Why

Nescafé Dolce Gusto?
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.
Consumers WW looking for versatility, quality and convenience

A desire for more choice

A desire for better quality

A desire for more convenience

Consumers have the right to be lazy and demanding at the same time
The coffee market is changing fast
WW trends are emerging

From

Do you want coffee?
Coffee black, white, with or without sugar
Coffee by the pot

To

Which coffee would you like?
Specialty, gourmet coffee: cappuccino's, latte's
Coffee by the cup
There was a gap in the market.
We have the best technology
Unique proprietary technology
Give us an incredible competitive edge

Unique idea
→ A single cup extraction cell

Technical advantage
→ Customised extraction pressure
- Espresso: 6 bar
- Lungo: 3 bar
- Milk: <1 bar

→ Variable temperature

→ Direct Flow

Consumer Benefit
→ Choice (from espresso to brew cup), convenience, less cleaning, Quality
Exceptional performance in 60/40

- Chococino vs. Tassimo: 93/07
- Cappuccino vs. Tassimo: 73/27
- Latte macchiato vs. Tassimo: 68/32
- Lungo Mild vs. Tassimo: 64/36
- Espresso vs. Tassimo: 59/41
- Lungo vs. Tassimo: 58/42
What have we built so far
1 strong concept supported by...

Coffee-shop coffees @ home
...a machine range like no other...

- Design
- Cost
- Functionalities
...a range of 22 recipes of superior quality...

- Moment
- Target
- Need State
...a strong and modern brand visual identity...
... unique brand personality ...
By the end of 2010:

- Roll-out in 36 markets
- Close to 5 Millions machines sold to the trade
- 2’000’000 registered consumers
- 4\textsuperscript{TH} system WW already ahead of Tassimo.
...our business grows from the base (the key markets)...

<table>
<thead>
<tr>
<th>Markets</th>
<th>Launch Year</th>
<th>Share of Business</th>
<th>% evol. ´08 vs. ´09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wave 1</td>
<td>2006</td>
<td>39%</td>
<td>+36%</td>
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<tr>
<td>Wave 2</td>
<td>2007</td>
<td>51%</td>
<td>+58%</td>
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<tr>
<td>Wave 3</td>
<td>2008</td>
<td>8%</td>
<td>+183%</td>
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<tr>
<td>Wave 4</td>
<td>2009</td>
<td>2%</td>
<td>+318%</td>
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... and a new ambition for Nescafé
We are strong on the key drivers of this business

- **Get People to upgrade**
- **Superior quality**
- **Choice**
- **Convenience**

**Get People to upgrade**

- 70/30 superiority vs. competition vs. usual coffee solution

**Superior quality**

- Variety → Recipes
- Cleanliness → Direct flow

**Choice**

- By the cup → Capsule
- Variety → Recipes

**Convenience**

- Variety → Recipes
- Cleanliness → Direct flow
How do we Operate?
A unique route to market

Central Team

Machine development & supply coordination

WiK China
Machine production

SEB / De Longhi
Machine distribution

Tutbury Girona
Coffee production

Nestlé Markets
Coffee sales & marketing

Specialised Retail

Food Retail

Food Retail
A hybrid business → the best of both world

• **A Central team (to contain complexity and cost):**
  
  - Global Strategy,
  - System I/R,
  - Partnership management
  - Global Operations.

• **Role of the market is local implementation, flawless execution and ultimately P&L responsibility**
How do we see the Future
Our vision CHF 1 Billion business

<table>
<thead>
<tr>
<th>Year</th>
<th>NPS (mio CHF)</th>
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<tbody>
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<td>2006</td>
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<td>2007</td>
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<td>2013</td>
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<td>2014</td>
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• Breakthrough innovation drives growth even in the most mature businesses.

• It can also create huge value in otherwise commoditised markets

• Nescafé will find a new dimension thanks to Nescafé Dolce Gusto

• Combining centralised with decentralised approaches accelerated growth much faster than using either of the two separately.

• The quality of the partnership is critical for success