Leading and Shaping the New Coffee Reality

Patrice Bula
EVP, Strategic Business Units, Marketing, Sales and Nespresso

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Disclaimer

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.
TODAY’S COFFEE MENU

1. The Coffee opportunity
2. Reinvigorate the NESCAFÉ brand
3. Accelerate Innovation Leadership
4. Build competitive gaps through proprietary technology
5. Win in portioned coffee systems
TODAY’S COFFEE MENU

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The exciting New World of Coffee

VARIETY & SOPHISTICATION

PREMIUMISATION & NEW COFFEE EXPERIENCES

IN-HOME COFFEE-SHOP QUALITY + CONVENIENCE

A 3 BILLION CONSUMER POTENTIAL

Coffee cups per person per year

<13

China, India, Africa*

Rest of the World

Nestlé, World of Coffee
Solid growth momentum driven by premiumisation and personalisation

2015 RETAIL COFFEE MARKET in CHF bn

<table>
<thead>
<tr>
<th>2015</th>
<th>TOTAL</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RTD</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Portioned</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>Soluble</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>R&amp;G</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Nestlé estimates leveraging Euromonitor and Nielsen data. No inflation

CAGR '10-'15

36% of expected growth

2015 RETAIL COFFEE MARKET in CHF bn

<table>
<thead>
<tr>
<th>2015</th>
<th>US</th>
<th>BRA</th>
<th>Greater China</th>
<th>Russia</th>
<th>Others AMS</th>
<th>Others AOA</th>
<th>Others EMENA</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>95</td>
<td>2.8</td>
<td>2.3</td>
<td>2.3</td>
<td>2.9</td>
<td>6.6</td>
<td>6.5</td>
<td>120</td>
</tr>
</tbody>
</table>

CONFIDENTIAL – PROPRIETARY INFORMATION OF NESTLÉ S.A.
Nestlé leading globally in a fast reshaping competitive landscape

Source: Nestlé estimates, based on FY 2015 revenues. JAB and Lavazza including M&A.
JAB: a different brand portfolio and footprint

**Brand portfolio**

- **JAB**: 50 brands (50+ licensed in Keurig)

- Nestlé

**Categories & geographies footprint**

- **Value share, 2015**
  - Soluble: 20 (JAB), 44 (Nestlé)
  - R&G: 15 (JAB), 1 (Nestlé)
  - Portioned: 37 (JAB), 44 (Nestlé)

- **75% of sales in Western Europe & US**

Note: 1. 34 brands owned by JDE + 20 owned by Keurig + 6 coffee shops brands. Source: Nielsen 2015.
Nestlé leading globally in the fastest growing Soluble & Portioned segments
Yet with an historical gap in North America

Source: Euromonitor. Nestlé estimates where Euromonitor data are not available.
TODAY’S COFFEE MENU

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Soluble coffee: solid growth momentum driven by Premiumisation and Mixes

2015 RETAIL COFFEE MARKET in CHF bn

- TOTAL: 95
  - RTD: 19
  - Portioned: 16
  - Soluble: 27
  - R&G: 33

Pure Soluble
- Premium / S. Premium: 7.6
  - CAGR '10-'15: 6%
- Mainstream: 9.0
  - CAGR '10-'15: 3%
- Premium / S. Premium: 2.9
  - CAGR '10-'15: 7%
- Mainstream 3in1: 7.1
  - CAGR '10-'15: 7%

Mixes

Source: Nestlé estimates based on Euromonitor (coffee market + RTD) and Nielsen (Soluble segments). Soluble coffee segments represented here are not including Soluble Mixtures (CHF 0.8 bio.).
Nescafé: the leading coffee brand

**GLOBAL SCALE**
- 6,000 cups/second
- 170+ countries

**#1 COFFEE BRAND GLOBALLY**
- 44% share of soluble cups
- #1 system for retail portioned coffee (excl. N. America)

**#3 MOST VALUABLE BEVERAGE BRAND**

NESCAFÉ: the leading coffee brand

RESTAGE THE BRAND

NESCAFÉ FLAGSHIP

GROWING THE NESCAFÉ PLAN
NESCAFÉ: the leading coffee brand

RESTAGE THE BRAND

NESCAFÉ FLAGSHIP

GROWING THE NESCAFÉ PLAN
NESCAFÉ: the leading coffee brand

RESTAGE THE BRAND

NESCAFÉ FLAGSHIP

GROWING THE NESCAFÉ PLAN
WELCOME TO
THE COFFEE LANDS
NESCAFÉ.
Connecting with Millennials

- A fresh brand voice
- New coffee experiences
- Above & beyond innovations
With new coffee experiences
And embracing the Cold Coffee opportunity: 80% of growth expected from Asia
And innovating with patented technologies

N. 2 IN CHILLED, EUROPE

CHINA 2016
Above & beyond innovations
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NESCAFÉ: 77 years of innovation-driven profitable growth
2015-16: mainstream NESCAFÉ relaunch

New patented filtering technology
2015-16: capture coffee origins authentic story
Driving Premiumisation in Mixes

*Patented mixing and foaming technology*
Accelerating in Super Premium
Patented yield splitting for intensive in-cup aroma and taste
TODAY’S COFFEE MENU

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3. Accelerate Innovation Leadership
4. **Build competitive gaps through proprietary technology**
5. Win in portioned coffee systems
Building competitive gaps through proprietary technology

- Removing harshness & undesired aroma
- Extra-fine micronised coffee
- Increasing coffeeess
- White foam + above the cup aroma
- Intensive aroma & taste at affordable cost
- Coffee concentrates for cold solubility

A global R&D set-up:
- 4 Product Technology Centers
- 1 System Technology Center
- 450 experts
Making the difference in the cup

**GLOBALLY**

winning consumer preference (60/40)

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**Example: ITALY**

liking scores vs. leading R&G brands

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**Example: JAPAN**

60/40 win vs. leading coffee-shop brands

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Note: 85 tests run worldwide in 2015.

Note: Italy - liking scores on short black cup, 200 consumers

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TODAY’S COFFEE MENU

1. The Coffee landscape
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Nestlé pioneering and winning in portioned coffee

13% CAGR 2010-'15

Note: at constant exchange rate
Nespresso & NESCAFÉ Dolce Gusto: the leading brands in portioned coffee

Portioned coffee retail value - World

Top 10 coffee capsule brands (vol.) - World

<table>
<thead>
<tr>
<th>Brands</th>
<th>System</th>
</tr>
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<tbody>
<tr>
<td>1. NESPRESSO</td>
<td>NESPRESSO</td>
</tr>
<tr>
<td>2. PRIVATE LABELS</td>
<td>SENSEO</td>
</tr>
<tr>
<td>3. NESCAFÉ DOLCE GUSTO</td>
<td>NESCAFÉ DOLCE</td>
</tr>
<tr>
<td>4. SENSEO</td>
<td>SENSEO</td>
</tr>
<tr>
<td>5. PRIVATE LABELS</td>
<td>KEURIG</td>
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<tr>
<td>6. GREEN MOUNTAIN</td>
<td>KEURIG</td>
</tr>
<tr>
<td>7. PRIVATE LABELS</td>
<td>NESPRESSO</td>
</tr>
<tr>
<td>8. STARBUCKS</td>
<td>KEURIG</td>
</tr>
<tr>
<td>9. CARTE NOIRE</td>
<td>SENSEO</td>
</tr>
<tr>
<td>10. FOLGERS GOURMET</td>
<td>KEURIG</td>
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Source: Nielsen + Nespresso sales.
Nescafé Dolce Gusto: building the leading global retail coffee system

- >1.2 bn sales (CHF)
- Double digit growth
- 82 markets
- #1 in Europe, Latam & Asia
- Retail machines & capsules sales
- New factory in Brazil to support growth ambition
NESCAFÉ Dolce Gusto: the fastest growing system in Europe retail

%MS Machines – in units

Source: GFK panel in units 17 Eur. markets retail only
Driving a powerful machine innovation pipeline
New unconventional coffee

2015

2016
And surprising limited editions

2015 Limited Edition

YUNNAN ESPRESSO

100% arabica

2016 Limited Edition

N’YUMBA LUNGO

100% arabica
The recognised ultimate coffee experience
Continue to create competitive gaps

CONTINUOUS INNOVATION AND PREMIUMIZATION

CONQUERING NEW TERRITORIES

CULTIVATING UNIQUE CUSTOMER RELATIONSHIP
Innovative rare coffee origins for new coffee experience

Price Index: 340

Price Index: 228

Price Index: 129

Price Index: 106
SULUJA: leveraging our unique direct to farmer sustainability program

“We drank our first cup this summer and it tasted just a little bit better knowing that it was from people who have worked so hard for normalcy and peace”

George Clooney, Bloomberg 2015
Creating gaps in machine design and functionalities
20+ new markets and 50 boutique openings/year
A focused strategy to win in the USA

- **UNIQUE LONG CUP COFFEE EXPERIENCES**
- **PREMIUM BRAND CAMPAIGN**
- **RETAIL EXPANSION**
Vertuoline: revolutionising premium long cup coffee experiences

- **NOVEL IN-CUP QUALITY**
- **UNIQUE SYSTEM VERSATILITY**
- **SUPERIOR MACHINE DESIGN & CONVENIENCE**
The Brand Campaign

Nespresso Training Day - (00:30)

GC Testimonial – Long (02:55)
MCCANN 
NESPRESSO 

"TRAINING DAY" :30
MUSEUM/ SUSHI/ WALK REV
WORKPRINT & SCRATCH MIX
10/20/15
The Brand Campaign

Nespresso Training Day - (00:30)

GC Testimonial – Long (02:55)
Expanding our retail footprint: 30+ new boutique openings
USA: Nespresso brand steadily gaining shares
+33% CAGR 2009-'15

Portioned coffee Market Share (vol.) - USA

Top 10 portioned coffee brands (vol.) - USA

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<td>5. NESPRESSO</td>
<td>NESPRESSO</td>
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<tr>
<td>6. EIGHT O'CLOCK</td>
<td>KEURIG</td>
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<tr>
<td>7. AUTH. DONUT SHOP</td>
<td>KEURIG</td>
</tr>
<tr>
<td>8. MAXWELL HOUSE</td>
<td>KEURIG</td>
</tr>
<tr>
<td>9. MCCAFE</td>
<td>KEURIG</td>
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<td>10. GEVALIA</td>
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Source: Nielsen + Nespresso sales.
Aggressively addressing the Out-of-Home opportunity

- CONTINUE TO LEAD IN FINE DINING
- PURSUE AGUILA SUCCESSFUL LAUNCH WITH NEW RANGE
- INCREASING COFFEE OFFER AND SERVICE LEVEL

- 750 top chefs
- 2&3 Michelin star restaurants
- Personalised blends
Cultivating unique Customer Relationship

INNOVATING IN NEW RETAIL FORMATS & EXPERIENCES

IMPROVED DIGITAL EXPERIENCE

BUILDING UNIQUE RELATIONSHIPS WITH OUR CONSUMERS
Uniquely positioned to seize the coffee category potential

INNOVATION CAPABILITIES

✓ Technology lead
✓ Coffee expertise
✓ Global brands and unique market agility

FAVORABLE POSITION

✓ Accelerating in Portioned
✓ Leading in Soluble
✓ RTD opportunities

WINNING IN KEY TERRITORIES

✓ Gaining share in US
✓ High ambition in Brazil
✓ Solid leadership in Russia and China
Leading,
Inspiring,
Delivering!

Thank you!