NESCAFÉ in China

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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.
Nestlé created the coffee category in China 20 years ago…

Sales of Soluble Coffee (in-home)

CAGR +20%
Every 2 out of 3 cups today in China is NESCAFÉ (Euromonitor)

Total Coffee Market in China:
(In-home & out-of-home)

Source: Euromonitor, 2011
But only 3 cups per capita

China is **not** homogenous in coffee development…

… and has a huge room for growth

<table>
<thead>
<tr>
<th>Country</th>
<th>Cups per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>1,218</td>
</tr>
<tr>
<td>France</td>
<td>604</td>
</tr>
<tr>
<td>Brazil</td>
<td>539</td>
</tr>
<tr>
<td>USA</td>
<td>451</td>
</tr>
<tr>
<td>Japan</td>
<td>382</td>
</tr>
<tr>
<td>Russia</td>
<td>204</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>168</td>
</tr>
<tr>
<td>Taiwan</td>
<td>99</td>
</tr>
</tbody>
</table>

Sources: Nestlé intelligence, AC Nielsen

**Shanghai**

29 cups

**Low-tier city**

2 cups

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The NESCAFÉ brand is popular among youth

NESCAFÉ is no 1 liked brand among Chinese youth (16-24 yrs)

<table>
<thead>
<tr>
<th>Top 3 Brands</th>
<th>MEAN</th>
<th>INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>NESCAFÉ</td>
<td>4.18</td>
<td>108</td>
</tr>
<tr>
<td>Masterkong green tea</td>
<td>4.08</td>
<td>105</td>
</tr>
<tr>
<td>Coca-Cola</td>
<td>4.06</td>
<td>105</td>
</tr>
</tbody>
</table>

Source: Ipsos, Understanding Youth Consumers Habits and Attitudes towards Coffee in China, Apr 2011

Organiser: “China Business” (leading media group), voted by students from 1700 universities
Our NESCAFÉ strategy

WINNING PRODUCTS
“Deliver the best coffee taste as enjoyed by Chinese consumers”

AVAILABILITY
“Be where the consumers are”

COMMUNICATION
“Engage consumers with NESCAFÉ”
Winning portfolio:
The right products & solutions in-home and out-of-home

In-home

Out-of-home

Premium

Mainstream +

Mainstream

Retail Branding

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Innovating on taste & format, driving strong growth

Smoovlatte
Ready-To-Drink

Perfect balance of milk and coffee with smooth mouth-feel for new users and on-the-go consumption

1+2 Mainstream Mixes
Milky

Recruiting new users in tier 2-3 cities with mild & milky coffee mix

Café Collection
Premium White Coffee

Bringing the coffee house experience in home
Availability: Whenever, wherever & however coffee is consumed

White collar day of life

Convenience stores Way home
18:00-20:00

Convenience stores Way to office
7:00-9:00

Office Afternoon break
15:00-16:00

Office Break
9:00-12:00

Fast foods Office canteens Lunch
12:00-14:00
**NESCAFÉ communication strategy**

- Engaging with the post 90’s Chinese youth consumers
- Encouraging them to experience coffee and live out their dreams
- Brand spokesperson: Han Han, China’s most popular writer/blogger with 7 million fans
Creating Shared Value…
Benefiting 20,000 farmers in Yunnan through the NESCAFÉ plan

20 years of partnership
- CHF 10 million investment in Pu’er
- 7,000 coffee growers trained, +1,000 every year

10,400 tonnes of coffee purchased during the 2011/2012 season
- Direct procurement from coffee growers (of which 73% are small farmers)

World Business and Development Award
June 19th, 2012 – Rio, Brazil

Innovative & productive business practices that benefited Chinese society
Expanding our industrial footprint in China

Shanghai
(2009)

Qingdao
(2013)

Dongguan
(1991)

Qingdao

Shanghai

Dongguan

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Dongguan coffee factory at a glance

- **NESCAFÉ** first production: November, 1991
- No. of regular employees: 620 people
- Product categories:

![Product categories images]

Nescafé | Coffee Creamer | Nescafé 1+2 | Nescafé Ready-To-Drink | Nescafé Gift Box
Thank you & enjoy your trip in China!