit of pricing, input cost inflation and one-off items being broadly neutral.

The charge in respect of business **restructuring costs** reported outside underlying operating profit was £194m (2007 charge: £165m). Included in this amount are costs relating to the separation of Americas Beverages and the creation of a stand-alone confectionery company (£16m) and restructuring charges relating to the Vision into Action business plan (£142m). As previously announced, the decision to reduce contract manufacturing volumes with Gumlink, a third party supplier, will result in penalties and gave rise to a further restructuring charge of £27m, higher than previously expected, as a result of movements in exchange rates and increased charges as a result of accelerating the transfer of production to our own facilities. A further £9m of costs were incurred as we continued to integrate our 2007 acquisitions.

**Amortisation and impairment of acquisition intangibles**, charged against profit from operations, was £4m (2007 charge: £18m).

The gain on **non-trading items** of £1m (2007 gain: £2m) relates primarily to the gain on disposal of surplus properties and gains on the sale of investments offset by a loss on the disposal of our Monkhill business during the first half of the year.

**Fair value accounting under IAS 39** contributed a charge of £53m (2007 charge: £14m) to our reported profit from operations due to the difference between market commodity prices and spot exchange rates compared to the hedge rates applied to the underlying results.

**Profit from operations** was up 40% at £388m (2007 profit: £278m). The Group's **share of result in associates** (net of interest and tax) was £10m, £2m more than 2007.

**Underlying net financing charge** for the continuing Group, after reflecting a non-cash post retirement benefit credit of £27m (2007: £30m), at £89m was £38m higher than the prior year. Finance costs, excluding the post-retirement credit, increased from £81m to £116m, led by increased interest rates, an increase in average net debt (adjusted for Americas Beverages) and exchange rate movements. The average net interest rate was 6.5% (2007: 5.6%). As indicated previously, an allocation of interest relating to the debt demerged with Americas Beverages has been included within discontinued operations.

Reported **net finance income** was £2m (2007 charge: £32m), with a non-underlying gain of £94m reflecting the impact of the IAS 39 financing adjustment, including a gain on marking our commodity derivatives to market prices at 31 December 2008 and a gain on swapping fixed to floating rate debt instruments.

**Underlying profit before tax** was up 30% to £559m as a result of the improved underlying operating performance. **Profit before tax** was up by 57% on a reported basis to £400m mainly reflecting improved underlying operating performance, the beneficial impact of movements in exchange rates and net IAS 39 adjustments, less increased restructuring.

The **underlying tax rate** in 2008 was unchanged at 28% (2007: 28%). As a result of certain reorganisations relating to the continuing Group carried out in preparation for the demerger of

Americas Beverages and other non-underlying items, the Group has recognised a net **non-underlying tax credit** of £126m.

In total, non-underlying items contributed a loss of £33m to the **profit for the period from continuing operations** of £370m.

**Discontinued operations** relate to the pre-demerger results of Americas Beverages (now Dr Pepper Snapple Group), the transaction costs incurred as a result of the separation and the discontinued results of the Australia Beverages business, the conditional sale of which was announced on 24 December 2008. For the period through to demerger on 7 May, Americas Beverages reported an underlying net profit after tax of £64m and a non-underlying charge of £124m, including associated tax, principally related to the demerger. Australia Beverages generated a £20m net underlying profit in the year and we have recognised a non-underlying credit of £36m, principally relating to the tax impact of the disposal. A full income statement, including comparatives, for the discontinued businesses is included in note 9.

### **Earnings per share**

**Continuing operations underlying earnings per share** were up 69% to 24.9p, principally as a result of the improved base business performance, the change in share structure following the demerger of Americas Beverages and exchange rates.

Total Group, in other words **continuing & discontinued, reported earnings per share** were 22.6p, up 3.2p or 16% on 2007 as a result of the significantly lower net profit on discontinued operations compared to 2007, which partially offset the stronger underlying performance and the change in share structure.

On a proforma basis, that is after taking into consideration the impact of the capital restructuring as a result of the demerger of Americas Beverages and re-presenting comparatives on a consistent basis, underlying **proforma earnings per share** for the continuing group increased by 30% from 23.0p to 29.8p with the increase driven by the growth in base business (4.6p) and exchange rates (3.1p) partially offset by acquisitions and disposals (-0.7p) and an increase in the proforma number of shares (-0.2p).

### **Dividends**

The Board is recommending a total dividend for the year of 16.4p, made up of the interim dividend of 5.3p (2007: 5.0p) and a final dividend of 11.1p (2007: 10.5p). The full year dividend represents an increase of 6% over 2007, equivalent to a payout ratio of around 55%, and is in line with our previously stated intention of proposing a dividend payout ratio for 2008, ahead of the stated long-term target of between 40% and 50% of underlying earnings. If approved, the final dividend will be paid on 22 May 2009 to Ordinary Shareholders on the Register at the close of business on 24 April 2009. The final dividend will be paid on 22 May 2009 to ADR holders on the ADR Register on 24 April 2009.

Holders of Cadbury plc ordinary shares may reinvest their dividends in Cadbury plc shares by participating in the Dividend Reinvestment Plan ("DRIP"). Any new elections, or amendments to existing elections, must be received by the Registrar by 30 April 2009. Full terms and conditions of the plan are available from the Registrar.

### **Cash Flow**

Free cash inflow in 2008 was £124m compared with a £527m inflow in 2007, reflecting 8 more months in 2007 of free cash flow generation from Americas Beverages, a £130m increase in net capital expenditure including investment in our new gum factory in Poland, and a £13m increase in restructuring spend. Net capital expenditure for the ongoing confectionery business was £410m, which included around £90m related to our Vision into Action business plan.

### **Net Debt**

Net debt decreased from £3.2bn at the end of 2007 to £1.9bn at the end of 2008 reflecting the demerger of debt with Americas Beverages partially offset by the settlement of transaction related costs, the payment of dividends and exchange rates. In July 2008 the Group issued a 10-year £350m sterling bond with a coupon of 7.25%.

The Group has a strong programme of debt funding which, after redemption of a €600m Euro bond in June 2009, will total around £1.1bn, running through to 2018, with an average maturity of 6 years. The Group's liquidity position is strong with a further £1.3bn of undrawn facilities at the current date, including the £1bn revolving credit facility which expires in March 2010. The conditional Australia Beverages disposal is expected, on completion, to generate net proceeds of around £475m, at which time £300m of the undrawn facilities expire. It is the board's intention, in conjunction with various other refinancing options, to refinance well in advance of the maturity of the £1.0bn revolving credit facility.

## Consolidated Income Statement for the Year ended 31 December 2008

Notes	2008	2008	2008	Re-presented		2007
	Underlying audited £m	Non - underlying audited £m	Total audited £m	2007 Underlying audited £m	2007 Non - underlying audited £m	Total audited £m
<b>Continuing operations</b>						
<b>Revenue</b>	<b>5,384</b>	<b>-</b>	<b>5,384</b>	<b>4,699</b>	<b>-</b>	<b>4,699</b>
Trading costs	(4,746)	(57)	(4,803)	(4,226)	(32)	(4,258)
Restructuring costs	2	(194)	(194)	-	(165)	(165)
Non-trading items	3	1	1	-	2	2
<b>Profit from operations</b>	<b>638</b>	<b>(250)</b>	<b>388</b>	<b>473</b>	<b>(195)</b>	<b>278</b>
Share of result in associates	10	-	10	8	-	8
<b>Profit before financing and taxation</b>	<b>648</b>	<b>(250)</b>	<b>398</b>	<b>481</b>	<b>(195)</b>	<b>286</b>
Investment revenue	4	-	52	56	-	56
Finance costs	5	91	(50)	(107)	19	(88)
<b>Profit before taxation</b>	<b>559</b>	<b>(159)</b>	<b>400</b>	<b>430</b>	<b>(176)</b>	<b>254</b>
Taxation	6	126	(30)	(121)	16	(105)
<b>Profit for the period from continuing operations</b>	<b>403</b>	<b>(33)</b>	<b>370</b>	<b>309</b>	<b>(160)</b>	<b>149</b>
<b>Discontinued operations</b>						
(Loss)/profit for the period from discontinued operations	9	(88)	(4)	323	(65)	258
<b>Profit for the period</b>	<b>487</b>	<b>(121)</b>	<b>366</b>	<b>632</b>	<b>(225)</b>	<b>407</b>
Attributable to:						
<b>Equity holders of the parent</b>	<b>485</b>	<b>(121)</b>	<b>364</b>	<b>630</b>	<b>(225)</b>	<b>405</b>
Minority interests	2	-	2	2	-	2
	<b>487</b>	<b>(121)</b>	<b>366</b>	<b>632</b>	<b>(225)</b>	<b>407</b>
<b>Earnings per share from continuing and discontinued operations</b>						
Basic	8		22.6p	30.2p		19.4p
Diluted	8		22.6p	29.9p		19.2p
<b>From continuing operations</b>						
Basic	8		22.8p	14.7p		7.0p
Diluted	8		22.8p	14.6p		7.0p

In accordance with IFRS 5, the prior period Income Statement, Statement of Recognised Income and Expense and related notes have been re-presented following the classification of Americas Beverages and Australia Beverages as discontinued operations (Note 9).

## Consolidated Statement of Recognised Income and Expense for the year ended 31 December 2008

	<b>2008</b>	Re-
	<b>audited</b>	presented
	<b>£m</b>	2007
		audited
		£m
Currency translation differences (net of tax)	580	132
Actuarial (loss)/gain on post retirement benefit obligations (net of tax)	(291)	168
<b>Net income recognised directly in equity</b>	<b>289</b>	<b>300</b>
Profit for the period from continuing operations	370	149
(Loss)/profit for the period from discontinued operations	(4)	258
<b>Total recognised income for the period</b>	<b>655</b>	<b>707</b>
<b>Attributable to:</b>		
Equity holders of the parent	653	705
Minority interests	2	2
	<b>655</b>	<b>707</b>

## Consolidated Balance Sheet at 31 December 2008

	Notes	2008 audited £m	2007 audited £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		2,288	2,805
Acquisition intangibles		1,598	3,378
Software intangibles		87	149
Property, plant and equipment	11	1,761	1,904
Investment in associates		28	32
Deferred tax assets		181	124
Retirement benefit assets		17	223
Trade and other receivables		28	50
Other investments		2	2
		<b>5,990</b>	<b>8,667</b>
<b>Current assets</b>			
Inventories		767	821
Short-term investments	13	247	2
Trade and other receivables		1,067	1,197
Tax recoverable		35	41
Cash and cash equivalents	13	251	493
Derivative financial instruments		268	46
		<b>2,635</b>	<b>2,600</b>
Assets held for sale		270	71
<b>TOTAL ASSETS</b>		<b>8,895</b>	<b>11,338</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(1,551)	(1,701)
Tax payable		(328)	(197)
Short-term borrowings and overdrafts	13	(1,189)	(2,562)
Short-term provisions		(150)	(111)
Obligations under finance leases	13	(1)	(21)
Derivative financial instruments		(169)	(22)
		<b>(3,388)</b>	<b>(4,614)</b>
<b>Non-current liabilities</b>			
Trade and other payables		(61)	(37)
Borrowings	13	(1,194)	(1,120)
Retirement benefit obligations		(275)	(143)
Tax payable		(6)	(16)
Deferred tax liabilities		(121)	(1,145)
Long-term provisions		(218)	(61)
Obligations under finance leases	13	(1)	(11)
		<b>(1,876)</b>	<b>(2,533)</b>
Liabilities directly associated with assets classified as held for sale		(97)	(18)
<b>TOTAL LIABILITIES</b>		<b>(5,361)</b>	<b>(7,165)</b>
<b>NET ASSETS</b>		<b>3,534</b>	<b>4,173</b>
<b>EQUITY</b>			
Share capital	12	136	264
Share premium account		38	1,225
Other reserves		850	(4)
Retained earnings		2,498	2,677
<b>Equity attributable to equity holders of the parent</b>	12	<b>3,522</b>	<b>4,162</b>
Minority interests		12	11
<b>TOTAL EQUITY</b>		<b>3,534</b>	<b>4,173</b>

## Consolidated Cash Flow Statement for the year ended 31 December 2008

	Notes	2008 audited £m	2007 audited £m
<b>Net cash inflow from operating activities</b>	14	<b>469</b>	<b>812</b>
<b>Investing activities</b>			
Dividends received from associates		10	8
Proceeds on disposal of property, plant and equipment		18	57
Purchases of property, plant and equipment and software		(500)	(409)
Americas Beverages separation costs paid		(107)	(30)
Americas Beverages net cash and cash equivalents demerged		(67)	-
Acquisitions of businesses and associates		16	(352)
Net cash assumed on acquisitions		-	6
Sale of investments, associates and subsidiary undertakings		48	27
Cash removed on disposal		(4)	(1)
Acquisitions and disposals		60	(320)
Movement in equity investments and money market deposits		(245)	127
<b>Net cash used in investing activities</b>		<b>(831)</b>	<b>(567)</b>
<b>Net cash flow (outflow)/inflow before financing activities</b>		<b>(362)</b>	<b>245</b>
<b>Financing activities</b>			
Dividends paid		(295)	(311)
Dividends paid to minority interests		-	(1)
Capital element of finance leases repaid		(21)	(21)
Proceeds on issues of ordinary shares		58	56
Net movement of shares held under Employee Trust		12	(13)
Proceeds of new borrowings		4,382	2,026
Borrowings repaid		(4,167)	(1,722)
<b>Net cash generated (used in)/generated from financing activities</b>		<b>(31)</b>	<b>14</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(393)</b>	<b>259</b>
Opening net cash and cash equivalents – total Group		449	186
Effect of foreign exchange rates		43	4
<b>Closing net cash and cash equivalents</b>		<b>99</b>	<b>449</b>

Net cash and cash equivalents in the continuing group include overdraft balances of £152 million (2007: £44 million). There are no cash and cash equivalents included in assets held for sale.

## Segmental Reporting

### 2008 Business segment analysis (audited)

	Reported measures			Segment measures		
	Revenue	Profit from operations	Operating margin	Revenue	Underlying profit from operations	Underlying margin
	£m	£m	£m	£m	£m	£m
BIMA	1,645	107	6.5	1,645	173	10.5
Europe	1,097	44	4.0	1,097	115	10.5
Americas	1,631	296	18.1	1,631	315	19.3
Asia Pacific	1,002	106	10.6	1,002	143	14.3
	<b>5,375</b>	<b>553</b>	<b>10.3</b>	<b>5,375</b>	<b>746</b>	<b>13.9</b>
Central	9	(165)	n/a	9	(108)	n/a
<b>Profit from operations</b>	<b>5,384</b>	<b>388</b>	<b>7.2</b>	<b>5,384</b>	<b>638</b>	<b>11.9</b>

### Reconciliation of profit from operations and profit before taxation to underlying performance measure

2008 (audited)	Reported Performance	Reversal of restructuring costs	Reversal of amortisation and impairment of intangibles	Reversal of non-trading items	IAS 39 adjustment	Underlying profit from operations
	£m	£m	£m	£m	£m	£m
BIMA	107	21	-	9	36	173
Europe	44	63	2	-	6	115
Americas	296	18	2	(5)	4	315
Asia Pacific	106	32	-	(2)	7	143
Central	(165)	60	-	(3)	-	(108)
<b>Profit from operations</b>	<b>388</b>	<b>194</b>	<b>4</b>	<b>(1)</b>	<b>53</b>	<b>638</b>
Share of result in associates	10	-	-	-	-	10
Financing	2	3	-	-	(94)	(89)
<b>Profit before taxation</b>	<b>400</b>	<b>197</b>	<b>4</b>	<b>(1)</b>	<b>(41)</b>	<b>559</b>

### Reconciliation from reported to underlying earnings and earnings per share

2008 (audited)	----- Earnings -----			----- Earnings per share -----		
	Continuing £m	Discontinued £m	Total £m	Continuing pence	Discontinued pence	Total pence
<b>Reported</b>	<b>368</b>	<b>(4)</b>	<b>364</b>	<b>22.8</b>	<b>(0.2)</b>	<b>22.6</b>
<b>Reversal of:</b>						
Restructuring costs*	197	6	203	12.2	0.4	12.6
Amortisation and impairment of intangibles	4	8	12	0.2	0.5	0.7
Non-trading items	(1)	(1)	(2)	-	(0.1)	(0.1)
Demerger/Disposal costs***	-	122	122	-	7.5	7.5
IAS 39 adjustment	(41)	(5)	(46)	(2.5)	(0.3)	(2.8)
Effect of tax on above items**	(126)	(42)	(168)	(7.8)	(2.6)	(10.4)
<b>Underlying</b>	<b>401</b>	<b>84</b>	<b>485</b>	<b>24.9</b>	<b>5.2</b>	<b>30.1</b>

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(c).

\* Restructuring costs are made up of £194 million for continuing operations, £6 million for discontinued operations and £3 million relating to the unwind of discounts on provisions recognised within continuing financing costs.

\*\* Also includes tax arising on certain intra-group reorganisations – see note 8.

\*\*\* Includes £18 million of non-underlying financing fees associated with the demerger.

**2007 Business segment analysis (audited)**

	Reported measures			Segment measures		
	Revenue	Profit from operations	Operating margins	Revenue	Underlying profit from operations	Underlying margins
BIMA	1,579	83	5.3	1,579	153	9.7
Europe	879	61	6.9	879	82	9.3
Americas	1,372	191	13.9	1,372	234	17.1
Asia Pacific	860	109	12.7	860	122	14.2
	<b>4,690</b>	<b>444</b>	<b>9.5</b>	<b>4,690</b>	<b>591</b>	<b>12.6</b>
Central	9	(166)	n/a	9	(118)	n/a
<b>Profit from operations</b>	<b>4,699</b>	<b>278</b>	<b>5.9</b>	<b>4,699</b>	<b>473</b>	<b>10.1</b>

**Reconciliation of profit from operations and profit before taxation to underlying performance measure**

2007 (audited) Re-presented <sup>1, 2</sup>	Reported Performance	Reversal of restructuring costs	Reversal of amortisation and impairment of intangibles <sup>3</sup>	Reversal of non-trading items	IAS 39 adjustment	Underlying profit from operations
	£m	£m	£m	£m	£m	£m
BIMA	83	60	-	1	9	153
Europe	61	18	1	3	(1)	82
Americas	191	33	2	1	7	234
Asia Pacific <sup>1</sup>	109	8	15	(9)	(1)	122
Central	(166)	46	-	2	-	(118)
<b>Profit from operations</b>	<b>278</b>	<b>165</b>	<b>18</b>	<b>(2)</b>	<b>14</b>	<b>473</b>
Share of result in associates	8	-	-	-	-	8
Financing	(32)	-	-	-	(19)	(51)
<b>Profit before taxation</b>	<b>254</b>	<b>165</b>	<b>18</b>	<b>(2)</b>	<b>(5)</b>	<b>430</b>

**Reconciliation from reported to underlying earnings and earnings per share**

2007 (audited) Re-presented	----- Earnings -----			----- Earnings per share -----		
	Continuing £m	Discontinued £m	Total £m	Continuing pence	Discontinued pence	Total pence
<b>Reported</b>	<b>147</b>	<b>258</b>	<b>405</b>	<b>7.0</b>	<b>12.4</b>	<b>19.4</b>
<b>Reversal of:</b>						
Restructuring costs	165	35	200	7.9	1.7	9.6
Amortisation and impairment of intangibles	18	24	42	0.9	1.1	2.0
Non-trading items	(2)	-	(2)	(0.1)	-	(0.1)
Contract termination gain	-	(31)	(31)	-	(1.5)	(1.5)
Demerger costs	-	40	40	-	1.9	1.9
IAS 39 adjustment	(5)	1	(4)	(0.2)	-	(0.2)
Effect of tax on above items*	(16)	(4)	(20)	(0.8)	(0.1)	(0.9)
<b>Underlying</b>	<b>307</b>	<b>323</b>	<b>630</b>	<b>14.7</b>	<b>15.5</b>	<b>30.2</b>

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(c).

<sup>1</sup> Australia Beverages was separated from the Asia Pacific segment in 2008 following a strategic review of the Australia Beverages business and changes to the management and reporting of this business. The Asia Pacific segment information for 2007 has been re-presented accordingly. Australia Beverages has been subsequently classified as an asset held for sale.

<sup>2</sup> The Group has re-presented its segmental analysis for the comparative 2007 financial information to allocate certain central costs which directly support the regions to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

<sup>3</sup> Includes the impairment of China of £13 million reported within the Asia Pacific segment, all other charges relate to amortisation.

\* Also includes tax arising on certain intra-group reorganisations – see note 8.

## 1. GENERAL INFORMATION AND ACCOUNTING POLICIES

(a) The financial information included within the Preliminary Announcement has been extracted from the audited consolidated financial statements of Cadbury plc for the year ended 31 December 2008 but does not constitute the Company's statutory financial statements for 2008 or 2007 under Section 240 of the Companies Act 1985. Statutory accounts of Cadbury Schweppes plc for 2007, together with an unqualified audit report, have been filed with the Registrar of Companies and did not contain a report under Section 237 (2) and (3) of the Companies Act 1985. Statutory accounts of Cadbury plc for 2008 will be delivered to the Registrar following the Company's annual general meeting. The 2008 consolidated financial statements of Cadbury plc were prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed and adopted for use in the European Union and IFRSs as issued by the IASB. This consolidated financial information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements of Cadbury Schweppes plc for the year ended 31 December 2007 which are available on the Group's website [www.cadbury.com](http://www.cadbury.com) except for the adoption of IFRS 8, 'Operating Segments' as discussed below.

While the financial information in the Preliminary Announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS.

The Group has considerable financial resources and an advantaged business model that operates across many different customers and suppliers in multiple geographies. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and as such the Group financial statements have been prepared on a going concern basis.

(b) On 7 May 2008, the Group completed the demerger of its beverage business in America. The Income Statement and related notes for 2007 have been re-presented to classify this business as discontinued, in accordance with IFRS 5, 'Non current assets held for sale and discontinued operations'.

The demerger resulted in the confectionery business trading under the name Cadbury plc and the Americas Beverages business trading under the name Dr Pepper Snapple Group, Inc. (DPSG). The demerger was effected pursuant to a Scheme of Arrangement under Section 425 of the Companies Act 1985. Pursuant to the Scheme of Arrangement, to replace Cadbury Schweppes plc with Cadbury plc, as the new holding company of the Group, the shares of the Group were exchanged for 64 Cadbury shares and 12 shares in DPSG. The accounts of Cadbury plc have been prepared as if it had been in existence since 1 January 2007.

The following summarises the accounting principles that have been applied in preparing the financial statements on a reverse acquisition accounting basis:

- the Income Statements for Cadbury plc have been prepared as if the operations of Cadbury plc were in existence the whole of the period from 1 January 2007 to 31 December 2008; and
- changes in share capital and reserves as a result of the capital reorganisation have been reflected in the current period. Differences between these amounts and the previously reported share capital and reserves have been adjusted in the Demerger reserve, as set out in Note 12.

In December 2008 the Group announced it had entered into a conditional agreement to sell the Australia Beverages business. The results of the Australia Beverages business have been included within discontinued operations for 2008 and the 2007 comparative results re-presented accordingly. At the year end the assets and liabilities of the Australia Beverages business are classified as assets held for sale in accordance with IFRS 5.

The Group has adopted IFRS 8 in advance of its effective date, with effect from 1 January 2008. In addition to the adoption of IFRS 8, the Group has changed the measure of operating profit which is disclosed segmentally to align with the way in which the Chief Operating Decision Maker assesses the performance of and allocates the Group's resources to the regions. As a result of this change the 2007 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Scientific and Technology costs, which directly support the regions to the regional operating segments.

(c) Use of underlying measures

Cadbury believes that underlying profit from operations, underlying profit before tax, underlying earnings and underlying earnings per share provide additional information on underlying trends to shareholders. These measures are used by Cadbury for internal performance analysis and are considered by the Remuneration Committee in determining incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS, and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to IFRS measurements of profit.

The adjustments made to reported profit are summarised below:

- Restructuring costs – the costs incurred by the Group in implementing significant restructuring projects, such as Vision into Action, the major Group-wide efficiency programme in pursuit of the mid-teen margin goal and integrating acquired businesses are classified as restructuring. These are programmes involving one-off incremental items of major expenditure. In addition, costs incurred to establish a stand-alone confectionery business have also been classified as restructuring. The group views restructuring costs as costs associated with investment in the future performance of the business and not part of the underlying performance trends of the business. Where material, restructuring costs are initially recognised after discounting to present value. The subsequent unwind of any discount is reported as a non-underlying finance cost if the associated provision resulted from a non-underlying restructuring cost;
- Amortisation and impairment of intangibles – under IFRS, the Group continues to amortise certain short-life acquisition intangibles and also recognises, from time to time, impairments of goodwill which have arisen on previous acquisitions. This amortisation and impairment is not considered to be reflective of the underlying trading of the Group;
- Non-trading items – as part of its operations the Group may dispose of or recognise an impairment of subsidiaries, associates, investments, brands and significant fixed assets that do not meet the requirements to be separately disclosed outside continuing operations. Whilst the income or cost stream of these items is considered to be underlying in value any profit or loss realised on the ultimate disposal is not considered to be an underlying profit item;
- IAS 39 adjustments - fair value accounting – under IAS 39, the Group seeks to apply hedge accounting to its various hedge relationships, (principally under commodity contracts, foreign exchange forward contracts and interest rate swaps) where it is permissible under the rules of IAS 39 and practical to do so. Due to the nature of its hedging arrangements, in a number of circumstances the Group is unable to apply hedge-accounting to the arrangements. The Group continues, however, to enter into these arrangements as they provide certainty or active management of the commodity prices affecting the Group, the exchange rates applying to the foreign currency transactions entered into by the Group and the interest rate applying to the Group's debt. These arrangements result in fixed and determined cash-flows. The Group believes that these arrangements remain effective, economic and commercial hedges despite the inability to apply hedge accounting and therefore will continue internally to manage the performance of the business and incentives and reward success on this basis. The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange, interest rate or commodity price ruling on the date of a transaction regardless of the cash flow paid by the Group at the predetermined rate of exchange, interest rate or commodity price. In addition, any gain or loss accruing on open contracts at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the impacts described above could be highly volatile depending on movements in exchange rates or commodity prices, this volatility will not be reflected in the cash flows of the Group, which will be based on the fixed or hedged rate. The adjustment made by the Group therefore is to report its underlying performance on the internal measure described above.
- Exceptional items – certain other items which do not reflect the Group's underlying trading performance and are significant and one-off in nature have been classified as exceptional. The gains and losses on these discrete items can have a material impact on the absolute amount of and trend in the profit from operations and result for the year. Therefore any gains and losses on such items are analysed outside underlying. In 2008 and 2007, the exceptional items relate to discontinued operations and hence have been included within loss for the period from discontinued operations and comprise:

Demerger costs – the Group has incurred significant transaction costs, including one-off financing fees, as a result of the separation of Americas Beverages which have been classified outside underlying earnings;

Contract termination gain – in the second half of 2007, the Group received amounts in respect of the termination of a distribution agreement for the beverage brand "Glaceau" in the US, which is

included in discontinued operations. The gain which would otherwise have been received through distribution of the product in 2008, offset by the write-off of associated intangible assets, is excluded from the underlying results of the Group. The balance of the settlement which would have related to 2007 has been included within the underlying results of the Group.

- Taxation – the tax impact of the above items are also excluded in arriving at underlying earnings. In addition, from time to time there may be tax items which as a consequence of their size and nature are excluded from underlying earnings including the tax impact of reorganisations undertaken in preparation for the separation of Americas Beverages and the recognition of deferred tax assets relating to the reassessment of capital losses on the classification of Australia Beverages as an asset held for sale.

#### (d) Free cash flow

Free cash flow is the measure used by the Group for internal cash flow performance analysis and is the primary cash flow measure used by management. The Group believes that free cash flow is a useful measure because it shows the amount of cash flow remaining after the cash generated by the Group through operations has been used to meet purposes over which the Group has little or no discretion such as taxation and interest costs or those which are characteristic of a continuing business, for example capital expenditure.

Free cash flow therefore represents the amount of cash generated in the year by the underlying business and provides investors with an indication of the net cash flows generated which may be used for, or are required to be funded by, the payment of dividends to equity shareholders and other discretionary purposes such as investment in acquisitions, business disposals and the drawing and repayment of financing. A reconciliation of Free Cash Flow from the corresponding IFRS measure is presented in note 15.

In 2008, payments of £30 million (2007: £48 million) made into our principal Group defined benefit pension arrangements in respect of past service deficits have been excluded from Free Cash Flow. The Group believes that the funding of these pension arrangements is a discretionary use of Free Cash Flow comparable to the repayment of external borrowings and has therefore been added back in calculating the Free Cash Flow. The Group will continue this reporting practice in future years. The Group continues to report the cash cost of funding pension obligations in respect of current year service within Free Cash Flow. We have also excluded the £53 million (2007: £nil) upfront financing costs paid in 2008 relating to debt demerged with Americas Beverages from Free Cash Flow.

#### (e) Segmental analysis

The Group has changed the measure of operating profit which is disclosed by segment to align with the way in which the Chief Operating Decision Maker assesses the performance of and allocates the Group's resources to the regions. As such the 2007 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Scientific and Technology costs which directly support the regions to the regional operating segments. In addition, the 2007 segmental analysis for Asia Pacific has been re-presented to reflect the separation of the Australia Beverages business following a strategic review and changes to the management reporting of this business.

The Group's reportable segments are presented based on geographical regions, namely BIMA, Europe, Americas and Asia Pacific. They are managed separately because of the differing market conditions and consumer tastes in the different geographies, which require differing branded products and marketing strategies.

## 2. RESTRUCTURING

During 2008, the Continuing Group incurred £194 million (2007: £165 million) of restructuring costs. The majority of this, £142 million, (2007: £151 million) has been incurred as part of the Group's Vision into Action programme to drive efficiencies throughout the Group and achieve the Groups mid-teen margin goal. In addition, the Group incurred £27 million (2007: £9 million) for an onerous contract associated with a supply agreement which will no longer be fully utilised following our build of a new green-field gum factory in Poland.

Costs of £16 million (2007: £5 million) relating to the separation of the Confectionery and Americas Beverages business which are not directly related to the transaction have also been included as restructuring. A further £9 million (2007: £nil) has been incurred relating to integration costs associated with businesses acquired in 2007. Restructuring costs relating to discontinued operations are disclosed in note 9.

### 3. NON-TRADING ITEMS

During 2008, the continuing Group recorded a gain from non-trading items of £1 million (2007: £2 million). This comprises principally of £3 million profit on sale of investments, £4 million profit on disposal of land and building offset by a loss of £6 million on the disposal of subsidiaries and brands.

### 4. INVESTMENT REVENUE

	2008	2007
	Audited	Re-presented
	£m	Audited
		£m
Interest on bank deposits	25	26
Post retirement employee benefits	27	30
<b>Investment revenue</b>	<b>52</b>	<b>56</b>

### 5. FINANCE COSTS

	2008	2007
	Audited	Re-presented
	£m	Audited
		£m
<b>Underlying finance costs</b>	<b>141</b>	<b>107</b>
Fair value movements in treasury instruments*	(91)	(19)
<b>Reported finance costs</b>	<b>(50)</b>	<b>(88)</b>
<b>Underlying net finance costs</b>	<b>(89)</b>	<b>(51)</b>

\* Includes £3 million charge (2007: £nil) relating to interest unwind of discounts on provisions.

### 6. TAXATION

	2008	2007
	Audited	Re-presented
	£m	Audited
		£m
UK	(14)	(4)
Overseas	(142)	(117)
<b>Underlying taxation</b>	<b>(156)</b>	<b>(121)</b>
<b>Reported taxation</b>	<b>(30)</b>	<b>(105)</b>

## 7. DIVIDENDS

	2008 Audited £m	2007 Re-presented Audited £m
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Final dividend for the prior year of 10.5p (2007: 9.9p) per share	222	207
Interim dividend for the year ended 31 December 2008 of 5.3p (2007: 5.0p) per share	73	104
	<b>295</b>	<b>311</b>

At 31 December 2008 the 2008 final dividend of 11.1 pence per share had not been approved by the shareholders at the AGM and as such was not included as a liability. The expected cash payment in respect of the final dividend for the year ended 31 December 2008 is approximately £150 million.

## 8. EARNINGS PER SHARE

### (a). Basic EPS – Continuing and Discontinued

The reconciliation between Reported and Underlying EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings 2008 audited £m	EPS 2008 audited pence	Earnings 2007 Re-presented audited £m	EPS 2007 audited pence
<b>Reported – Continuing and Discontinued</b>	<b>364</b>	<b>22.6</b>	<b>405</b>	<b>19.4</b>
Restructuring costs*	203	12.6	200	9.6
Amortisation and impairment of acquisition intangibles	12	0.7	42	2.0
Non-trading items	(2)	(0.1)	(2)	(0.1)
Contract termination gain	-	-	(31)	(1.5)
Demerger/disposal costs***	122	7.5	40	1.9
IAS 39 adjustment	(46)	(2.8)	(4)	(0.2)
Effect of tax on above items**	(168)	(10.4)	(20)	(0.9)
<b>Underlying – Continuing and Discontinued</b>	<b>485</b>	<b>30.1</b>	<b>630</b>	<b>30.2</b>

\* Restructuring costs are made up of £194 million (2007: £165 million) for continuing operations, £6 million (2007: £35 million) for discontinued operations and £3 million (2007: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

\*\* Effect of tax on above items includes a £39 million credit (2007: £21 million charge) relating to certain reorganisations carried out in preparation for the demerger of Americas Beverages and a £44 million credit (2007: £nil) relating to the recognition of deferred tax assets arising from the reassessment of capital losses on the classification of Australia Beverages as an asset held for sale.

\*\*\* Includes £18 million of non-underlying financing fees associated with the demerger.

## (b). Diluted EPS – Continuing and Discontinued

Diluted EPS has been calculated based on the reported and underlying earnings amounts above. The diluted reported and underlying earnings are set out below:

	2008 audited pence	2007 Re-presented audited pence
<b>Diluted reported – Continuing and Discontinued</b>	<b>22.6</b>	<b>19.2</b>
<b>Diluted underlying – Continuing and Discontinued</b>	<b>30.0</b>	<b>29.9</b>

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2008 audited million	2007 Re-presented audited million
Average shares used in basic EPS calculation	1,611	2,087
Dilutive share options outstanding	3	21
Shares used in diluted EPS calculation	1,614	2,108

## (c). Continuing Operations EPS

	Earnings 2008 audited £m	EPS 2008 audited pence	Earnings 2007 Re-presented audited £m	EPS 2007 audited pence
<b>Reported – Continuing Operations</b>	<b>368</b>	<b>22.8</b>	<b>147</b>	<b>7.0</b>
Restructuring costs*	197	12.2	165	7.9
Amortisation and impairment of acquisition intangibles	4	0.2	18	0.9
Non-trading items	(1)	-	(2)	(0.1)
IAS 39 adjustment	(41)	(2.5)	(5)	(0.2)
Effect of tax on above items**	(126)	(7.8)	(16)	(0.8)
<b>Underlying – Continuing Operations</b>	<b>401</b>	<b>24.9</b>	<b>307</b>	<b>14.7</b>

\* Restructuring costs is made up of £194 million for continuing operations and £3 million relating to the unwind of discounts on provisions recognised within financing costs.

\*\* Effect of tax on above items includes a £68 million credit (2007: £6 million charge) relating to certain reorganisations carried out in preparation for the demerger of Americas Beverages.

Diluted continuing EPS has been calculated based on the reported and underlying earnings amounts above. The diluted reported and underlying earnings from continuing operations are set out below:

	2008 audited pence	2007 Audited Pence
<b>Diluted reported – Continuing</b>	<b>22.8</b>	<b>7.0</b>
<b>Diluted underlying – Continuing</b>	<b>24.8</b>	<b>14.6</b>

## 9. DISCONTINUED OPERATIONS

On 7 May 2008, the Group completed the demerger of its Americas Beverages business and in December 2008, we announced we had signed a conditional agreement to sell our Australian Beverages business. In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations" these businesses are classified as discontinued and the prior periods have been re-presented on a consistent basis. The re-presentation includes an allocation of the Group's interest charge relating to the debt funding which was demerged with the Americas Beverages business.

(a) The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

	2008	2008	2008	Re-presented		
	Underlying	Non-	Total	2007	2007	2007
	audited	underlying	audited	Underlying	Non-	Total
	£m	£m	£m	£m	£m	£m
<b>Revenue</b>	<b>1,389</b>	<b>–</b>	<b>1,389</b>	<b>3,272</b>	<b>–</b>	<b>3,272</b>
- Americas Beverages	951	-	951	2,878	-	2,878
- Australia Beverages	438	-	438	394	-	394
Trading costs	(1,203)	(8)	(1,211)	(2,695)	(23)	(2,718)
Restructuring Costs	–	(6)	(6)	–	(35)	(35)
Contract termination gain	–	–	–	–	31	31
Non-trading items	–	1	1	–	–	–
<b>Profit from operations</b>	<b>186</b>	<b>(13)</b>	<b>173</b>	<b>577</b>	<b>(27)</b>	<b>550</b>
- Americas Beverages	157	(11)	146	553	(27)	526
- Australia Beverages	29	(2)	27	24	-	24
<b>Profit before financing and taxation</b>	<b>186</b>	<b>(13)</b>	<b>173</b>	<b>577</b>	<b>(27)</b>	<b>550</b>
Finance costs	(32)	(13)	(45)*	(92)	(2)	(94)
<b>Profit before taxation</b>	<b>154</b>	<b>(26)</b>	<b>128</b>	<b>485</b>	<b>(29)</b>	<b>456</b>
Taxation	(70)	7	(63)	(162)	10	(152)
Demerger and disposal costs	–	(104)	(104)	–	(40)	(40)
Tax on demerger costs	–	35	35	–	(6)	(6)
<b>Net (loss)/profit attributable to discontinued operations</b>	<b>84</b>	<b>(88)</b>	<b>(4)</b>	<b>323</b>	<b>(65)</b>	<b>258</b>

\* Includes £18 million of non-underlying financing fees associated with the demerger

(b) The major classes of assets and liabilities comprising the discontinued beverages operations are as follows:

	2008 Australia Beverages at 31 December 2008 £m	2008 Americas Beverages At demerger 7 May 2008 £m
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill and acquisition intangibles	19	2,927
Software intangibles	10	54
Property, plant & equipment	116	459
Investment in associates	-	7
Deferred tax assets	-	116
Trade and other receivables	-	49
	<b>145</b>	<b>3,612</b>
<b>Current Assets</b>		
Inventories	29	200
Trade and other receivables	93	339
Cash and cash equivalents	-	115
	<b>122</b>	<b>654</b>
<b>TOTAL ASSETS</b>	<b>267</b>	<b>4,266</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	(97)	(345)
Short term borrowings and overdrafts	-	(910)
Short term provisions	-	(10)
	<b>(97)</b>	<b>(1,265)</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	(3)
Retirement benefit obligation	-	(37)
Deferred tax liabilities	-	(754)
Long term provisions	-	(26)
Long term borrowings and obligations under finance leases	-	(1,084)
	<b>-</b>	<b>(1,904)</b>
<b>TOTAL LIABILITIES</b>	<b>(97)</b>	<b>(3,169)</b>
<b>NET ASSETS</b>	<b>170</b>	<b>1,097</b>

In addition, property, plant and equipment totalling £3 million were classified as assets held for sale at 31 December 2008.

(c) During the year, discontinued operations generated £33 million (2007: £424 million) of the Group's net operating cash flows, paid £240 million (2007: £175 million) in respect of investing activities and generated £133 million (2007: £nil) from financing activities.

## 10. ACQUISITIONS

### 2008

The Group made no acquisitions in 2008.

In 2008, the Group has recorded adjustments to the opening balance sheet of Intergum, a Turkish confectionery company acquired on 31 August 2007 for initial consideration of £192 million. These adjustments are principally a reduction in consideration of £22 million relating to the finalisation of the purchase price and a reduction of £13 million in net assets reflecting the finalisation of property, plant and equipment fair values, which have caused the goodwill on acquisition to decrease by £9 million. In addition, the group has recorded adjustments to the opening balance sheet of Kandia-Excelent which has increased goodwill by £1 million. The group also paid a further £6 million during 2008 relating to additional acquisition costs of businesses acquired in 2007, of which £3 million had been accrued in 2007.

### 2007

In 2007, the Group acquired confectionery businesses in Romania (Kandia-Excelent), Japan (Sansei Foods) and Turkey (Intergum). On 13 June 2007 the Group acquired 93.3% of Kandia-Excelent, with a further 2.4% subsequently acquired in November 2007, for a total of £60 million. Brand intangible assets of £26 million and provisional goodwill of £14 million were recognised. The initial acquisition of 96% of Sansei occurred on 19 July 2007 with the remaining minority interests being acquired by the 2007 year end, for a total consideration of £61 million. Intangible assets of £18 million and provisional goodwill of £34 million were recognised. On 31 August 2007 the Group acquired 100% of Intergum for £192 million, before assumed debt of £77 million including £32 million of borrowings related to factored receivables. Brand intangible assets of £71 million and provisional goodwill of £177 million were recognised.

In addition, Americas Beverages acquired a bottling company, South-East Atlantic Bottling Corporation, for £27 million in July 2007. Intangible assets of £11 million and provisional goodwill of £4 million have been recognised.

In 2007, adjustments to goodwill related to the finalisation of the purchase price allocation of the acquisitions made in 2006 totalled £28 million. These principally related to the finalisation of a deferred tax balance and a provision relating to historical litigation which was finalised within one year from acquisition.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
<b>Cost</b>				
<b>At 31 December 2007</b>	<b>732</b>	<b>2,578</b>	<b>283</b>	<b>3,593</b>
Exchange rate adjustments	74	256	45	375
Additions	7	51	417	475
Finalisation of fair value of acquisitions	(7)	(5)	-	(12)
Transfers on completion	93	249	(342)	-
Disposals	(9)	(87)	-	(96)
Demerger of Americas Beverages	(197)	(465)	(90)	(752)
Transfer to assets held for sale	(47)	(187)	(19)	(253)
<b>At 31 December 2008</b>	<b>646</b>	<b>2,390</b>	<b>294</b>	<b>3,330</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2007</b>	<b>(151)</b>	<b>(1,538)</b>	<b>-</b>	<b>(1,689)</b>
Exchange rate adjustments	(22)	(158)	-	(180)
Depreciation for the year	(19)	(175)	-	(194)
Disposals	3	64	-	67
Demerger of Americas Beverages	45	248	-	293
Transfers to assets held for sale	6	128	-	134
<b>At 31 December 2008</b>	<b>(138)</b>	<b>(1,431)</b>	<b>-</b>	<b>(1,569)</b>
<b>Carrying amount</b>				
At 31 December 2007	581	1,040	283	1,904
<b>At 31 December 2008</b>	<b>508</b>	<b>959</b>	<b>294</b>	<b>1,761</b>

The value of land not depreciated is £117 million (2007: £183 million).

## 12. SHARE CAPITAL AND RESERVES

### (a). Share capital of Cadbury plc

During the period from 1 January 2008 to 7 May 2008, 4,939,337 ordinary shares of 12.5p in Cadbury Schweppes plc previous parent company of the Group were allotted and issued upon the exercise of share options, with a nominal value of £0.6 million.

On 11 April shareholders in Cadbury Schweppes plc approved a special resolution allowing the company to issue one deferred share of 12.5p, and a scheme of arrangement whereby with the sanction of the High Court, the capital of the company was reduced from £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p to £135,744,028.625 divided into 1,085,952,228 ordinary shares of 12.5p each and one deferred share of 12.5p by cancelling all the issued ordinary shares. The same scheme of arrangement then increased the capital of the company back to £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p by authorising and issuing the same number of new ordinary shares of 12.5p each.

On 2 May 2008, a new holding company, Cadbury plc was inserted into the Group over the listed parent company, Cadbury Schweppes plc, and on that date the shares of Cadbury plc were admitted to listing on The London and New York Stock Exchanges (as ADRs in the case of New York), the shares and ADRs of Cadbury Schweppes plc being delisted at the same time.

In return for the cancellation of their holding of Cadbury Schweppes plc shares, shareholders received 64 ordinary 500p shares and 36 beverage 500p shares in Cadbury plc for every 100 ordinary shares previously held in Cadbury Schweppes plc. The beverage shares were then exchanged for shares in Dr Pepper Snapple Group, Inc at a ratio of three for one on 7 May 2008 when the Americas Beverages business was demerged, and the share capital of Cadbury plc reduced from £17,500,050,000 divided into 2,500,000,000 ordinary shares of 500p each, 1,000,000,000 beverage shares of 500p, 49,998 redeemable preference shares of £1 each and 2 deferred shares of £1 each, to £250,000,000 divided into 2,500,000,000 ordinary shares of 10p each.

The issued capital of Cadbury plc on 7 May 2008, after the reduction of capital, was £135,299,057.40 divided into 1,352,990,574 Ordinary shares of 10p each.

During the period from 7 May 2008 to 31 December 2008, 7,781,332 ordinary shares of 10p in Cadbury plc were allotted and issued upon the exercise of share options, with a nominal value of £0.8 million.

### (b) Movements on capital and reserves

	Share capital £m	Share capital beverages £m	Share redemption premium £m	Capital reserve £m	Demerger Reserve £m	Translation reserve £m	Acquisition revaluation reserve £m	Retained earnings £m	Total £m
<b>At 31 December 2007</b>	264	-	1,225	90	-	(139)	45	2,677	4,162
Currency translation differences (net of tax)	-	-	-	-	-	580	-	-	580
Unwind of acquisition revaluation reserve	-	-	-	-	-	-	(3)	3	-
Credit from share based payment and movement in own shares	-	-	-	-	-	-	-	24	24
Actuarial loss on defined benefit pension schemes (net of tax)	-	-	-	-	-	-	-	(291)	(291)
Shares issued – Cadbury Schweppes plc	1	-	19	-	-	-	-	-	20
Profit for the period attributable to equity holders of the parent	-	-	-	-	-	-	-	364	364
Dividends paid	-	-	-	-	-	-	-	(295)	(295)
Scheme of arrangement	6,765	3,805	-	-	(10,570)	-	-	-	-
Capital reduction	(6,630)	(3,805)	-	-	10,435	-	-	-	-
Elimination of Cadbury Schweppes plc reserves	(265)	-	(1,244)	(90)	1,641	-	(42)	-	-
Demerger of Americas Beverages	-	-	-	-	(1,097)	-	-	-	(1,097)
Transfer of shares in DPSG to other Investments	-	-	-	-	-	-	-	16	16
Shares issued – Cadbury plc	1	-	38	-	-	-	-	-	39
<b>At 31 December 2008</b>	<b>136</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>409</b>	<b>441</b>	<b>-</b>	<b>2,498</b>	<b>3,522</b>

### 13. NET DEBT

The Group's definition of net debt is shown below:

	2008 audited £m	2007 audited £m
Short term investments	247	2
Cash and cash equivalents	251	493
Short term borrowings and overdrafts	(1,189)	(2,562)
Obligations under finance leases	(1)	(21)
Borrowings – non current	(1,194)	(1,120)
Obligations under finance leases – non current	(1)	(11)
<b>Net debt</b>	<b>(1,887)</b>	<b>(3,219)</b>

### 14. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2008 audited £m	2007 Re-presented audited £m
Profit from operations – Continuing operations	388	278
Profit from operations – Discontinued operations	173	550
	<b>561</b>	<b>828</b>
Adjustments for:		
Depreciation, amortisation and impairment	244	290
Restructuring	71	82
Non-trading items	(2)	(2)
Post retirement benefits	(3)	5
Additional funding of past service pensions deficit	(30)	(48)
Share compensation taken to reserves	31	29
IAS 39 Adjustments	53	14
Other non cash items	3	14
<b>Operating cash flows before movements in working capital</b>	<b>928</b>	<b>1,212</b>
Increase in inventories	(32)	(61)
(Increase)/decrease in receivables	(40)	77
Increase in payables	2	3
Net movement in working capital	(70)	19
<b>Cash generated by operations</b>	<b>858</b>	<b>1,231</b>
Interest paid	(165)	(193)
Interest received	26	21
Demerger financing costs	(53)	-
Income taxes paid – excluding disposals	(153)	(235)
Income taxes paid – disposals	(44)	(12)
<b>Net cash inflow from operating activities</b>	<b>469</b>	<b>812</b>

## 15. RECONCILIATION OF FREE CASH FLOW

Free cash flow is defined as the amount of cash generated by the business after meeting all its obligations for interest, tax and minority dividends and after all capital investment excluding share sales or purchases by the Employee Trust. In 2008, financing costs paid relating to debt demerged were also excluded from free cash flow.

	2008	2007
	audited	audited
	£m	£m
<b>Net cash inflow from operating activities</b>	<b>469</b>	<b>812</b>
Add back:		
Additional funding of past service pensions deficit	30	48
Demerger financing costs	53	-
Income taxes paid on disposals	44	12
Less:		
Net capital expenditure	(482)	(352)
Net associate and minority dividends received	10	7
<b>Free cash flow</b>	<b>124</b>	<b>527</b>

## 16. POST BALANCE SHEET EVENTS

On 23 January 2009, the Group obtained committed credit facilities totalling £300 million. This facility expires at the earlier of the disposal of Australia Beverages or 28 February 2010.