Cadbury Schweppes

PRESS RELEASE

CADBURY SCHWEPPES REPORTS SOLID EARNINGS GROWTH IN FIRST HALF

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Cadbury Schweppes plc reports on financial performance for the 24 weeks to 17 June 2001:

	2001	2000	% Change
	£m	£m	
Sales	2,458	1,954	+26
Underlying Operating Profit*	400	322	+24
Underlying Profit Before Tax*	351	308	+14
Underlying EPS* - pence	11.5	9.9	+16
Dividends per share - pence	3.35	3.20	+ 5

* before restructuring costs, goodwill amortisation and disposal gains/losses.

Summary

- Good first half performance in line with financial targets.
- Excellent results from Mott's and European Beverages, together with the French and emerging market confectionery businesses.
- Dr Pepper/Seven Up and the newly integrated Cadbury Trebor Bassett respond to slower market conditions.
- Acquisitions perform in line with expectations.

Outlook

John Sunderland, Cadbury Schweppes' CEO, said: " With a good performance in the first half, we remain on track to achieve our full year financial targets. We have confidence in our growth agenda to increase top line performance further in the future".

Half Year Overview

This good performance in the first half year leaves us on track to meet our target of double-digit earnings growth for 2001. Importantly, volumes and revenue have grown 2% and 4% respectively.

We saw some very strong sales and profits performances which contributed significantly to the overall results, particularly from Mott's and European Beverages together with the French and emerging markets confectionery businesses.

Both Dr Pepper/Seven Up and Cadbury Trebor Bassett are responding to the new challenges of slower market conditions in US carbonated soft drinks and UK confectionery and we have plans in place to drive growth in both these businesses.

Despite a slower US carbonated soft drinks market, overall beverage volumes, before acquisitions, grew by 2% during the half year. This was driven by strong gains in non-carbonated beverages in the US and continued progress in our European and Australian operations. In confectionery, there are signs of improved growth. Overall volumes during the period rose 2% before acquisitions. Emerging markets, which account for 25% of confectionery volumes, grew by 6%.

A number of our units were focused on integration, either of existing businesses as in our UK and Canadian confectionery operations, or of acquisitions, for example, in our French confectionery and US and Australian beverages units. While this had some near term impact on performance in the first half, the integration programmes are all on track.

Acquisitions are an important part of our growth strategy and we have continued to strengthen our confectionery and beverages operations adding a number of brands and businesses during the first half - Slush Puppie and Carteret in the US, Spring Valley and Wave in Australia and Mantecol in Argentina. The proposed acquisition of Orangina in France and the agreement to purchase La Casera in Spain will nearly double our market share positions in those countries and significantly improve our critical mass in both brand and distribution terms.

Operating Review

North American Beverages

Sales rose by 54% to £1,001 million and trading profits by 49% to £229 million. Excluding the impact of exchange rate movements and acquisitions, sales and trading profits rose by 4% and 20% respectively.

Dr Pepper/Seven Up's profits, before acquisitions, benefited from a combination of price increases and lower costs. The latter were primarily related to concentrate production efficiency improvements and more efficient use of field marketing funds.

Brand Dr Pepper performed in line with the market while 7 Up was impacted by competitive activity in the lemon/lime sector. Key flavours (including Sunkist and A&W) continued to grow strongly.

Mott's produced excellent volume and profit results. The performance was broadly based although particularly strong growth was seen from Hawaiian Punch, single-serve apple sauce and Clamato.

Snapple Premium Beverages (comprising the Snapple, Mistic and Stewart brands) had a slow start to the year but a better second quarter. The business was cycling very strong 2000 comparatives and had limited new product activity as the management team focused on the integration. Strong sales and marketing programmes are in place for the second half.

Our associate business, Dr Pepper/Seven Up Bottling Group, had a solid first half year with overall volume growth of 1%. Cost management combined with the full impact of price increases and positive product mix led to a double digit increase in profits.

US Beverages - Second Quarter Volumes

Volumes for our US beverage operations rose 14% in the second quarter and 13% in the half year. Stripping out the impact of acquisitions, volumes were slightly ahead in the second quarter and flat for the half. Our non-CSD portfolio performed strongly, growing by 15% during the quarter and 9% for the half. Carbonated soft drink ("CSD") volumes were down 1% in the first half in line with the market.

European Beverages

Sales in the European Beverages region rose by 8% to £238 million and trading profits by 17% to £34 million. Adjusting for the impact of exchange rates, sales grew by 4% and trading profits by a creditable 13%.

Our strategy of investing efficiency gains in driving our core volumes continued to benefit the results during the half. Volume gains across our European business drove the growth in sales and the strong profit performance was achieved despite further significant increases in marketing investment.

European Confectionery

Sales increased by 12% to £680 million of which 10% related to acquisitions and the remainder to exchange. Trading profits rose 9% to £85 million with exchange having a negligible impact. Excluding the impact of acquisitions, underlying trading profits rose 3%.

The UK confectionery market remained challenging during the half with a decline in the impulse market and higher trading costs. Cadbury Trebor Bassett ("CTB") volumes were ahead during the half due to stronger sugar volumes and sales growth in franchised products. As anticipated, CTB profits were down year-on-year reflecting further increases in marketing investment, the focus on integrating the two businesses and higher promotional spending in the grocery trade. The formal integration of Cadbury and Trebor Bassett was completed in June on time and on budget.

Cadbury Ireland had a good half growing volumes, share and profit. In France, the base business benefited from strong growth in sugar volumes. There was a healthy rise in trading profits even with a double-digit increase in marketing spend behind the core brands. The integration of the Hollywood business is proceeding to plan. Two new functional, sugar-free gum products were launched under the Hollywood brand name during the half.

Volumes in Russia were 16% ahead. Gross margins improved, costs were lowered and losses were less than expected. In Poland, Cadbury Wedel benefited from more favourable market conditions and strong growth in Wedel market share, leading to increased profits.

Americas Confectionery

Sales rose by 10% to £126 million of which 7% related to currency movements and the remainder to acquisitions. Trading profits increased by 8%, split equally between acquisitions and exchange rate movements.

In Canada, the chocolate and sugar businesses were successfully merged to create Cadbury Trebor Allan. As in the UK, both lead their respective categories and the integration creates similar commercial opportunities to drive growth. Jaret, the US sugar business saw improved profits on the back of strong volume growth. In Argentina, Stani performed well in a difficult market. The economy there is in recession and all parts of the confectionery market declined during the period. An active innovation programme, notably in functional gum and chocolate, enabled the business to outperform the market strongly. Mantecol, the peanut confectionery brand acquired early in the year, is performing to plan.

Asia Pacific

Sales in the Asia Pacific region rose by 15% to £276 million and 22% adjusting for currency movements. Trading profit increased by 3% to £39 million and by 9% excluding currency adjustments. Excluding the impact of acquisitions and exchange rates, sales and profits each rose by 6%, with the greater proportion of this growth contributed by the confectionery businesses.

Despite a sluggish market in the early part of the year, our developed market confectionery operations in Australia and New Zealand continued to make steady progress with sales ahead by 5% year-on-year at constant currencies. The launch of Dream in Australia and more recently Breakaway in New Zealand continued to drive moulded sales. Prior to acquisitions, profits from Australian food and beverages were broadly in line with last year as the business focused on the integration of the Lion Nathan bottling operations and the introduction of Spring Valley and Wave brands. Our Chinese confectionery business grew sales and profits although the market had a subdued start to the year.

Africa, India and Middle East

Our businesses in the developing markets of Africa, India and Middle East had a good half. Sales rose by 13% to £133 million after an adverse exchange rate movement of 8%. Trading profits were up by 18% to £13 million or 17% excluding exchange rate variances.

Cadbury India performed well despite the slowdown in the economy there. Sales and profits at constant currencies increased by 9% and 19% respectively with particularly good growth in chocolate. There was a strong recovery in Egypt, both in volume and profit terms. In South Africa, although the economic conditions remain difficult, Bromor sales and profits rose by over 20% at constant exchange rates.

Financial Review

Sales at £2.46 billion were 26% higher than last half year of which 18% was attributed to acquisitions and exchange 4%. Like-for-like sales growth in the base business was comprised of 2% volume and 2% price and mix. Since the last half year, acquisitions have contributed £355 million to sales and £33 million to trading profits. The most significant contributor was The Snapple Beverage Group in North American Beverages.

Underlying trading profit before restructuring, amortisation of acquisition goodwill and disposal profits, rose 28% to £372 million (£291million). Of this increase strengthening currency, particularly the US dollar, contributed 6% with the balance split equally between acquisitions and organic growth. The trading margin increased to 15.1% from 14.9% in 2000.

The contribution from associates at £28 million was £3 million lower following the disposal of the Group's interest in Associated Beverages Industries ("ABI") in South Africa at the end of last year. The restructuring charge of £19 million (£11million) was mainly the integration costs of the sugar and chocolate businesses in the UK and Canada and acquisition related costs in Australia. Goodwill amortisation increased substantially to £20 million (£2 million) reflecting the impact of the acquisitions in the second half of last year. Interest is similarly higher at £49 million (£14 million) giving reported profit before tax of £314 million, up 6%.

Underlying earnings per share were up 16% to 11.5p (9.9 p). Excluding the impact of currency the increase was 11 %, in line with our stated double-digit earnings growth target.

Cash Flow

Free cash flow was better than last year, with an outflow of £46 million (£57million), leaving us on track to deliver our full year free cash flow target of at least £300 million. Net capital expenditure at £67 million (£45 million) is higher than in recent years reflecting the initial stages of a programme to upgrade our business systems based on a single global operating platform. This will deliver efficiency gains across the business, which, in turn, will support investment behind our brands.

Marketing Expenditure

Marketing expenditure was £515 million, which at constant exchange rates, was an 18% increase over 2000. This represents a marketing to sales ratio of 20.9% (21.1%). The modest reduction on last year is due to the changing mix of the Group's portfolio following acquisitions made in 2000. Adjusting for this the Group continues to increase real investment behind its beverage and confectionery brands.

Acquisitions and Disposals

The 2001 programme to date represents a series of bolt-on acquisitions, which continue to strengthen our existing business through new brands, efficiency gains and distribution extensions. Additionally, at the start of the second half of this year, we completed the purchase of the 20% minority in our Egyptian business. The acquisition spend in the first half was £188 million, which included the previously announced US$200m for the tax benefits from Snapple Beverage Group.

Dividend

The Board has declared an interim dividend of 3.35p up from 3.20p in 2000. This will be paid to shareholders on 16 November 2001.

A presentation on the results will be webcast live on the group's website http://www.cadburyschweppes.com at 09.30 a.m. Copies of the slides accompanying the presentation will be available on the website from 11 a.m.

Photographs for the media are available at NewsCast http://www.newscast.co.uk from 3 p.m. (UK) today. Tel (44) 207 608 1000.

Notes to Editors:

Schedules and Notes to the Schedules

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