

ROGER CARR

INTERVIEWER: Roger Carr, you've only recently become Chairman of Cadbury. What's your view of the interim results?

ROGER CARR: I think they're a very good set of first results for the company. They undoubtedly reflect the merit of the focus we've adopted. I think most importantly they show the determination of the management to deliver on the promises they've made to the market place.

INTERVIEWER: Now the company has experienced huge change, in recent times and today you say that in the face of the economic headwinds, things cannot, and will not stay the same. What does that actually mean for Cadbury?

ROGER CARR: I think it means just recognising that the world has changed quite remarkably, even in the last six months, and what was good enough in a more benign economic environment, will not be sufficient to meet the promises that we've give to our investors in the more challenging times that we face. And therefore, although we won't be changing the course that's been set, undoubtedly we need to look at each aspect of it and make sure we've got both the right pace and the right stretch in delivering the commitments against more challenging times.

INTERVIEWER: So is Vision Into Action on course?

ROGER CARR: Yes, I think the course we've set for Vision Into Action is the right one. It was developed very carefully by the management, it was given the full support of the board, and unquestionably, it positions the company as a focussed business in a global market in the right way to enable it to grow appropriately in revenue and margin terms. But it now faces bigger challenges than it did before and as a result of world economic conditions and therefore we have to adjust the course, to make sure that we can now encounter the challenges and overcome them, with the endeavours that we take.

INTERVIEWER: So what does the strategy mean in practice and what are you expecting of the management team?

ROGER CARR: I think it's going to mean that all of the management team have to look hard again at all aspects of the business for which they're responsible, and ensure that we are operating in the most efficient and cost effective way. To thrive in the new world you have to adopt a more vigorous and more determined approach to performance delivery. And that's what the team's going to do.

INTERVIEWER: Now, shareholders have been telling you what they think, and some of the institutions and some of the activists have been quite vocal in some of their criticisms. What have you taken on board from what they're telling you?

ROGER CARR: I think very clearly the shareholders, whether it be activists or the traditional shareholder community, I think, are very positive about Cadbury as a basic business model. They're looking however against a peer group comparison of margin performance levels that are not all that they should be. And the message to me, and therefore the message to the company, is, 'we support the principle of what you've done, but we need to see demonstrated, better performance from the business which you have responsibility for'.

INTERVIEWER: How do you plan to work with the management team, and do you see your role as holding them to account?

ROGER CARR: Well, I plan to work pretty closely with the management team. I think the role generally is a mixture of challenge, support and encouragement. I think it's helping to make sure we've got the right strategy set, and then that they have the right climate and tools for execution. For me it's about focussing on the right issues, and for them it's about delivery. So to that extent I will be involved, I'll be supportive, but the management will be held to account. And I will be looking to the shareholders' value in doing that.

INTERVIEWER: And what's your personal relationship with Todd, your Chief Executive? What's the chemistry like between Chairman and Chief Executive?

ROGER CARR: I think it's very good and I've worked with Todd for some time. I was very supportive of his original appointment and he's led the business very effectively in both the acquisition of Adams and the integration, and the courage to then start to transform the confectionery business as a new and fresh entity. So, we understand each other. You know, clearly as Chairman, it's a role which has to work with good and positive chemistry, but it also has to work sometimes with a bit of distance. The job is to encourage and develop the business in a dispassionate way, and I have to find the right balance in working with Todd, but I see no problem in that area.

INTERVIEWER: Now your own career has seen you involved with many companies, what's your gut feeling about this one, and why are you now devoting so much of your time and commitment to turning this one?

ROGER CARR: I think this is an excellent business. It is one of the great global brands. It has the most remarkable heritage, wonderful values fully embedded into the business, and clearly a desire to put shareholder value further up the agenda. So for me it's taking it on another step of what has been a long and illustrious journey and I intend to do that, and in the process, help deliver more value to shareholders as my contribution to the next stage.

TODD STITZER

INTERVIEWER: Todd, you appear to have a good set of results. What are the main elements?

TODD STITZER: Well, very strong performance on both revenue and margin, with revenue about plus seven, with margin 190 basis points up. The revenue was driven by strong growth on our focus brands and our focus markets at nine per cent. Cadbury Dairy Milk was up 9, Trident was up 12, and Halls was up 13. So all the way around - brands, markets - just really spectacular revenue growth and outstanding focus on cost reduction.

INTERVIEWER: But at the same time, you're predicting a tougher second half, so does this mean the results today are something of a high watermark for Cadbury?

TODD STITZER: Well we've already said to the market that we're cycling a pretty strong second half in 2007, so we've got a big hill to climb and we've got a second half a bit weighted toward commodity costs increasing, but we've got tremendous revenue momentum and we've got great cost initiatives. We have a real continuing focus on our cost reduction activities that we think will help us deliver our 2008 guidance.

INTERVIEWER: Can you give us an illustration of how Vision Into Action is working in practice?

TODD STITZER: Well we've described Vision Into Action as fewer, faster, bigger, better. So I'll give you an example on the revenue side and an example of the cost reduction side. As it relates to the revenue side, we determined that we would mass our efforts around fewer, bigger initiatives on higher-margin, faster-growing brands. So we have two chewing gum initiatives. Centre-filled chewing gum and longer-lasting chewing gum have been rolled out across multiple markets in Europe, in the Americas and Asia. On the cost front: fewer, faster, bigger. We've sought to actually, lessen the number of reporting units that we've had in our regions. So for example in America's confectionery, in the end of 2007 and the beginning of 2008, we've literally collapsed North America into one operating unit, combining the United States and Canada. More people, in fewer places, for lower costs.

INTERVIEWER: Improving your margins underpins everything in this strategy. How confident are you that you're going to achieve your mid-teens targets?

TODD STITZER: Well, we're very confident. We set out a year ago a very specific plan of cost reductions and restructuring that would provide us with the margin growth that we committed to, mid-teens margins by 2011. Clearly economic headwinds have arisen that we didn't anticipate when we put the plan together, so we're actually re-doubling our efforts to review every opportunity we have to do anything extra; any possible tweak or change, or structure that may not be necessary, we're going to look at it, because we are determined to deliver mid-teens margins by 2011.

INTERVIEWER: Now as you look at the competitive landscape and compare Cadbury to your peers, how do you think you stack up, and given Mars-Wrigley, is Cadbury big enough to make it alone?

TODD STITZER: We're absolutely convinced that we are big enough to make it alone. If you look at the overlay of market place positions, post Mars-Wrigley, which, I may remind you, hasn't happened quite yet, post Mars-Wrigley, not including the United States we continue to be the largest confectionery company in the world, with many more number one positions than our competitors. So we think we have an outstanding platform, we have the biggest and best emerging markets position of any confectionery company in the world and that goes before and after the Mars-Wrigley combination, and we're very focussed on making that platform work.

INTERVIEWER: You've committed yourself and Cadbury to the total confectionery model. What does that now look like and do you feel you're vindicated?

TODD STITZER: We think that total confectionery is the right model in a consolidating retail world where our retail partners and other retail customers are interested in providing their customers with a broad offering in a particular category, ours happens to be confectionery. And we have very strong positions in each one of those categories and consumers naturally graze from one area of confectionery to the other and retailers want to be able to take advantage of that.

INTERVIEWER: You have a new Chairman in Roger Carr who's making much of his role in holding management to account. How do you interpret that and what is your working relationship with the Chairman?

TODD STITZER: I interpret that as nothing more than the Chairman doing the Chairman's job. Roger and I have been Board colleagues for seven years. He's lived through a number of the challenges we've lived through together as a Board and I very much look forward to his leadership. He is a very experienced, senior executive and Chairman, and he has every right to hold our feet to the fire because we need to deliver.

KEN HANNA

INTERVIEWER: Ken Hanna, the results suggest that things are on plan but what do you draw from the detail of the numbers?

KEN HANNA: Well I think we've made a very good start. Good performance on revenue, good performance on margin, but we've only delivered just under half the year. We have about 55 per cent to go, so internally and externally we cannot be complacent. Great start but a strong second half needed to complete a good year.

INTERVIEWER: The progress on margins but the economic outlook appears bleaker. Is the progress on margins sustainable and are you going to achieve that mid-teens target by 2011?

KEN HANNA: We are very confident and we will do everything we need to do to underpin our margin delivery. Remember one thing, Cadbury delivers its business from around 80 markets. Yes, it feels tough if you live in the UK, if you live in the US, but we've got a large number of strong markets that are still performing around the world, so our defensive and geographic spread will come through.

INTERVIEWER: Why are your margins lower than your peers?

KEN HANNA: It's a complicated answer but it's a mixture of our geographic spread, but also our category participation. We're a total confectionery player. We've got chocolate, we've got gum and candy, and all have different profit characteristics. Clearly if you're 100 per cent gum or, nearly 100 per cent gum like Wrigley, they will make higher margin than we do. The other factor is that Cadbury is a function of 20 years of acquisitions and we do have more countries and more factories than most. The good news on that side is that we have this broad geographic spread and good defensive qualities. More challenging is our cost base is just a little higher than it should be. But we're working hard on that and that is the key plank in our mid-teens margins objective.

INTERVIEWER: You're making much today of the fact that things cannot and will not stay the same, and you have a strategy that addresses cost structure, reappraises the portfolio, reviewing the management team. Can you give us a bit of detail on that?

KEN HANNA: What we're saying today is that regardless of the change in economic and global confidence levels, we're going to do whatever it takes to meet our margins. So we have to reappraise our cost structure, reappraise our pricing, our price realisation in the face of higher commodity costs. Look at our management and organisation structure. Doing whatever it takes to achieve our objective but also keep a sustainable business.

INTERVIEWER: Now those commodity prices are clearly going to have a big impact on your business going forward. What can you do to mitigate their impact and to what extent can you recover that through price realisation?

KEN HANNA: Well, the first half of the year we have recovered it through price realisation but remember our competitors are largely suffering the same cost increases as we are. So we're not unique, we're not alone, but we're getting through smart price realisation. So it's looking at our promotional calendar, looking at our format, looking at our trade investment and looking at our headline prices. It's a mixture of all of these levers to improve our price realisation. We've delivered it in the first half and we intend to deliver it for the next few semesters as well.

INTERVIEWER: Is there not a danger that through that price realisation that will impact negatively on volumes?

KEN HANNA: Well, in some categories it does. It would be naïve to assume price increases well and above inflation don't have an impact on volume but that's what Cadbury and other food-related manufacturers have to do in these challenging times.

INTERVIEWER: Looking at revenue growth and given the uncertainties in both developed and emerging markets, how is the trading climate going to impact now on your forward projection?

KEN HANNA: We make about a third of our business from emerging markets, well spread, there's eight, nine, ten of them, very significant markets. And they're all at different stages of economic strength. Some have got commodities that underpin their economies, some have not. So we are very comfortable with our emerging markets spread and our business so far is doing well. Clearly, things are a bit more challenging in the developed world, but so far we are doing well. Chocolate, in particular, has proven itself to be an indulgent treat. It's not a big ticket item. We're not going to be immune, we're not naïve but we think we'll be more resilient than most sectors.

INTERVIEWER: What are you saying about your dividend policy and what about share buy-backs?

KEN HANNA: Dividend policy is progressive. Our intention is to pay out about 40 to 50 per cent of our earnings. It's a little bit higher this year, reflective some statements we made last year and our confidence in our full year delivery. We are not intending on doing any share buy-backs.

INTERVIEWER: Where is the underlying margin improvement going to come from?

KEN HANNA: The underlying margin improvement is coming from our VIA and restructuring programme. Downsizing some of the areas we've talked about, some factory closures, reducing our central costs following the demerger of beverages. So it's hard cost cutting that we can control. Commodity cost increases are being covered by price realisation. That's the algorithm we're working on and I see that continuing for the next three-and-a-half years.