

PRESS RELEASE

CADBURY SCHWEPPEES REPORTS GOOD FIRST HALF EARNINGS GROWTH **17 Jul 02**

Cadbury Schweppes plc reports on financial performance for the 24 weeks ended 16 June 2002

	2002	2001	Change
	£m	£m	%
Sales†	2,354	2,200	+ 7
Underlying Operating Profit*	429	400	+ 7
Underlying Profit Before Tax*	386	351	+10
Underlying EPS* - pence	12.9	11.5	+12
Dividends per share - pence	3.5	3.35	+ 4.5

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

† See note 1a to the accounts

Summary

- Underlying earnings up 13% at constant currency continuing a consistent trend of double digit earnings growth.
- Strong contribution from a more profitable mix and increased efficiencies.
- Overall volumes up 6%:
 - Acquisitions contribute the great majority of growth.
 - Like-for-like volume only marginally up due to North America Beverages and confectionery in Argentina.
 - Developed confectionery markets' volumes up 2%.
- Acquisitions also strengthen existing businesses and extend participation in higher growth categories.

Cadbury Schweppes CEO, John Sunderland, said, "The business performed soundly in the first half and we are on track to meet earnings and cash flow targets for the full year."

Half Year Overview

Reviewing the first half of 2002, John Sunderland, CEO of Cadbury Schweppes, said, "Overall, profits and earnings delivery in the first half were in line with expectations. Underlying profits before tax were up 10% to £386 million and underlying earnings per share rose by 12% to 12.9 pence or 13% excluding the impact of movements in exchange rates.

"Efficiency has played a greater role in the delivery of these interim results with particularly strong gains from reduced supply chain costs across the business. We also benefited from strong, profitable volume growth from our main developed market confectionery businesses as well as good growth in higher margin product categories such as chewing gum in France.

"Like-for-like sales grew 3% assisted particularly by favourable mix changes.

"Volumes grew 6% of which the great majority was contributed by acquisitions. Like-for-like volumes were marginally up and below our medium term target for the business. There are two main contributory factors. The first is North America Beverages where, after an encouraging start to the year, volumes in the second quarter, particularly late May and June, were lower than expected. As a consequence, first half beverage volume performance overall was marginally down. Secondly, our volumes in developed confectionery markets were up 2% but this was diluted to an overall 1% growth for confectionery by operations in emerging markets, mainly the impact of a 40% fall in Argentinian volumes.

"Overall our beverage businesses performed soundly, producing solid profit results. In North America Beverages, the softer volumes were offset by strong efficiency gains driven by lower supply chain costs. Marketing investment was maintained. Elsewhere, our Europe Beverage businesses produced another good profit performance and we achieved particularly strong gains in Mexico. In Australia, half year profits were slightly ahead of last year.

"Confectionery results were good. We are very encouraged by the performance of our UK confectionery business and the continued progress being made in Australia and New Zealand. We have invested considerable resources in revitalising these businesses in recent years and the positive results are a welcome testament to the efforts of all involved.

"We have continued to make acquisitions which will bolster existing businesses and build our participation in higher growth segments of the confectionery and beverage markets. This year we have acquired:

- The branded chewing gum business of Dandy, a leading gum business in Northern Europe and Russia and a strong complement to our Hollywood operation in France and our chocolate business in Russia. We will be the No 2 Gum business in Europe when the deal closes.
- Over 60% shareholding in Kent, the leading sugar confectionery business in Turkey.
- Squirt, a significant carbonated soft drink (CSD) brand in Mexico (which we also own in North America).
- Nantucket Nectars, a super premium juice and juice drink brand in the US which complements Snapple's range of teas and fruit based drinks.

"All acquisitions made last year, most significantly La Casera in Spain and Orangina in France, are performing in line with or ahead of expectations".

Outlook

John Sunderland, CEO of Cadbury Schweppes, said, "The business performed soundly in the first half and we are on track to meet our earnings and cash flow targets for the full year.

"We expect volumes for our North America Beverage business to be broadly flat for 2002 in spite of any initial disruption associated with the transfer of certain brands, most notably 7 Up, into the independent bottling system (IBS).

"Over the longer term, these brand transfers provide us with significant opportunity to develop further a secure and committed route to market for our beverage brands in the US market. This focus will facilitate long term growth in line with our previous experience of such moves.



"We are also confident that the growth of key brands such as Dr Pepper coupled with further significant cost reduction opportunities in the supply chain will enable us to grow profits in the region in line with expectations over the long term.

"Our developed market confectionery operations have been significantly restructured in recent years with efficiency gains being reinvested in accelerating the rate of top line growth. The first half results benefited strongly from the strengthening performance from these markets and we expect this to continue into the foreseeable future. Emerging markets remain a key long term opportunity for the group and we will continue to build our presence in existing and new markets.

"Our acquisitions programme in recent years has contributed consistently to earnings growth and value creation and we are confident of securing further value creating deals".

Operating Review

North America Beverages

Sales rose by 6% to £852 million and underlying trading profit by 8% to £248 million. Excluding the impact of exchange rate movements and acquisitions, sales and underlying trading profit rose by 1% and 8% respectively.

This profit growth was driven by a significant reduction in supply chain costs across the region. Total volume was up 4%, all from acquisitions. After a reasonable start to the year, a more challenging second quarter led to like-for-like volumes down 0.6% in the first half. A number of factors contributed to this softer result. Many of these related to distribution of our brands in the Pepsi system and included losses of fountain volumes in a few key accounts, and the termination of distribution agreements for 7 Up and Hawaiian Punch by a number of Pepsi affiliated bottlers. These factors had a 1% adverse impact on total North America first half volumes.

Dr Pepper volumes are beginning to benefit from new and more aggressive marketing aimed at both core users and traditionally low per capita, including ethnic, consumers. Recent performance has been encouraging. Red Fusion was launched in early July, the first new product in the Dr Pepper stable since Diet Dr Pepper was introduced in 1992. Red Fusion is a blend of Dr Pepper with a number of other flavours, which appeals to a wide demographic audience. It has received strong bottler support in all systems.

In still drinks, while overall premium beverage volumes were marginally down for the half, core Snapple case volumes were up 2%. Clamato continues to perform well and Hawaiian Punch growth through the Mott's system remains at a high level driven both by the core flavours and the launch of a new variant, Green Berry Rush. Deja Blue water, to which Dr Pepper/Seven Up has royalty free rights outside Dr Pepper/Seven Up Bottling Group territories, is being rolled out through the rest of the IBS.

Europe Beverages

Sales in the Europe Beverages region rose by 51% to £324 million and trading profit by 48% to £50 million. Adjusting for the impact of exchange rates, acquisitions and disposals, sales grew by 2% and underlying trading profit by 13%.



In France we saw good growth in fruit carbonates and still drinks, the latter led by Oasis, our leading children's brand. Orangina performed well with branded volumes ahead during the half. We have also started consultation with the Works Councils on the merger of Orangina and Schweppes France.

In Spain, while the soft drinks market had a slow start to the year, the on-going efficiency programme drove a healthy increase in profits. Integration of the La Casera business is on schedule. Mexico had a very strong half with a 13% sales increase, led by our water brand, Penafiel, and the relaunch of Orange Crush.

Europe Confectionery

Sales increased by 2% to £654 million, excluding exchange rate movements. Underlying trading profit rose by 13% to £96 million, up 14% excluding exchange.

We saw strong performances from our core markets, but a weaker performance from some of our smaller, less profitable markets, mainly Germany and Spain.

Results at Cadbury Trebor Bassett were excellent, with good growth in both volume and profit during the half. We have made good share gains during 2002, driven by strong innovation in our chocolate range and increasing distribution and availability. Marketing investment was ahead by 6%, including strong support for the Commonwealth Games which start on 25 July. Recent innovation includes Brunch Bar, a cereal bar with Cadbury chocolate, launched in mid 2001, which is the UK's second best selling cereal bar and Dream, our adult white chocolate product, which has significantly outsold every other new product in the confectionery sector this year.

In France, our development of Hollywood gum through the growing sugar-free sector continues to bear fruit with our share of the sugar-free sector now at 32%. A more profitable volume mix and efficiency benefits contributed to a healthy overall profits result. Poland had a more difficult second quarter as the economy weakened but share gains were made in chocolate and profits benefited from a favourable product mix and reduced costs. Russia broke even in the first half with improvements in product mix and raw material costs.

Americas Confectionery

Sales fell by 16% to £107 million whilst underlying trading profit was down by £5 million. Excluding the impact of exchange and acquisitions, sales were 1% down year on year and trading profit was down 35%.

Good performances from Canada and the US were masked by the economic turmoil in Argentina. After a difficult 2001, Canadian core volumes were ahead by 5% with share gains in chocolate although overall sales were marginally lower as we withdrew from unprofitable non-core products. Performance at Jaret in the US was strong in part due to the successful launch of Hawaiian Punch candy. At Stani in Argentina, profits were significantly lower due to significantly reduced volumes (40%) and unrecovered raw material increases.

Asia Pacific

Sales in the region were up 7% to £290 million but underlying trading profit was down 2% to £38 million. Excluding the impact of exchange movements and acquisitions, the base business delivered sales growth of 6% and an underlying trading profit decrease of 3%.

Strong growth in volumes and sales in the region were countered by lower profits year-on-year resulting from planned increased investments in consumer marketing and IT, the latter associated with the costs of rolling out our new business system, PROBE, in the second half.

Our Australian and New Zealand confectionery businesses grew volumes 4% during the half. In Australia we saw market share gains in both the grocery and impulse channels. Our core moulded range remains a key focus with new advertising - Purple Reign - and the launch of new flavours driving 14% volume growth. Trebor 24-7, a range of functional sugar-free sweets and chewing gums in a unique dispenser and manufactured in our Wuxi plant in China, was launched in Australia in the second quarter and has been enthusiastically received.

Our beverage business in Australia grew volumes by 3% despite unseasonably poor summer weather in Victoria, one of its key markets. Market share gains were seen in both grocery and impulse. The integration of the acquisitions made in 2000/2001 has been successfully completed.

Africa, India and Middle East

Sales in the region were down 10% to £123 million while underlying trading profits increased 4% to £14 million. Excluding the impact of exchange and acquisitions, sales and trading profit grew by 9% and 25% respectively.

Our businesses in the Africa, India and Middle East had another good first half. In India 40,000 new outlets were added and Chocki, a new liquid chocolate in a tube product, was launched very successfully. We achieved double-digit sales and operating profit growth in South Africa and a strong performance in Egypt driven by growth in chocolate.

Financial Review

In May we announced that, beginning with these interim results, we would be adopting, for UK accounting purposes, the new US accounting standards related to the treatment of sales incentives and marketing promotion costs (see Note 1a to the accounts). This does not affect profit, cash flow or earnings and has also been adopted widely by our peer group.

Sales at £2.35 billion were 7% higher than last year, representing an increase of 9% at constant exchange rates. Like-for-like base business sales grew 3% and acquisitions, net of disposals, contributed 6% revenue growth. The most significant contributor to growth through acquisitions was the Orangina business in Europe.

Underlying trading profit before restructuring and goodwill amortisation was up 8%. At constant currency the growth was 9%, with base business contributing 6% growth and acquisitions 3%. The adverse impact of currency movements (1%) was driven mainly by weakness in the South African Rand and the Argentinian Peso. The weakening US dollar had no impact on the Group's half year performance, but if current rates prevail there will be some impact on the full year results. The overall trading margin increased fractionally to 17.0%, versus 16.9% reported in the 2001 interim results.

Income from associates at £28 million was £5 million up on last year, due to charges taken in 2001 for our share of associates' restructuring costs. The Group restructuring charge, excluding associates, of £17 million is £3 million higher than last half year. Integration of newly acquired businesses accounted for £9 million of this total, the most significant of which was the integration of the La Casera beverages business in Spain. Goodwill amortisation at £25 million is up on last half year, reflecting the acquisition activity within the Group over the last twelve months. Despite this activity, interest at £43 million is well down on last half year, mainly driven by lower interest rates.

Underlying earnings per share at 12.9p were 12% up on last half year. At constant exchange rates underlying EPS was up 13%, in line with our stated double-digit earnings growth target. Acquisitions delivered 2% growth and the base business 11%.

Marketing Expenditure

Marketing expenditure for the half was £267 million, an increase of 7% over last half year and an increase of 9% at constant exchange rates. This represents a marketing to net sales ratio of 11.4%, which is in line with last year's interim results, despite the changing mix of the Group's portfolio following recent acquisitions, which have a lower level of relative investment versus the Group average.

Cash Flow

The outflow of funds in the first half reflects the seasonality of the Group's businesses, and for the full year the Group remains committed to its free cash flow target of £300 million.

Net capital expenditure of £98 million for the half year is significantly higher than in previous years. This reflects a number of capacity and efficiency based projects being undertaken throughout the Group and also the initial implementation of new business systems based on a single global operating platform (Project PROBE).

Acquisitions and Disposals

In the half year ending 16 June, the Group acquired the Squirt beverage business in Mexico, a controlling interest in the Kent sugar confectionery business in Turkey and the Nantucket Nectars business in the US. Additionally we lifted our shareholding in the Cadbury India business from 51% to 90% and took our interest in the Cadbury Nigeria business to 46% (previously 40%). The Group also announced the proposed acquisition, subject to regulatory approval, of the Dandy chewing gum business on 27 June.



Dividend

The Board has declared an interim dividend of 3.5 pence, up from 3.35 pence in 2001. This will be paid on 18 October 2002 to Ordinary Shareholders on the Register at the close of business on 26 July 2002.

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 11.00 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:

1. Safe Harbor Statement

This material may be deemed to include forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. Actual results might differ materially from those projected in any such forward-looking statement. This presentation should be viewed in conjunction with our periodic interim and annual reports and registration statements filed with the Securities and Exchange Commission, copies of which are available from Cadbury Schweppes plc, 25 Berkeley Square, London W1J 6HB, UK and which may describe factors which could cause actual results to differ materially from those projected in forward-looking statements.

2. Schedules

3. Notes to the Schedules

4. Cadbury Schweppes

Cadbury Schweppes is a major international company that manufactures, markets and distributes branded beverages and confectionery products around the world. With origins stretching back over 200 years, today Cadbury Schweppes' products - which include brands like Cadbury, Schweppes, Dr Pepper, Snapple, Trebor and Bassett - are enjoyed in almost 200 countries across the world. Cadbury Schweppes employs over 38,000 people.

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