The *Nespresso* Winning Formula

Continuous innovation and highest quality as cornerstones for sustainable growth

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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.
### Impressive continuous growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover in CHF</th>
<th>Cups per minute</th>
<th>Coffee Systems MS% (Units)</th>
<th>Global Club Community</th>
<th>Global Boutique Network</th>
<th>Nespresso Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>210 mn</td>
<td>868</td>
<td>6%</td>
<td>600,000</td>
<td>1</td>
<td>331</td>
</tr>
<tr>
<td>2009</td>
<td>2.770 bn</td>
<td>10,000</td>
<td>19.5%</td>
<td>8 million</td>
<td>191</td>
<td>4,500</td>
</tr>
</tbody>
</table>

70% in direct contact with Nespresso customers
Market attractiveness triggers increasing number of competitors.

1. Many port. Open
   Few port. Closed

2. Mainly port. Closed

3. Private Label

4. Me-too capsules

2004-2008: +20
Nestlé takes over segment leadership

Coffee System Evolution by MS % (machine units)

Source: GFK 10 Key European Markets
Total focus on highest quality coffee

Nespresso is a stand alone Globally Managed Business with its own

- global P&L
- global decision-making
- unique business model
- global production centres
- specific route to market

What are the benefits?

- Global business focus
- Faster decision-making
- Consistent global brand
- One centre of competences (coffee, design, R&D, CRM)
Nespresso is becoming a global player

- In 2009 for the first time, Zones AMS and AOA accounted for more than 10% of sales
- 223 boutiques by end 2010
High Potential for Portioned Coffee

Portioned coffee share of total coffee market in cups units/value

- **Portioned Coffee**: 19%* (2000), 7%* (2009), value est. 25%**, units est. 12%**
- **R & G/Soluble Coffee**: 83% (2000), 93% (2009), 98% (2010, 2015)

*Source: AC Nielsen Europe +North America (12) Coverage
**Source: Nespresso Projection

2000 2009 2010 2015
Nespresso’s Winning Formula

Enhancing our competitive advantages while building on our core competences...

- Unsurpassed coffee quality & deep coffee expertise
- Unstoppable drive for innovation & distinctive design
- Passionate global brand community
- Aspirational iconic global brand
- Exclusive route-to-market with direct consumer relations
- Holistic approach to Sustainable Quality™ development
Only the top 1-2% of the world’s green coffee crop meets our specific taste/aroma profiles and Nespresso’s demanding quality standards.
Unique way to create Grand Cru Coffees

- Dedicated Nespresso team of coffee experts
- Rigorous quality management from cherry to cup
- Skillful blending to create the specific aroma profiles of our 21 Grand Cru coffees and limited editions
- Extreme care in the drying, roasting & grinding process
State-of-the-art Production Centres

Avenches + Extension:
- Total investment: CHF 400 million
- Building surface: 16,700 m²
- Production capacity (capsules):
  - 4.8 billion (2009)
  - 8.8 billion (2012+)
- Number of employees:
  - 340 (2009)
  - 400 (2010)
  - 800 (2012+)
- Constructed: 2009
- Extension: 2010-2012

Orbe
- Total investment: CHF 215 million
- Building surface: 10,200 m²
- Production capacity (capsules):
  - 4.1 billion (B2C & B2B)
- Number of employees:
  - 315 (2009)
- Constructed: 2002
Unique choice of Grand Cru coffees

- The **16 varieties**, each unique, and each a perfect combination of crema, body and taste.
- With distinct **individual aromas and flavor notes** to appeal to every personal taste preference.
- Packaged in **hermetically sealed iconic aluminium capsules** designed to conserve the exact proportion of freshly roasted and ground coffee.
Unstoppable drive for innovation and design

- *Nespresso* in-house R&D team
- Deeply routed culture of creativity and innovation
- More than 1,700 patents
- Award-winning design
- Filled innovation pipeline
Nespresso a global iconic brand

→ 1st global roast and ground coffee brand
→ Since 2008 among the top 20 risers in brand value ranking

→ Nespresso perceived as global super premium brand
Unique way of creating direct relations

- **More than 8 million** coffee connoisseurs form global Nespresso fan community

- **More than 3,000 Nespresso Coffee Specialists** have 100,000 contacts every day with **direct customer relations**

- **Best brand ambassadors**
  50% of our new customers experience Nespresso through current Club Members
Nespresso’s unique route-to-market

Nespresso Sales in % by Channel

- **Internet**: 50%
- **CRC**: 20%
- **Boutique**: 30%

Source: Nespresso Statistics excl. Export 2009
Biggest shop window www.nespresso.com

- 7 million visits in 2009 with an average time spent of 6 minutes
Global Nespresso Boutique Network

223 boutiques by the end of 2010

Europe: 142
AMS: 29
AOA: 52

Canada: 3
U.S.A.: 8
Mexico: 3
Dom. Rep.: 1
Brazil: 10
Chile: 1
Argentina: 3

Denmark: 1
Sweden: 1
Norway: 1
UK & Ireland: 8
France: 21
Benilux: 3
Holland: 10
Germany: 9
Austria: 7
Israel: 1

Switzerland: 18
Italy: 19
Spain: 27
Portugal: 8
Greece: 1
Russia: 3
Czech Rep.: 1
Poland: 1
Hungary: 1
Cyprus: 1

Morocco: 1
Lebanon: 2
Turkey: 1
Egypt: 1
Kuwait: 1
UAE: 2
Reunion: 2
South Africa: 2
Saudi Arabia: 1

China: 3
Korea: 5
Japan: 18
Hong Kong: 2
Singapore: 2
Australia: 9
Improving quality at every step of the value chain

Nespresso, a unique business model, allows us to guarantee quality from cherry to cup.
Ecolaboration™ Nespresso’s holistic approach for sustainable development

Building on the principles of the Nestlé “Creating Shared Value” approach, the Nespresso Ecolaboration™ framework aims to bring stakeholders and Nespresso partners together with the ultimate objective of continuously improving the sustainability performance of the Nespresso value chain.

- Source 80% of our coffee through the unique Nespresso AAA Sustainable Quality™ Program, incl. Rainforest Alliance certification
- Put systems in place to triple our ability to recycle used capsules to 75%
- Reduce the overall carbon footprint required to produce every cup of Nespresso coffee by 20%
Creating sustainable future growth

Capitalise on strengths of unique business model and luxury brand image

- **Conquer new geographies through a targeted urban expansion strategy**
  - grow to 223 boutiques with more than 30 locations including Miami, Brussels, New York (Soho), Munich
  - expansion outside Europe: Shanghai, Cape Town & Johannesburg
  - step change in B2B strategy to increase share in top gastronomy and offices

- **Strengthen innovation capabilities in core areas**
  - defend and grow intellectual property portfolio
  - new Boutique concept (starting in Munich) & new dynamic e-commerce platform
  - new exclusive, personalised services in all touch points
  - roll-out of 5 new machines in both B2C and B2B channels within next 12 months

Creating highest quality Grand Cru coffees
Creating long-lasting consumer relationships
Creating sustainable business success

Enhancing our competitive advantage to even higher standards while building on our core competences to deliver double digit growth rates
Thanks