

WORLD TELEVISION

Cadbury plc - Full Year Results 2008

Analyst Presentation Script - 25th February 2009

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Ad montage

Roger Carr, Chairman:

Good morning, ladies and gentlemen, and thank you for attending our preliminary results presentation.

As you can see from our announcement the performance of the company has been strong. Management have exceeded all of their goals in revenue, profit and margin growth in what, by any measure, has been a challenging period.

It is to their credit that in spite of increasing global turbulence, they have had the courage to stay with their commitments and the determination and skill to deliver their promises.

In summary - so far so good. We have done what we said we would do but there remains more to do - in conditions that are more challenging in both developing and emerging markets and where our forward growth plans now cycle strong like-for-likes of the recent past.

I would emphasise however that management remains committed to their task of mid-teen margin delivery by 2011 and retain an absolute focus on shareholder value.

In a few minutes, Todd will provide you with the highlights that have driven the operational performance, and Ken will review, for the last time, the detailed numbers. Todd will then return and share our thoughts of the outlook for 2009.

The presentation will last approximately 40 minutes to ensure we've got ample time for Q &A.

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Whilst the financial achievements in the year have been pleasing, for me it has been the tightening of the management grip and the quickening of the business pace under Todd's leadership that has been the most encouraging feature.

This lift in both tempo and resolve has served us well in the last 12 months, and speaks positively for the future prospects of the business.

Since we met last, as part of the Vision in Action programme, the team have delayed the organisation, materially reduced overheads, auctioned the Australian business and successfully introduced a new management structure - all without interrupting the day-to-day momentum of the business.

In balance sheet terms, they have reinforced the drive on working capital reduction, concluded a bond issue which - together with the anticipated proceeds of the Australian beverage sale - will secure the financing of the company through to 2013, thereby helping to underpin our commitment on dividend policy as evidenced by the 6% rise this year.

Ken will leave the company in March, having made a significant contribution to the transformation of the structure, profitability and financial health of the business, and we wish him well.

In his final weeks, he will be handing over to Andrew Bonfield, who joins us as a seasoned Finance Director with proven credentials and valuable large-scale global business experience. And I am confident that he and Todd have the personal chemistry and the balance of skills to build a strong working partnership for the future.

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The Board has also been refreshed with the addition of two new outstanding non-executive Directors - Sarah Hogg and Colin Day, who are already bringing helpful comment, advice and challenge to the Board discussion.

In the last six months I have had the opportunity to visit our operations in Australia, the Far East, South Africa, the United States and the United Kingdom.

Without exception, I have found management teams that are loyal, enthusiastic, talented and committed - reinvigorated by the changes that Todd has introduced, and determined under his leadership to meet and beat the targets to which they are committed.

Looking forward, 2009 is an important year for the company with major plant reconfiguration, product transfers and manpower reductions that will require dedicated management effort to effect seamless change.

Clearly, economic conditions remain turbulent and markets competitive. Whilst some commodities have softened, the price of cocoa has remained stubbornly high.

Like all businesses, therefore, we are not without challenge. Unlike many businesses, however, we benefit from a traditionally resilient product range, an enviable global footprint and strong growth market presence, sound cash flow and a healthy balance sheet.

In the months ahead, management will continue to build on these strengths, aggressively manage costs, sustain marketing spend and sharpen our competitive edge. Irrespective of

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economic conditions, delivery of both our performance commitments and shareholder value will remain at the top of our agenda.

I will now hand over to Todd

Todd Stitzer, CEO:

Thank you, Chairman, and good morning, ladies and gentlemen.

I am delighted to report today that 2008 was a record year for Cadbury's continuing confectionery businesses. We delivered a strong financial performance with revenue growth of 7% and underlying margin improvement of 150 basis points.

The separation of our somewhat lower margin Australian beverage business and the benefit of currency movements bring our reported margins to 11.9%. As a result, our reported earnings per share were up 30% or 16% at constant currency.

While delivering this strong performance, we also made significant progress toward becoming a pure-play total confectionery business.

In May, we completed the demerger of our US beverage business. More recently, we announced a conditional agreement to sell our Australian Beverages business to Asahi for £550m.

Finally, to underpin our commitment to deliver our goal of mid-teens margin by 2011, we took the significant step of simplifying our business model by removing a regional layer of our management in the fourth quarter.

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It's been a very busy five years since we acquired Adams in March of 2003.

Over that period Ken Hanna has been a dedicated team player and great partner to me. I'd like to echo the Chairman's words and take this opportunity to thank Ken - and I'd like you to thank Ken - for all his hard work by giving him a round of applause.

Applause

Andrew Bonfield will succeed Ken as our CFO when Ken steps down from the Board.

As the Chairman pointed out, Andrew joins us with a strong background as an international CFO, and I am certain he will make a strong contribution to the ongoing development of our business. Over the last couple of Andrew months I've had the chance to get to know Andrew; he's a great guy; he's a great finance leader and we're looking forward to his contribution. I'd like him to stand up for those who haven't known him. Welcome to Cadbury, Andrew. I'm sure these ladies and gentlemen will be looking to keep you very busy! So welcome.

Andrew Bonfield:

Thank you.

Todd Stitzer:

Our vision is to be the biggest and the best confectionery company, and while we have every reason to aspire to being the biggest in the long-term, we're going to focus on being the best in the short-term.

In this respect our Vision into Action business plan is at the heart of our strategy and has been the driver of our strong performance in 2008.

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Implementation of the VIA has started well, and we've made good progress delivering on our key priorities of Growth, Efficiency and Capabilities.

I'd like to take you through some examples of how our 2008 priorities have benefited performance.

I'll then hand over to Ken who will run through the results in a bit more detail. Afterwards, as the Chairman said, I'll return and share our priorities and our outlook for 2009.

First, growth: one of our key priorities has been to leverage our category focus to generate scale and simplicity. A good example of this has been the success of our South American business undertaking simultaneous multi-country campaigns to launch innovative new products in this business unit.

One of these was an improved range of Halls fruit flavoured candies which leveraged our science and technology insights and delivered strong growth. This product was launched across ten countries simultaneously - maximising impact, ensuring consistency across the business unit - and it generated incremental sales of £12m for Halls alone.

We have also achieved our growth priority of providing consumer preferred brands. In the UK our Wispa relaunch was a record with just a single SKU recording £25m of sales in only four months.

In the US & Canada, we continued to invest in our new Stride chewing gum brand and successfully defended recent strong market share gains. As a result, we built Stride into a

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recognised, consumer-preferred brand with over a 7% share of the US and Canadian gum markets, up from zero in early 2006.

With more innovation and creativity to come in 2009, we remain very positive about the position of our North American chewing gum business.

Our UK chocolate business also benefited from several Smart Variety initiatives to extend core product values. Creme Egg Twisted was a notable success, generating record sales for a Cadbury new product launch.

In addition, the Cadbury Dairy Milk Apricot Crumble and Cranberry & Granola, we talked to you about last October, have also demonstrated the value of well-tested product extensions, injecting energy and creativity into a strong, mature brand such as Cadbury.

We've also generated growth by strengthening our route-to-market capabilities in a number of markets. One example is worth sharing in a bit of detail.

Recognising the incremental value of increased sales coverage, our team in Mexico invested in more sales routes and more feet on the street in both traditional and modern trade channels there.

That investment strengthened our in-store presence, improved our sales networks and raised level of product availability without increasing stocks or credit. The net result raised our gum and mint market share to well over 80% and delivered strong growth for us on a new sort of product range in Mexico - lollypops.

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The overall result of effectively implementing our growth priorities has also been excellent. In a year where many markets saw some weakness toward the end of the year, we sustained revenue momentum and generated very good levels of growth.

Our chocolate, gum and candy categories grew 6%, 10% and 6% respectively, our focus brands grew 8%, our focus markets grew 8%, and our emerging markets grew 12% - clearly, a strong performance in a difficult economic climate.

Let me now turn to our efficiency priority which focuses on cost reduction and increased effectiveness from the supply chain right the way through to administrative and central costs.

When we launched our Vision into Action in June of 2007, we said we would generate benefits from central and SG&A cost savings in 2008 and 2009 and benefits from major supply chain reconfiguration initiatives in 2010 and 2011. As a result, the majority of our efficiency improvements in 2008 have come from reductions in central costs and SG&A expenses.

A good example of the savings we've generated are the projects we talked about at the half year in the Americas. Our business unit rationalisation there resulted in a 15% reduction in headcount across the Americas, reducing SG&A as a percentage of revenues by around 200 basis points.

At the same time, despite this rationalisation programme in the Americas, revenues grew 10% across the region, and in South America revenues were up in particular by 18%.

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We also started a wide range of projects across our business in 2008, to generate the supply chain savings which will improve margins in 2010 and 2011. We have shared some of these initiatives with you already, such as our programme to close our second largest chocolate factory in the UK, near Bristol, which is on track. We have already started to get products for the UK market out of our Wroclaw facility in Poland, and the construction of the new chocolate factory at Skarbimierz in Poland is well underway. Today the Milk Tray that you take as a product take-away was made in Poland.

We've also completed commissioning our new gum factory in Poland, also at Skarbimierz, and several new initiatives are underway to leverage the scale and efficiency of this new chewing gum plant.

Finally, we are making good progress with the reconfiguration of our chocolate and candy activities in Australia and New Zealand, which we announced in October. While these initiatives, and several others, will only provide modest benefits in 2009, smooth completion and execution of these initiatives is essential to our progress in 2010 and onwards.

Part of our Vision into Action plan is to improve margins and efficiency by rationalising under-performing products and SKUs. This has been a priority for a number of our businesses where complexity is high and our product margins have become too low. In 2008, about 10% of our SKUs were discontinued.

As we indicated at the outset of the VIA, over the life of our plan we expect to lose around 5% of our revenues and some volume, or roughly 1% per annum, from SKU rationalisation initiatives.

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So you can hear us continue to report on how we continue to reduce complexity by reducing SKUs.

Divesting non-core assets is also a key priority of the Vision into Action, and we were pleased to be able to announce in December that we'd signed a conditional agreement with Asahi to sell our beverage business in Australia for £550m, an EBITDA multiple of around 15 times.

This transaction will complete our transformation into a focused pure-play total confectionery business, underpin our strong financial position and improve our Group operating margin by around 30 basis points.

Taken together these efficiency initiatives have had a positive impact on our overall reported margins and reflect strong early progress on implementing our Vision into Action margin programme.

As pricing largely offset input price inflation in 2008, reported margins will have improved over 200 basis points from 2007, with almost all the benefits coming from our Vision into Action cost reduction programme. Remember the model is to increase price to recover increased input costs and deliver increased margins from delivering our cost reduction programmes. At the same time as doing all of this, we've sustained our investment in marketing, which increased by £50m in 2008, to a total of 10.8% of net revenues. So again, strong continued investment in science and technology and in marketing.

Ken will take you through our margin progress in more detail but this, in my view, is a very good start to our four-year goal of mid-teens margins by 2011.

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Let me turn briefly to capability. We set ourselves some clear priorities in 2007 as to how we would strengthen our competitive advantage across commercial skills, science and technology, processes and our ability to leverage our talent, diversity and culture of inclusiveness.

While it's early days, we have continued to see the benefits of our investments, particularly in the commercial capabilities and science and technology skills.

2009 will be a more significant year in terms of product innovation, but the strength of our creative talent in marketing has come through strongly in 2008. That creativity was recognised at the Cannes Film Festival where we won the Lion d'Or for best television advertising as represented by the famous Gorilla campaign.

We've made good progress on simplifying our business model. From January this year, we have eliminated the regional layer of our management structure. The seven business units now report directly to me, and their leaders - importantly - sit on the executive committee. So we can make decisions sitting around one table and get it executed quickly. The benefits of this change will be reduced costs, faster decision-making and improved in-market execution.

Sustainability is an oft talked about, but very important cornerstone of Cadbury's long-term success. Many of our products rely on fragile sourcing, particularly in chocolate. As a result, we place a great deal of emphasis on ethical and sustainable sourcing of our raw materials.

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I recently had the privilege of visiting our facilities in Ghana to meet the new President and many of our local suppliers. I also had the chance to visit community investment projects funded by the Cadbury Cocoa Partnership to understand the impact we have on the local economy.

We rely on hundreds of communities to consistently provide us with the finest cocoa beans. It was really satisfying to see the positive impact our programmes were making on these communities. Our continued support of farmers and cocoa growing communities in Ghana will remain a top priority - it's crucial to the quality of our product and the sustainability of our supply chain.

In addition, we have also made good progress lowering our environmental impact, and I would encourage you all to review our CSR report online.

Finally, we have sustained our investments in promoting responsible consumption, with our "be treatwise" initiative.

From a personal perspective, I have been proud of the commitment and focus of our teams as they've sought to implement our sustainability plans at the same time as they've seriously increased our operating performance. Performance driven is crucial to be values led, and our team truly understand that.

Let me turn now to some of the over- and under-performers for the year, as I end. India, South Africa and South America have all delivered excellent growth - near double digit or over double-digit growth, with India and South Africa, in particular, generating excellent market share gains.

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The UK has continued its recovery from a difficult 2006 with a strong performance and significant market share recovery. And, in the US our business has sustained a very strong position, despite protracted attempts by our largest competitor to regain market share.

Although our business in Russia made a good improvement to underlying profitability in 2008, we were disappointed by the route-to-market changes which didn't meet expectations. As a result we've made further adjustments which will need a bit of time to bed down. Given prevailing economic conditions in Russia, we expect 2009 to be a more challenging year there for the team.

Overall however, a very strong year, with the vast majority of Cadbury's businesses doing well, strengthening their positions and achieving or over-achieving their plans.

Alongside the improvements we've made in revenues, market share and margin, we've grown dividends by 6%, maintained an efficient yet strong balance sheet and we've improved our Return on Invested Capital by over 100 basis points.

So to summarise, we have delivered a strong result and achieved all of our Vision into Action performance scorecard objectives in 2008.

I'm now going to hand you over to Ken, who will take you through the results in a little bit more detail,

Ken Hanna, CFO:

Thanks, Todd, and good morning everyone. This morning I'd like to talk to you about how we have delivered on our financial

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commitments in 2008 and how we have positioned ourselves to continue that progress into 2009.

As Todd mentioned, we announced the agreement to sell our Australia Beverage business for around 15 times EBITDA, and that business is now treated as discontinued in these results, along with the Americas Beverage business de-merged earlier in the year.

This will be the last results presentation using our four regions, and for 2009, we will be presenting the business based on the seven business unit structure that we announced in October. At the back of your packs you will find slides setting out the re-presented figures for 2008 for the seven business units.

Let's take a quick run through our income statement, and looking only at continuing businesses. As you've read this morning, base business revenues grew 7%, 6% on a constant-currency basis after M&A.

Underlying profit growth was 22%.

Margins are up 150 basis points, that is 190 basis points in the first half and around 110 basis points in the second half.

Financing costs increased as we expected, largely due to the higher average debt levels - largely due to the acquisitions we made in the second half of 2007 - and an increase in interest rates by around 100 basis points, compared to 2007. I have put more detail on the financing costs in the supplementary schedules. All in all, a strong set of results in the first year of our Vision into Action business plan.

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Our 7% like-for-like revenue growth continues the trend we established over the five years since we acquired Adams. You will note that despite the economic challenges in the second half of 2008, we still managed a good revenue performance.

Now I would like to run through briefly our revenue performance by region.

BIMA delivered revenue growth of 6%, and that increase reflects a strong second half from the UK and continued strength in the African emerging markets.

In the UK the business benefited from new product innovations and re-focused marketing. For example in 2008, we spent 60 percent more supporting Cadbury Dairy Milk than we did in 2006. That helped us increase our UK market share by 50 basis points to nearly 30%.

In Europe the picture was a little more mixed as the tough trading conditions that I talked about at the half year for France and Spain worsened slightly in the second half.

However, after a disappointing 2007, our business in Turkey performed a lot better and we successfully integrated the Intergum and the Kent sales teams.

As Todd mentioned, the environment in Russia was challenging, although the business did manage to improve its profit performance compared to 2007.

Despite these mixed trends, our European region increased revenues by 4% and gained share in a number of its key markets.

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Americas had another good year, with revenues up 10%.

Performance from our gum category was again good, despite increased competition, and we maintained our share.

In Candy, Halls, Sour Patch Kids and Swedish Fish all performed well.

Asia Pacific region delivered growth of 6%. Emerging markets delivered great results, offsetting some weakness in Australia.

In total, emerging markets contributed 60% of our revenue growth last year, and they now represent 37% of our total business.

Our strong performance in emerging markets continues the trend we established over recent years. Our five-year CAGR of 12% is well ahead of the emerging market growth of around 10%, and represents consistent outperformance. We do have an excellent geographic spread of emerging markets.

Turning now to look at price, volume, mix. You can see that price and mix improvements were the most significant contributor to our revenue growth, and this is a similar picture to the one we showed at our interim results.

As well as increasing headline prices, we have reformatted and repackaged some of our chocolate product lines, made some changes to our portfolio, and - as you heard from Todd - rationalised around 10% of our SKUs. As a result, the 1% volume growth somewhat understates our performance. For

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example, our core focus brands - that make up around 50% of our revenues - volumes are up 3%.

We also introduced size reductions in some chocolate products in order to increase price realisation, and this has had some impact on our volume - although in most cases the number of units that we sold actually increased.

In June 2007, we announced our target of achieving mid-teens margins by 2011, and today's results represent a good step towards that objective. We did say that performance would not be linear over the four years, but we were aiming for a fast start and I believe we have delivered against that objective with today's results.

Todd will share with you some of the things we are doing to make further progress in '09, but first I would like to take you through the main drivers of 2008 performance.

Firstly an overview showing the progression of 210 basis points from the reported numbers of 2007. You will notice that the re-presented 2007 base line margin is now 10.1%, reflecting the 30 basis points uplift after adjusting for the lower margin Australia Beverage business.

As you can see on this next slide, we've made progress on all the levers we highlighted back in June '07. The biggest benefits came from the SG&A programmes in the Americas and Britain & Ireland, and from central costs. We implemented several of these actions part way through the year, so you should expect to see some incremental savings continue into 2009. Benefits of the large supply chain reconfiguration projects should start to

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come through in 2010. What you see here reflects supply chain efficiencies and mix benefits.

The margin progress we made in 2008 was despite investing a further 40 basis points in marketing. Looking ahead, with stronger category management, an increased focus on core brands, and media deflation, we are aiming to drive even more efficiencies from our marketing spend in 2009.

Let's quickly look at the contribution from each region in 2008. BIMA made a good contribution led by impressive improvements in the performance of the UK business. The turn-around of Nigeria to profitability also helped, and BIMA's margins improved by over 100 basis points.

After a difficult first half, Europe had a better end to the year. Benefits have come from changes to the management structure, pricing and portfolio rationalisation.

The Americas region delivered an improvement of 180 basis points. SG&A savings, reduced regional costs in South America and some operational leverage all contributed to another excellent year.

The Asia Pacific region delivered a modest improvement in profit, although margins declined. Emerging market performance in the region was good and on track, but in Australia, our chocolate business had a more challenging second half. Weaker consumer markets made it difficult to get pricing away to recover cost increases. At the same time the management was working on separating the confectionery and beverage activities.

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Our three underperforming markets reported a modest profit in total for the year despite costs relating to the product recall in China. As mentioned already, Russia had some route-to-market headwinds, but still made progress and was profitable.

Nigeria continued to improve, and we have completed phase one of the turn-around. That included delisting poorly performing SKUs and getting inventory in the market back to normalised levels. The next step is to bring the cost-base into line, and we are currently undertaking consultation on a substantial headcount reduction of around 300 employees.

In 2008 our raw material and other input costs increased by around 6%. We managed to offset input cost inflation with a successful price realisation strategy.

For 2009, we are maintaining the guidance of a 6 to 8% increase in input costs. Whilst we have seen a softening in the general basket of non-cocoa commodities, this has been offset by the weakness of sterling and some South American currencies against the dollar. As I'm sure you have noted, a few weeks ago cocoa was over £2,000 a tonne - that was a 23-year high. However prices have recently dropped by around 15%.

In summary, we believe that through a combination of hedging and price increases already implemented, we will offset 2009 input cost inflation.

Earnings per share increased by 30% on a reported basis and 16% on a constant currency basis. Our base business growth was 20%, and foreign currency added 14% and should also benefit 2009 as well.

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We have maintained a tight control over our finances in 2008, paying particular attention to working capital. This along with the absolute profit increase has generated - as you heard from Todd - a substantial increase in return on invested capital.

Whilst adverse moves in foreign exchange resulted in a year-end net debt position a little higher than we anticipated, our multiples have improved, and they will improve further as you can see when we receive the proceeds from the Australia Beverages disposal.

In June 2009, we have a 600-Euro bond maturing which will be repaid using the proceeds from the Australia Beverages disposal.

We have a good and secure profile of debt maturity.

As you all know, while base rates may have fallen the actual cost of debt has not really fallen. Our interest costs actually trended higher in 2008. That said, we do have some opportunities to improve our cost of debt and currently expect our effective interest rate in 2009 to be around 6%.

Turning finally to some additional guidance, I am only going to highlight two areas on this slide.

Foreign exchange has been a translation benefit in 2008. Although it's early in 2009 to give guidance, based on current exchange rates, versus 2008 average, we could expect a further 9% benefit to revenues and 13% to operating profits, and in theory this would give another 30 basis points of margin improvement - again, too early to be sure about that, but that's an indication.

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Secondly, as a result of the fall in equity values and a decrease in our expected asset returns, we now expect our non-cash post retirement benefit to be a charge of £6 million in 2009 compared to a credit of £27 million in 2008. This is a swing of around £33m which will have an underlying EPS impact of about 5%.

Overall, despite a deteriorating economic environment and the significant effort involved in the creation of a pure play confectionery company we have delivered a fast start to our margin objectives. We have also positioned the Group to make good progress in 2009.

On a personal note - this is my last results presentation as CFO of Cadbury, and it is particularly pleasing to step down, after five years, on the back of a good start to our VIA programme. I wish Andrew every success in his new role. He comes to the job with excellent experience, and I am convinced he will fit in well to the team and continue the journey to mid-teens margins. Going forward I will be a very supportive and interested investor.

Now, I'd like to hand you back to Todd who will talk about the strategy and outlook for the year. Thank you.

Todd Stitzer:

Thanks, Ken. Just before I get started, there are two other CEC colleagues here who are on our leadership team - Marcos Grasso, President of our South American BU - Marcos, why don't you say hello to people. Marcos joined the Executive Team in October, and leads a very vibrant part of our business.

Mark Reckitt's the Head of Strategy and Acting Head of Commercial. Mark's been on the team for a while, but these are

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two great people, indicative of the kind of quality of leadership that we have working on the Executive.

Gazing into the proverbial crystal ball is always a challenge. Attempting to call 2009 at this point in the year is probably a mission impossible, but let me share our thoughts and observations and I'm sure we'll have a continuing dialogue as the year develops.

2008 was a very good year for Cadbury, but we all know that the economic environment has changed dramatically. As you can see from this chart, the rate of confectionery market growth has eased in the last six months, with emerging markets holding up better than developed markets.

While this is still comfortably above the expected GDP growth for the same economies, we know that we're going to have to work harder in 2009 to deliver good levels of revenue growth. And that's particularly true as we must defend the price increases we've taken to ensure or to recover our cost inflation and as we cycle really good 2008 results.

We've always maintained that there are good reasons to be positive about the ability of our category to out-perform most consumer segments, and why our category business model will out-perform the category.

So let me review four of these reasons and give you a sense of why we remain confident and realistic about 2009.

First, both the confectionery category and Cadbury should continue to benefit from a high degree of brand preference, low

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penetration of own-label products, and the small cash ring, 'affordable treat' nature of our products.

Second, our chocolate and candy products, with their strong family sharing heritage, will show increased resilience from an emerging stay-at-home culture.

Third, we continue to trade through a diverse route-to-market that gives us access to multiple channels. We're better placed than many consumer segments which are dependent on a consolidating modern trade. That access provides additional resilience, particularly in countries where our route-to-market is strongest, like Brazil, Mexico, India or indeed, the UK.

Fourth, we should also continue to benefit from our balanced exposure to emerging markets where we now have almost 40% of our turnover. We'll also benefit from the opportunities in those markets to leverage our total confectionery offering.

These four factors from our perspective continue to underpin the relative strength of our business model. As a result, our Vision into Action priorities for 2009 are largely unchanged, but their in-market implementation will vary somewhat given the relative strength of our businesses there. For example, in our chocolate business our focus in 2009 will be continuing the turnaround of our performance in the UK and Ireland, and in addition, we'll build on our recent strong growth in India and South Africa, by strengthening our route-to-market networks and introducing new innovations to help drive market growth in those markets.

In developed markets, such as Australia, Canada and New Zealand for chocolate - where delivering growth has been a bit more challenging, we will maximise the opportunities to create

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supply chain efficiencies and we'll reinvigorate our product, packaging and marketing strategies - particularly in Australia - to stay ahead of our peers.

For our gum business the focus will be on maximising the benefit from our innovation investment, which - as you've seen over the last four or five years - has been significant. We'll reinforce our successful product launches with marketing investment and strengthen the market positions of our consumer preferred brands, such as Trident - which grew, if you recall, in 2008 by 11% - Hollywood, Stride and Clorets.

2009 will be an important year for product innovation in gum. We expect to bring some very innovative new products to market later in the year.

For candy, the challenge in 2009 will be sustaining the global development of our focused brands - Halls, The Natural Confectionery Co. and Eclairs. At the same time, the strong local brands in our portfolio will aim to leverage their innovation around the Group via Smart Variety.

Outside, where you had coffee, you will have seen a wide variety of strong local brands where the underpinning technologies have been transferred between markets to leverage into other new markets.

We'll now be able to benefit from the investment we have been making in developing a strong category-led function. With our simplified organisation, our new category teams will directly help local teams speed up in-market innovation programmes.

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It is this spread and balance of categories, countries and brands which gives us great opportunities to deliver consistent growth, across the total confectionery model.

Alongside category-led growth, 2009 will also be an important year of progress on our core cost saving and efficiency programmes.

Central and regional costs will be lower, as you heard from Ken, reflecting the incremental benefits of the programmes we started in late 2007 and early 2008.

In addition, there will be further SG&A cost savings, from the regional de-layering we implemented in late 2008, and those cost savings will flow from the very beginning of the year.

At this early stage - as I said at the outset - benefits from supply chain projects will be modest. The main focus will be on making sure we implement these reconfiguration programmes effectively in 2009 to achieve the maximum benefits in '10 and '11.

Now it goes without saying that we are very conscious of the weaker economic environment and the headwind that this uncertain climate creates for us as we work to deliver our scorecard in 2009. As a result, we will also be concentrating on managing our own cost inflation pressures.

For example across the Group, our senior management and I are taking a pay freeze in 2009. We are managing our discretionary costs as tightly as possible, but without compromising service or growth opportunities.

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As a result of our Vision into Action programme and the focus we'll apply to costs in 2009, we will generate benefits from self-help that should help us overcome the impact of adverse market conditions and make good progress toward our mid-teens margin goal.

Our growth agenda depends on how effective we are at bringing our new products and innovations successfully to market. Our new simplified business model will make that easier. At the same time, we will continue to look at how we can further streamline our processes and reduce costs by building on our successful outsourcing partnerships.

So to conclude - 2008 was a record year for our confectionery business. We delivered good growth and a strong improvement in operating margin.

Our transformation is nearly complete. We have left 2008 with a strong balance sheet and secure long-term financing.

Our business model has continued to develop with a stronger focus on category leadership and a simplified, efficient decision making structure which will help us grow faster and manage costs more tightly.

2008 has demonstrated the resilience of our focused total confectionery model. That said, we don't expect to be immune from the impact of macroeconomic weakness. So, we are taking steps to mitigate the impact of weaker consumer demand, through focused cost management and ensuring the expected benefits of our Vision into Action plan come through in 2009.

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As a result, at this early stage in the year, we expect revenue growth to be around the bottom end of our 4-6% goal range. We also expect to make good progress toward our mid-teens margin goal by 2011.

If you asked me to characterise our attitude towards 2009, it would be confident realism.

One final thought about 2009. According to the Chinese calendar, 2009 is the Year of the Ox. The Chinese character for the Ox means 'prosperity through fortitude and hard work'.

Over the past five years I have been privileged to lead a passionate team who have consistently displayed fortitude and hard work as they have transformed Cadbury plc.

Although 2009 will present some daunting challenges, I am confident that the team will display these important characteristics again, along with the continued creativity that brought this recent addition to our series of 'Glass and a Half Productions' more hits on YouTube than the famous Gorilla.

Ad plays

Roger Carr:

Thank you very much for your attention. We'll now go to the Q&A. Just as before, we're going to take some questions, if they're asked, through the webcast, so I'll be looking out for those. But first in the hall, and if could just sort of introduce yourselves, name and the house, it would be really good. So start there, please. Thanks.

Martin Deboo,

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Investec:

First of all congratulations on a very strong set of results. Looking ahead, in my view the number one issue that is going to determine the next three years is whether Mars and Wrigley works or doesn't work as a combination and that is a big influencing factor on your destiny. I suppose given it is early days the question has to be what are you seeing out there, in terms of is anything changing? Are you seeing changes in investment levels from them in specific areas or the world? Are you seeing change tactics in terms of route to market or promotions? Are you seeing new product launches? What are the early signs of what we think they are up to?

Todd Stitzer:

Well I think I've said this before, the combination was effective as of October. So, in essence for 2008 you're seeing Mars and Wrigley act separately because the plans they would have done would have been in early / mid 2007. And for most of 2009 you will see basically Mars and Wrigley plans because they will have done their planning, their commercial planning for 2009 as separate companies.

I would have to say we're not seeing a significant amount of either combined sales forces, combined promotions. We have some evidence in some of the more developed markets that presentations have been made with both teams, we have not seen an up tick in marketing spend or trade spend. However, Mars and Wrigley are pretty effective and tough competitors on their own. So to see an increase I think would be probably unusual. I would say they are still trying to get their act together. You will have read the public comments on various happenings in Chicago and other parts of their world. And so I wouldn't want to comment on those things.

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I think from a Cadbury perspective just as we did following Adams we gathered ourselves together quite quickly after the announcement of the transaction in April to define our own strategy, we don't have to worry about integration so we intend to focus very much on executing in the marketplace and taking advantage of whatever opportunities there are in the context of the coming together of those two organisations.

So I think from a market share perspective, certainly in 2008 in many markets where we compete head to head with either of the two companies we've grown market share. The UK, France, Spain would be examples of that. We've held in the US. Mexico would be an example where we gained share on gum. So again I think for us it is stay focussed, do what you do well, be mindful of a tough competitor and keep your eyes and ears open.

Roger Carr:

No complacency.

Polly Barclay,
Cazenove:

Just on the '09 outlook, can you just talk through the building blocks that get you to the bottom end of the 4 to 6% guidance, particularly in the light of the price increases which I thought we were expecting in chocolate and how you see price and volume playing out?

And secondly, just on the margin guidance as well, can you define good progress, maybe in the context of consensus? Are you happy with consensus, up 70 / 80 basis points?

Todd Stitzer:

Let me take the second one first. We are - I would say we would define good at this early stage in the year as consensus

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for margin. I mean I think it is 70 to 80 basis points, I think that is a good start at this early stage in the year.

As it relates to revenue, I think one, we're all aware of the world out there. We are cycling a strong beginning to 2008. A number of our innovations will happen later in the year. And I think there has been some trade destocking in some big developed markets, particularly the United States. So I think our perspective is that we'll have a little bit of a slower start to the year but we'll hit our stride with innovation as it comes on stream towards the beginning of the second half and the second half. Ken do you have anything?

Ken Hanna: I'd just say it's too early in the year to speculate on volume. We're aware of the price/volume equation and we're just watching it very, very carefully.

Todd Stitzer: And I think just to be absolutely clear on the price increases and they relate to cocoa, do you want to go through that again?

Ken Hanna: Yes, I think that's right. If you listened carefully I did say that we've implemented price increases to cover our anticipated input cost pressure. It is commercially sensitive and we don't discuss all of our hedging policies, but if cocoa stays high and it is not as high as it was two weeks ago, the industry will have to look at pricing - I would say modest pricing for 2010.

Todd Stitzer: But not for 2009.

Ken Hanna: Unlikely for 2009, that is correct.

Jon Cox,

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Kepler:

Just on the SG&A savings this year, I wonder if you could just talk us through the mix between - you're talking about deflation in media and we've heard figures from other companies talking about maybe a 10 to 15% decline in media or multi decade lows in terms of advertising. And I wonder then if you get the savings on say the media side, will you actually, I know you're talking about maybe price increases, but will you offset that with trade spend or trade initiatives? That's my first question.

The second question, just to come back to the consolidation of the industry, do you think there is more consolidation to come potentially in view of the big deal between Wrigley and Mars. I mean just wondering what your thoughts are on any M&A activity, or is the focus at the moment really on the turnaround plan? Or do you think there could still be the odd bolt on deal there in the future? Thank you.

Todd Stitzer:

Do you want to take the first one?

Ken Hanna:

I think again we're signalling the fact the media deflation varies from around the world. It is from low signal digits to teens that we're seeing in various markets. But we're aggressively pushing for that and getting more GRPs, more bang for our buck in terms of the media spend. So that, just to be clear that is not in SG&A that is media. I think we're signalling we're unlikely to go and spend another 50 million increase in marketing in 2009 if there is media deflation. So that's the signal that we're working hard on that. And it is the same signal that we gave in October.

Todd Stitzer:

Yeah I would also say, I mean I said that we were looking to increase our investment in marketing on an absolute basis in 2009. I think 2009 will be a year of strategy and tactics in marketing, shifting perhaps the benefits of media deflation into

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television advertising, but also into internet advertising, also into consumer promotion and trade spend. I think we need to be smart in this environment about how we go to market. And I think you know all of our competitors will be doing that, we'll certainly be thinking about it and doing it. We want to invest more but we may do that entirely differently to meet the market conditions that we see.

As it relates to consolidation, I think I've shared this perspective with you before, but if you take a 25 year view of the confectionary industry. In the early '90s Nestlé bought Rowntree, in mid '90s Philip Morris bought Jacobs Souchard, in the early 2000s we bought Adams, in the sort of mid 2000s Mars bought Wrigley. So about every five to seven years one of these giant transactions happens. I don't think it begets serial giant transactions. I think in the current environment people have having a difficult time getting financing and doing the kinds of transactions that would be imagined in this sort of cataclysm of consolidation. And frankly we've made a commitment to deliver increased organic revenue growth and margin growth and we're very focussed on that.

I think we're good at M&A when it suits; right now we're focussed on organic growth and margin delivery. And so I think that's what you should expect from us. We've done - we did a few bolt ons in '07, we've integrated them in '08, we're still getting the benefits out of them in '09 and '10. We're not asleep at the switch and we'll be keeping our eyes open but we're going to be very focussed on delivering our Vision into Action plan which is not about acquisitions.

Alex Molloy,

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- Credit Suisse: On volumes and margins could you please give us an idea to what extent your margin targets are sensitive to volume growth, thanks?
- Todd Stitzer: Well we can both comment on that. I think we'd have to suffer a pretty significant volume decline before we failed to meet our margin targets. So Ken?
- Ken Hanna: Well I think that the words in your presentation Todd right at the end where Todd used the words, self-help, the programmes that we've got in place, the run rate savings that will accrue in '09 from the cost reductions we took in '08 will deliver our margins now. I would concur with Todd, if volumes collapsed beyond anything that we can see it clearly is more difficult because you have a huge under recovery issue. But we're not seeing that at the moment and we don't expect to see that.
- Bob Waldschmidt,
Goldman Sachs: Mr Carr, you've had a chance to travel around and see the operations now. Earlier in your introductory remarks when you joined the group you commented about the opportunities for potential further savings or opportunities. Now I'm not asking you to put a point on the margins given that we're in the mid teens here, but can you elaborate perhaps on what you've discovered to date and where that might be and how great that could be? Thank you.
- Roger Carr: The exposure I've had to the group really has been - I'm in a very interesting period. I think the very positive things are - Todd has already initiated a number of the material changes that one would have seen as fundamental to the step change that the company is now delivering. And the removal of the regional layer I think was a very important step in liberating the rest of the

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management of this group and accelerating the pace and performance of the business. And that has been done extremely well.

Now in giving the people who are running the business units, you know their sort of head and authority in running the business units effectively, that in itself has stimulated people who are working at the coalface of the business making adjustments, changes, constantly looking for efficiency improvements in an effective way. And I think that is going to be the sort of pace of the business that we're now going to see going forward. And I think that's the healthy piece. That there are not huge areas of cost that have simply lain fallow and nobody has tackled before. That is not the position of the group.

I think the liberation of management is key and then having given them the opportunity, supporting them and encouraging them to do more of the same. And that is the momentum that we're seeing.

Todd Stitzer:

Absolutely and again I indicated in my remarks that the management team, as a team decided that they would not have a salary increase in 2009 and they are very focussed on transmitting that down the line in their regions so that people are sensitive to the environment we're in and their commitment to delivering the goals. And they are taking the kinds of actions you would expect as managers and leaders all the way down to make sure that they are as tight as they can be on their cost management profile.

Sara Welford,
Bank America/Merrill Lynch:

Two questions, first of all going back to the sort of price volume, you had 1% volume for 2008, how low would you see the

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volumes go before you take action in terms of more promotion, etc? And secondly going back to what Todd said about destocking. So you think you've broadly seen the end of destocking, or do you think there is more to come, thanks?

Ken Hanna:

I think it is really very hypothetical to say how low would volume go before we do something with trade spend, I presume your question was. It is dynamic; each country has to manage their own relationships. Remember, we've got about 60% of our business or about 50/50 goes through the impulse trade and the other 50% goes through the large retailers. It is very dynamic. We'll just have to watch it and see how things go. We've not seen, remember, we reported 1% volume in the first half of 2008 and we're reporting 1% volume for the full year. So our volumes haven't fallen off a cliff in the second half of 2008, we're relatively robust, but 2009 it has to be very dynamic.

So I don't think we can give you a number, we'll just have to watch it. And I'd say that lots of our customers have January year ends, lots of the retailers. I think everyone is watching their working capital. I think everyone is watching their bank covenants. So there is destocking but I don't think there is a huge amount further to come. I think people destocked toward the end of 2008 and have continued to destock a little.

Todd Stitzer:

Yeah, certainly in January ahead of their close.

Ken Hanna:

In January ahead of their close it is not - I don't think it's huge, we track, we know on the major markets how many days of inventory are in the market and we don't think there is a huge amount still to go.

Pablo Zuanic,

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JP Morgan:

A couple of questions, just on the pricing front very quickly there, you made it clear that you've taken the pricing you need for 2009 based on your cost visibility which seems to be pretty good for '09. But are they really sticking, I mean are those prices, is the competition following them, is Wrigley following gum in the US? What is happening with your competitors in chocolate in other parts of the world? Would you say that it is a very promotional market right now on the pricing front or do you see little risk in that regard? That is on the pricing front.

The second question when you think of all the strategies, of cross selling products and using your platforms, you know gum in the UK all right you have achieved 10% market share but it is still a small part of your business in the UK. What are the opportunities that are left in the near term, the one or two year view? For example you are very strong in gum in Latin America, could you launch chocolate there where my understanding is chocolate remains fragmented in some of the markets where you are very dominant in gum. How big an opportunity is that and is that relevant?

And the last question when I see the breakdown of your margins by division I'm somewhat surprised about the margins, in the Americas we knew they were the highest, 19%, but I'm surprised that North American margins and South American margins are the same. I had expected South American margins to be much higher given your dominant market shares there in gum. So I'm just wondering about the sustainability of those margins especially in North America. Or if you can give some colour, I know the North American number I believe includes Mexico; you know how big is Mexico in that piece. You have 80% market share there, your margins are probably higher, just some concern about the margins in the US?

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Todd Stitzer: We'll try to answer some of those. On pricing for 2009 how is it going? Have our competitors followed? They absolutely have followed in almost every major market in chocolate and in gum, yes Ken?

Ken Hanna: Yeah absolutely.

Todd Stitzer: I mean there are very few - in a very few small markets there may be an outlier where local competition drives some actions. But by and large our major global competitors have moved with us. And for the anti trust lawyers in the room that's not any sort of - you know we've all sort of been driven by increased costs to raise our prices. And that - I mean that is just the fact. There is no real disparity in people not doing that.

Is it more promotional? I don't think so. I mean we - there is certainly a healthy level of promotion, but frankly it's not unusual in the market place. I mean 50 to 60% of most confectionary is sold on deal in grocery stores and that's roughly about what it is. At seasonal times it shifts a little bit, but I think we're - so that I hope responds to the pricing.

On cross selling we consistently say that the total confectionary model offers us opportunities to sell our portfolio where we have strong distribution systems. You know in India, which is one of the examples you didn't talk about, we have launched bubblegum we have a 10 or 15% share of bubblegum in India. You know we think there is an opportunity for gum in India. It is a fragmented market, a nascent market there. We think that there are opportunities in Latin American markets for chocolate but they need to be populated by us with products that are unique for consumers in that market. They need to be driven by

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consumer insight to be different not 'me too's of what's there because we'll spend a lot of marketing money and we'll be not particularly efficient.

In the UK we have offered the UK consumer flavoured gum. We have 60% of the flavoured gum sub-category in the UK. The mint category is ten times bigger so we're trying to manage that dynamic.

So I think investing in cross selling can cost a lot of money and in this environment we'll be increasingly judicious about how we take advantage of those opportunities. But they remain opportunities that are unique to Cadbury and its platform.

The final question, margins, why is North America like South America? Mexico is in North America, you know we have good margins in Mexico. We have good margins in South America. We have good margins in North America. We had terrible margins in Brazil in 2003 and Marcos's leadership of the Brazilian environment has increased those margins remarkably. If you recall when we bought Adams - the Adams business in the Americas had a 12% margin; it now has a close to 20% margin which is part of the remarkable story of a great team of people in the Americas delivering on that.

Are they sustainable? You know we consistently compete on innovation and marketing. We're not seeking to compete on price alone. We think that our margins are sustainable. We think that our category, the gum category in particular is a unique category that survives and thrives on marketing and innovation and not price reduction.

Julian Hardwick,

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- RBS: Can I just come back on the pricing picture for '09? I mean given that you've taken the pricing you need for input costs, presumably you can tell us what sort of pricing you are now anticipating for '09 across your business? And I'm particularly interested to know how much you think chocolate is going to be going up across your portfolio. And have you also taken account of devaluation impacts in emerging markets, i.e. have you priced up for that so far or is that something that you still need to do as currency movements unfold?
- Todd Stitzer: Ken do you want to handle that one?
- Ken Hanna: Sure I'll take the second one because I think that's very relevant. I put for the first time currencies on our input cost chart today reflecting the devaluation impacts. The answer is yes; we've taken that into consideration in our pricing. Clearly you would expect us to have done some element of hedging. Unlikely, who knows, but unlikely to be any surprises so we think we're covered for the devaluation impacts of currency on transaction costs, which is a feature I'm sure you're seeing throughout the companies you follow.
- It varies in terms of pricing by market. In some markets our pricing has been in double digits. In some markets our pricing has been a combination of single digits and size reductions. In some countries - in Africa it's been 14/15% required price increases. In some countries such as the UK it's been in high single digits. So there's a mixed benefit. Also that's why we are reluctant to give a figure saying it's x% price, because a lot depends on the country mix and a lot depends on the outlet mix - how much is discounting retailers, how much is impulse channel.

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But it's not far off the number that we indicated of headline prices back in October/November and our December update. And Todd mentioned the figure of 6 to 7% was what we were aiming for as a total, whether we've got that everywhere we'll have to wait and see.

Julian Hardwick,
RBS:

It's clearly - built into your guidance is an expectation that volumes are going to be down across the group?

Ken Hanna:

Technically if you say it's 6/7% and that's your number, technically at the lower end of the goal range volumes would be down a bit. That's not necessarily a prediction at this stage because it all depends on mix.

Alex Smith,
Nomura:

If I can just go back to pricing again. You say your competition has followed across your categories and followed your price increases, could you comment a little on substitutable products or categories? Is there a risk that there might be a move in the consumer from chocolate to crisps or something in the UK for example?

And then I just had a follow up on the margin. The discrepancy between constant currency and reported margins is that purely translation or is there some transaction impact in there as well?

Ken Hanna:

That is purely translation, 30 basis points, purely translation.

Todd Stitzer:

As it relates to substitutability we have pretty unique product forms. When people want a bar of chocolate they tend not to want a bag of crisps. So I think we've said this, but I'll say it again, in the UK private label is 6 to 7% of the confectionary

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market. So it doesn't have a high private label quotient in it. They are unique, they are branded, people are in a difficult time looking for familiarity so we have the brands that people are familiar with that they want to reach out for in a time that they want to comfort themselves.

We haven't seen a lot of substitutability. I would say the one thing we have seen is in the gum category, because consumers are making less trips to impulse oriented places like airport kiosks and convenience stores that the gum business has been a bit affected by the consumers stay at home perspective. And I think you've read about that in other comments so that's nothing new.

I think chocolate on the other hand and candy have actually benefited from the stay at home factor. People go to the grocery store and they buy in things that their family can share and have a comforting and good time with each other. So again we don't see that the substitutability issue or the down trading issue affecting us for now.

Michael Steib,
Morgan Stanley:

Can I ask you a question relating to the costs associated with achieving the savings and the margin improvement? You're guiding I think for 2009 to £150 million in restructuring charges. If we add that to the spend to date, essentially I guess you're very close now to the 450 million that you laid out two years ago in cumulative spend. Is that because you're putting some of the spend forward or is it because you think you'll end up in total spending more than the 450 that you have initially planned for?

Ken Hanna:

Your maths are right. It leaves 30/40 million available for 2010. Not all of that is cash, this is from an accounting point of view,

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we've had to book some of the costs of maybe up to a year before the cash goes out the door just from an accounting convention point of view. We are not flagging an increase in the 450 million - we're not.

James Edwards Jones,

Execution:

Slightly related question - your free cash flow was well down last year to the extent that the dividend was uncovered on a free cash flow basis. Whereas it has been very difficult for us to forecast given the changes in the group, the exceptional charges and so on. Can you give us any idea where you see free cash flow settling on a sustainable basis going forward?

Ken Hanna:

James we did flag back in June 2007 that the first two years of VIA, '08 and '09 cash flow generation would be minimal. We actually said that because that's where we're spending an extra 200 million of CAPEX in the two years and the majority of the 450 million of restructuring.

Once we're out of '08 and '09 our dividends certainly will be covered and '09 cash flow should look a little better than 2008. It was recognised and we're aware of it and we've been managing our cash with that in mind.

Question from Webcast:

This is probably the only question that hasn't been answered in the room. Just a question about the price/volume split particularly between emerging markets and developed markets. If we could have a perspective on how that panned out over the year, particularly looking at the end of the year please?

Ken Hanna:

Both emerging and developed markets reported positive volume growth in 2008. Obviously in total it was one, but both were positive and we got a little more price in emerging markets, as

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you'd expect in high inflation environment, a little more price in emerging markets.

So more positive in emerging markets on price but both were positive in volume. And I think in emerging markets that the volume measure is quite significant because as you saw from Todd's slide, we did make a very significant impact on volume in Egypt for example where we doubled the price of products - the price hadn't gone up for 25/30 years, we doubled the price of the product and obviously expected a volume reduction. So both positive.

Todd Stitzer:

Interestingly Egypt we didn't reduce the size we increased the size. So it's not always that you reduce the size of products you actually can create a value proposition that increases the size and increases the price in an artful way.

Xavier Croquez,
Exane BNP Paribas:

I have a question on mix. If I look at H1 and H2 you had 6% price and mix throughout the year, both H1 and H2. You hinted at the fact that mix is an unknown for '09. What is if you can give us some colour the trend of the mix factor H1/H2 please?

Ken Hanna:

Well as Todd said we expect our revenue and margin progression in '09 to be slightly second half weighted. Mix is primarily driven by gum growing faster than chocolate. And again it's too early to dissect our business down to individual categories, but I still would expect to see - I think we would still expect to see some mixed benefits in 2009, particularly with the impulse channel holding up well.

Xavier Croquez,
Exane BNP Paribas:

Any difference in '08.

Ken Hanna:

Any difference in the mix factor between the first and second half? Don't believe so. IR can check that but I don't believe there's any difference in '08 first and second half.

Warren Ackerman,
Dresdner Kleinwort:

I was slightly surprised by the swing of 33 million pounds in the pension credit. I think you said it was going to be a 5% EPS hit - obviously it depends on how things pan out. And I appreciate it's non-cash but I was just interested to understand what assumptions lay behind that and whether there is a possibility that it could be worse than a 33 million pound swing in '09?

And then secondly can you talk a little bit more about the underperforming emerging markets. I think in the past you've given us an aggregate profitability number for those three markets - would it be possible to get that number for '08 and perhaps say why Russia disappointed against your expectations. Would it be fair to say that because of the outlook for Russia in '09 that the aggregate progress probably would be fairly limited for those three countries? Thanks.

Ken Hanna:

I'll take the first. We're fairly certain that the 33 number will be fixed. It may change 1 or 2 million, but it's fairly certain because it's struck and we can give you a teach-in later but it's struck on two things. It's the valuation of the equities in our pension fund times the discount factor and then it's the discount factor based on AAA bonds.

So very roughly out of the 33 million swing, there's been about a 10 million impact from the reduction in discount factor. And roughly a 30 million impact by that discount factor times the amount of equities in our pension fund. And clearly the amount

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of the equity bond split in the pension fund is largely due to the pension trustees' investment policy not driven by the company.

So that 33 million swing is very largely outside of management's control and clearly as we've gone through the reporting season I've been watching what other corporates have been doing and I've seen, just in the last two weeks, three companies with a 50 million swing. So it just depends on the mix of equity and bonds. But the IR team can take you through that in a bit more detail later.

Warren Ackerman,
Dresdner Kleinwort:

And the pension deficit?

Ken Hanna:

Pension deficit is, just on a pure valuation snapshot year end valuation, about 240 million which is moved from a 90 million profit at the end of '07. But that's not an actuarial valuation, the next actuarial valuation is not until two years time - by 2010. So it's not a huge issue.

Todd Stitzer:

Now the underperforming markets, Ken put up a slide, and I think the first bar was '06 and it was £26 million ding (negative). The next one was '07 and it was 7 or 8 million ding (negative). And '08 we had 3 or 4 million of profitability. Russia is certainly going to be a challenge in '09 but we would hope that benefits from Nigeria and China would keep us going in a positive direction. I don't think we've got a total fix on that right now but we would hope that as a basket they would continue to move forward in increased profitability - certainly at least modestly.

Martin Dolan,

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Execution: Just a technical question for Todd. I notice you look at the cocoa prices sterling. Can you tell us how much of your cocoa's actually sold in the UK?

Ken Hanna: How much of it is sold in the UK - how much chocolate in the UK?

Martin Dolan,
Execution: How much of the cocoa that you buy is sold in the UK?

Ken Hanna: Oh about - well we do buy cocoa in dollars as well. But the cocoa it's probably 30/40%.

Todd Stitzer: I mean there are eight commonwealth chocolate markets that represent 90% of our chocolate and most of them use Ghanaian cocoa and the UK is the biggest one.

Roger Carr: I have to say of all the questions we pre-prepared that was not one.

Thank you all very much. It's been a good period, there's a lot of real commitment here from management team. It is Ken's exit which we thank him for, but the future is very focused on performance delivery in challenging times.

Thank you very much.

END