

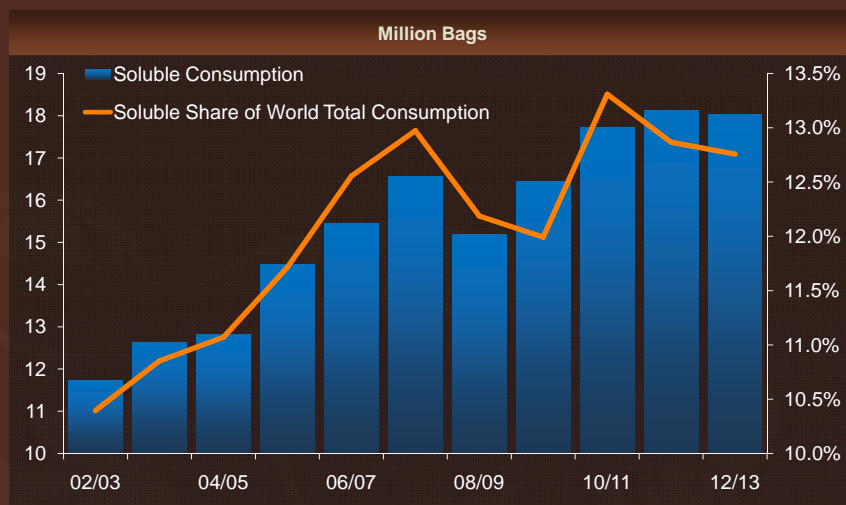
Instant Changes Still Take Time: Outlook for Soluble Markets

March 5, 2013



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Soluble Gaining World Market Share with Popularity in Fast Growing Markets



Source: USDA, J. Ganes Consulting

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Global Trends



- Soluble market needs to capture more out of home use
 - Institutional Use
 - Instant coffee based vending machines popular especially in Europe
 - Present in convenience stores, offices as well as high-traffic public areas
 - Offer full range of beverages available in cafes and coffee-shops through 2-in-1, 3-in-1 offerings with no training needed
 - Liquid Extracts
 - Iced and refrigerated drinks available to meet the original on-the-go advantage of instant coffee
 - Steep competition for shelf space against energy drinks, functional waters, variety of teas

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Global Trends



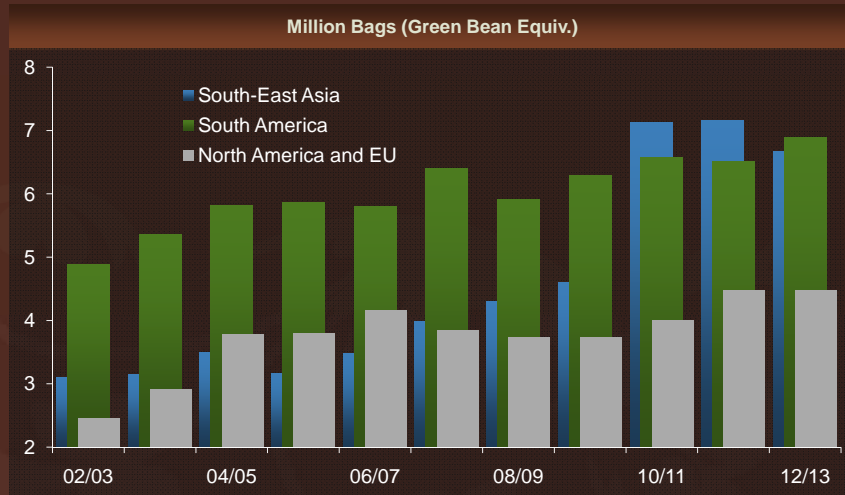
- Quality of Robusta Improving
 - Instant coffee traditionally made with low quality Robusta's helping create a reputation of inferior taste
 - Vietnam leading quality improvements
 - Stronger Robusta pricing reflective not only of high Arabica prices but also roaster flexibility
- Soluble Production Shifting to Origin
 - Strongest growth over last 10 years in South-East Asia. Led by Indonesia, Malaysia, Vietnam
 - Brazil, Ecuador, Mexico saw gains in Americas
 - Major Robusta producers Vietnam and Indonesia targeted for highest production growth through 2016

Source: USDA, J. Ganes Consulting

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South-East Asian Soluble Output More than Doubling Over Last Decade



Source: USDA, J. Ganes Consulting

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In Mature Markets



- Single-serve coffee pods dominating growth prospects for at-home use
 - Y-o-Y growth in value terms for U.S. roast ground market drops from 14.7% to 2.5% when excluding K-Cups
 - Reduction in waste having negative effect on consumption
- Baby Boomers responsible for large coffee volumes
 - Younger generations consuming less and aren't ready to take over for multi-cup per day drinking parents
- Super-Premium micro-granular segment successful but not changing consumer behavior
 - Starbucks Via: \$250 million in sales in 2011
 - Nescafe "Barista Style Coffee" : popular in Japan, recently launched in UK, Brazil, Mexico

Source: Jefferies, Nielsen Scantrack

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In Growth Markets



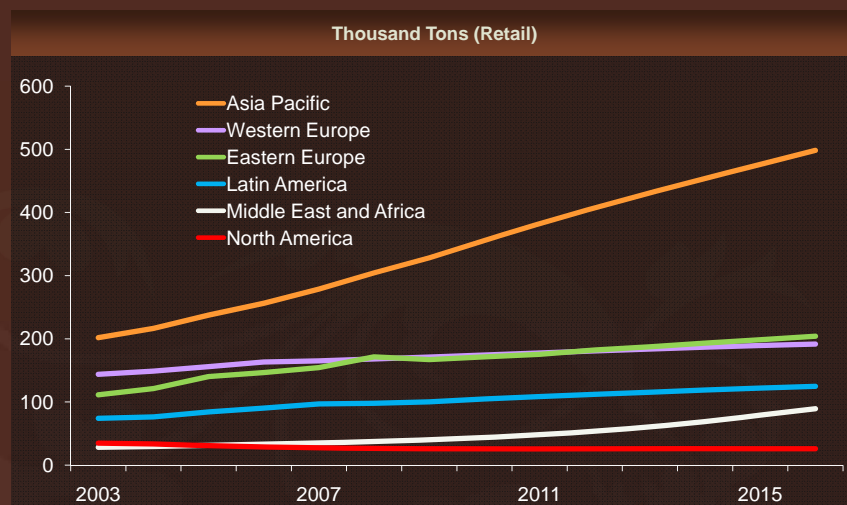
- At Home Instant Use Seeing Strong Growth in Asia, Eastern Europe
 - Tea drinking countries among fastest growing and largest
 - Rituals remain the same, lower incomes won't allow for additional appliances exclusively for coffee
 - Asian growth in population and GDP remains strong
 - While China forecasted to peak in population in 2025, GDP growth and population size represent largest potential market for soluble coffee
 - Population growth to be especially strong in South-East Asian markets where instant coffee is already dominant
 - Philippines (35%) and Malaysia (31%) will surpass world growth from 2010-2030 of 24%

Source: United Nations

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Asian Retail Market Saw Volumes Double Over the Past Ten Years



Source: Euromonitor

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Asian Growth May Slow but Will Remain Stronger than Elsewhere



Source: Euromonitor

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Questions?



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