Nespresso VertuoLine: A Game Changer ambition

Nestlé Investor Seminar 2014

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This presentation contains forward looking statements which reflect Management’s current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.
1. Introducing the *Nespresso* concept

2. *Nespresso* USA growth engine

3. VertuoLine as a game changer
1. Introducing the *Nespresso* concept
2. *Nespresso* USA growth engine
3. VertuoLine as a game changer
The Nespresso story
Turning a simple idea into a winning formula

....create the perfect cup of espresso with exquisite crema, tantalising aroma and full-bodied taste – just like skilled baristas

...at home, in a convenient and consistent way
Nespresso sales development
Pioneering the portioned coffee category for 28 years

~ CHF 500 m additional sales* year on year for the past 7 years

* at constant exchange rates
Perfectly portioned highest quality *Grand Cru* coffees

Smart and easy-to-use machines

Personalised & exclusive services
A fully integrated value chain
From the cherry to the cup

1-2% of the world’s green coffee crop
The Nespresso sustainability journey started in 2003 with the launch of the Nespresso AAA Sustainable Quality™ Program in conjunction with the Rainforest Alliance to ensure the long-term supply of highest quality green coffee through:

• Sustainable Practices
• Economic Viability
• Environmental Stewardship
A multi-channel route to market
Delivering a genuine omni-channel experience

Connecting offline with online
Continuous and holistic innovation
From coffee to service innovations

Coffee

Machines

Services
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<th>Introducing the <em>Nespresso</em> concept</th>
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<td><em>Nespresso</em> USA growth engine</td>
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<td>VertuoLine as a game changer</td>
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US coffee in-home market: USD 10.4 bn
Portioned coffee drives coffee category growth

Total coffee: +15.3% CAGR 2011-2013

Source: Nielsen excl. Nespresso - Dec. 2013
Nespresso USA
High double-digit growth

39% CAGR 2010-2013

Source: Nespresso USA Sales
Nespresso USA
Internet as the primary channel

Sales

Internet
60%

Boutique
23%

CRC
17%

Source: Nespresso USA Capsules/volume Sales
Nespresso USA Boutique network
Multi-format retail set-up

7 Flagships
2x NYC, SF, LA, Miami, Boston, Dallas

23 Boutique-in-Shops
Sur la Table, Bloomingdales, Macy’s
San Francisco Flagship
Opened Q1, 2013
Beverly Hills Flagship
Opened Q4, 2013
Nespresso USA
How we will accelerate growth in the US

1. Introduce **Innovation** designed for the US market

2. Accelerate **Brand Awareness**

3. Strengthen **Availability**

4. Leverage our **Omni Channel** model to deliver superior Customer Experience
Presentation roadmap

1. Introducing the Nespresso concept
2. Nespresso USA growth engine
3. VertuoLine as a game changer
Nespresso introduces VertuoLine
A game changer ambition
Nespresso VertuoLine and Nespresso OriginalLine
Two differentiated positionings

The system that reinvents freshly brewed coffee

The state of the art ‘espresso based’ system

Both designed for your home, delivering the undisputed Nespresso superior in-cup result in the most convenient way
**Nespresso VertuoLine and Nespresso OriginalLine**

Two distinct technologies

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<th>VertuoLine</th>
<th>OriginalLine</th>
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<td><strong>Patented technological breakthrough</strong></td>
<td>First disruptive innovation by Nespresso</td>
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| **Centrifusion™ technology**  
7,000 rotations per minute (RPM) | **High pressure pump**  
19 bars |
| 2 capsule sizes  
(up to 13g of coffee) | 1 capsule size  
(up to 6g of coffee) |
| Capsule recognition (bar code) | No capsule recognition |
| Freshly brewed large cup coffee with crema & authentic espresso | Authentic espresso |
Nespresso VertuoLine key consumer benefits

1. Unmatched in-cup quality with crema
2. Unique system versatility
3. Superior machine convenience
4. Nespresso experience
The VertuoLine circle
Igniting the coffee revolution

**MARKETING OBJECTIVE**
Create a revolution in the coffee category

**COMMERCIAL OBJECTIVE**
Maximize Trial

**BRAND OBJECTIVE**
Establish Nespresso as the gold standard of the coffee category

**PRODUCT / SYSTEM OBJECTIVE**
Differentiate by enhancing the Specific system features: Crema, Centrifusion, etc.
In summary…

• Highly **Attractive Single Serve Segment**

• Introduction of a Unique **Innovation designed for the American Market**

• Revolutionary **Coffee Extraction Technology** and **Unrivalled Versatility**

• A Differentiated Brand Experience based on a **Direct-to-Consumer Relationship**

• An Exclusive Route to Market delivering a genuine **Omni Channel Experience**

• 28 years **R&D and Innovation Capabilities** in portioned coffee

• A Passionate and Focused **Team**