

JAB Holding Company S.à r.l., Luxembourg

JAB Holding Company S.à r.l.

Luxembourg

Consolidated Financial Statements

for the financial year ended 31 December 2019
(with the report of the Réviseur d'Entreprises agréé thereon)

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To the Shareholders of
JAB Holding Company S.à r.l.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

Following our appointment by the Annual General Meeting of the Shareholders, dated 21 March 2019, we have audited the consolidated financial statements of JAB Holding Company S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 10 March 2020

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Cabinet de révision agréé

Yves Thorn
Partner

JAB Holding Company S.à r.l., Luxembourg

Consolidated Management Report

Management of JAB Holding Company S.à r.l. (the "Company" or the "JAB Group") hereby presents its consolidated financial statements for the financial year ended on 31 December 2019.

General information

JAB Holding Company is a privately held group focused on long-term investments in companies with premium brands, attractive growth and strong cash flow.

The investments are overseen by two managing partners: Peter Harf and Olivier Goudet, together with 8 other partners. JAB Holding Company is assessed to be an Investment Entity in accordance with IFRS 10.27 and is required to apply the exception to consolidate and instead accounts for its investments in a subsidiary at fair value through profit or loss (FVTPL).

Investments

As of 31 December 2019, JAB Group's portfolio includes participations in Acorn Holdings B.V., Pret Panera Holding Company Group (through Pret Panera I G.P. and Pret Panera III G.P.), Krispy Kreme Group (through KK G.P.), Coty Inc. (through Cottage Holdco B.V.), Compassion-First Group (through Petcare G.P.) and JAB Luxury GmbH.

Acorn Holdings B.V. is the holding company of Keurig Dr Pepper Group (KDP), a leading producer and distributor of hot and cold beverages, Jacobs Douwe Egberts Group (JDE), a global leader in Coffee, and Peet's Coffee Group, a leading premium retail coffee brand in the US. As of 31 December 2019, the investment was valued at €16,842.6m. The value of the shares increased by €2,656.1m and JAB Group received total dividend income of €190.7m. In 2019, JAB Group acquired shares in Acorn Holdings B.V. for an amount of €2.4m, received capital repayments of €857.5m and sold shares for an amount of €5.7m.

Pret Panera I G.P. and Pret Panera III G.P. are the holding companies of Pret Panera Holding Company Group and its investments in leading bakery coffee companies, Pret A Manger Group and Panera Group, and in premium retail coffee brands, Caribou Coffee Group and Espresso House Group. As of 31 December 2019, the investment was valued at €3,863.7m. The value of the shares increased by €433.8m and JAB Group received total dividend income of €49.5m. In 2019, JAB Group made capital contributions to Pret Panera III G.P. in the amount of €76.0m.

KK G.P. is the holding company of the leading international premium retailer of sweet treats, Krispy Kreme Group. As of 31 December 2019, the investment was valued at €888.0m. The value of the shares increased by €199.7m and JAB Group received total dividend income of €8.2m. In 2019, JAB Group made capital contributions in cash to KK G.P. in the amount of €33.5m.

In March 2019, JAB Group made an investment in Petcare G.P. for the acquisition of Compassion-First Group, a pet hospital group, in the amount €222.5m. As of 31 December 2019, the investment was valued at €222.3m. The value of the shares decreased by €0.2m.

Coty Inc. is a global leader in the world of beauty. Coty Inc. is listed on the New York Stock Exchange. In January 2019, JAB Group founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. (300.9 million shares; 40.1% investment) to the

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newly established holding company. Thereafter, Cottage Holdco B.V. acquired further 150 million Coty shares in a partial tender offer (financed by standalone debt at Cottage Holdco B.V.). Furthermore, dividend income of \$80.7m was reinvested in Coty shares. As of 31 December 2019, the investment was valued at €3,041.2m. In 2019, the value of the shares increased by €1,317.3m and JAB Group received dividend income of €33.1m.

In 2019, JAB Group sold the investment in Reckitt Benckiser Group Plc. for €356.5m (2018: €30.9m shares sold for €2,145.5m).

As of 31 December 2019, the investment in JAB Luxury GmbH was valued at €300.1m. The value of the shares decreased by €-144.9m. JAB Group has the intention to dispose of its investment in JAB Luxury GmbH and therefore classified the shares as assets held-for-sale.

The following describes the valuation techniques used to value the private investments of JAB Group:

Acorn Holdings B.V.:

JAB Group holds 57.0% of Acorn Holdings B.V. which is a direct shareholder of further interim holding companies and their investments in Keurig Dr Pepper Group (KDP), Jacob Douwe Egberts Group (JDE) and Peet's Coffee Group (Peet's).

On 17 December 2019, JDE announced its intention to combine with Peet's and explore an IPO sometime during 2020.

As of 31 December, the shares in Acorn Holdings B.V. were valued at €16,842.6m. Acorn Holdings B.V.'s fair value was calculated as the net asset value of the different investments. These investments were valued as follows:

- As of 31 December 2019 and 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 31 December 2019 and 31 December 2018, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The current JDE valuation was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for JDE fair value as of 31 December 2019. The following LTM (based on 12 months) multiples were used for the valuation of JDE: EBITDA multiple of 16.3x (31 December 2018: 14.0x) and P/E multiple of 23.1x (31 December 2018: 20.9x).
- For further information, we also include the related next twelve months (NTM) multiples as of 30 June 2019 for the same peer group of selected publicly listed companies for JDE: EBITDA multiple of 15.5x (31 December 2018: 13.8x) and P/E multiple of 22.2x (31 December 2018: 19.1x).
- As of 31 December 2019 and 31 December 2018, Peet's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The current Peet's valuation was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for Peet's fair value as of 31 December 2019. The following LTM multiples were used for the valuation of Peet's: EBITDA multiple of 18.1x

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(31 December 2018: 15.7x), P/E multiple of 28.1x (31 December 2018: 24.6x) and Sales multiple of 4.2x (31 December 2018: 3.3x).

- For further information, we also include the related next twelve months (NTM) multiples as of 30 June 2019 for the same peer group of selected publicly listed companies for Peet's: EBITDA multiple of 17.1x (31 December 2018: 14.2x), P/E multiple of 25.5x (31 December 2018: 22.4x) and Sales multiple of 3.9x (31 December 2018: 3.1x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

Pret Panera I G.P. and Pret Panera III G.P.:

JAB Group is invested in Pret Panera Holding Company Group through a 53.8% investment in Pret Panera I G.P. and a 16.3% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

As of 31 December 2019, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €3,863.7m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger Group occurred in the second half of 2018. As of 31 December 2019 and 2018, management assessed the original acquisition cost still to be the best estimate of fair value.
- As of 31 December 2019 and 2018, Panera Group's, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 19.5x (2018: 17.3x), P/E multiple of 30.9x (2018: 25.0x) and Sales multiple of 4.3x (2018: 2.9x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Panera Group: EBITDA multiple of 17.3x (2018: 16.3x), P/E multiple of 25.6x (2018: 23.7x) and Sales multiple of 3.8x (2018: 2.7x).
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.1x (2018: 16.1x), P/E multiple of 24.7x (2018: 25.0x) and Sales multiple of 1.8x (2018: 1.8x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Caribou: EBITDA multiple of 16.8x (2018: 15.6x), P/E multiple of 23.0x (2018: 23.2x) and Sales multiple of 1.6x (2018: 1.6x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.6x (2018: 17.8x), P/E multiple of 24.7x (2018: 25.5x) and Sales multiple of 2.0x (2018: 2.5x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Espresso House: EBITDA multiple of 17.1x (2018: 16.8x), P/E multiple of 22.8x (2018: 22.9x) and Sales multiple of

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1.7x (2018: 2.2x).

- The multiples applied to the LTM figures ending December 2019 and 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

KK G.P.:

JAB Group is invested in Krispy Kreme Group through a 49.6% investment in KK G.P.

As of 31 December 2019, the shares in KK G.P. were valued at €888.0m. KK G.P.'s investment was valued as follows:

- As of 31 December 2019 and 2018, Krispy Kreme Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Krispy Kreme Group's: EBITDA multiple of 18.6x (2018: 16.9x), P/E multiple of 25.5x (2018: 24.4x) and Sales multiple of 4.3x (2018: 3.2x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 17.1x (2018: 16.3x), P/E multiple of 23.5x (2018: 22.4x) and Sales multiple of 3.8x (2018: 3.1x).
- The multiples applied to the LTM figures ending December 2019 and 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

Petcare G.P.:

JAB Group is invested in Compassion-First Group (VSNA LLC) through a 33.1% investment in Petcare G.P.

As of 31 December 2019, the shares in Petcare G.P. were valued at €222.2m. Petcare G.P.'s investment in Compassion-First Group was valued as follows:

The investment in Compassion-First Group occurred in March 2019. As of 31 December 2019, management assessed the original acquisition cost still to be the best estimate of fair value.

JAB Luxury GmbH:

JAB Group is the sole owner of JAB Luxury GmbH, Switzerland. JAB Group has the intention to dispose of its investment in Labelux Group GmbH in Liqu. and therefore classified the shares as assets held-for-sale.

As of 31 December 2019, the shares in JAB Luxury GmbH, Switzerland were valued at €300.1m.

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Corporate debt securities Acorn Holdings B.V.

JAB Group holds preferred shares in Acorn Holdings B.V.

As of 31 December 2019, the preferred shares were valued at €852.2m.

The management assessed the original acquisition cost of the preferred shares to be the best fair value estimate.

Financing

As of 31 December 2019, JAB Group's capital comprises 8,888,582 Class A shares, 780,118 Class B shares and 1,347,563 Class S shares. Class B shares and Class S shares are redeemable under certain conditions that are out of JAB Group's control and therefore classified as liabilities. The redeemable shares are carried at the redemption amount of €2,554.3m (2018: €1,926.9m).

JAB Group operates share option schemes for members of the Advisory Committee as well as members of the management team and executives and senior managers of the Company and its affiliates with a carrying amount of €752.7m as of 31 December 2019 (2018: €399.9m). The change in the carrying amount is mainly due to an increase in the share price in 2019.

As of 31 December 2019, JAB Group has borrowings of in total €6,799.5m (2018: €5,952.1m). The outstanding amount in the current period consists of long-term notes with a carrying value of €6,799.5m (2018: €5,952.1m). Thereof, long-term notes with an aggregate principal amount of €1,500.0m were issued in 2019. Long-term notes with an aggregate principal amount of €636.8m (2018: €0.0m) were early repurchased in 2019.

The cash flows from financing activities during 2019 include contributions by the shareholders (€0.0m; 2018: €150.0m), share premium repayments to the shareholders (€-89.3m; 2018: €-90.3m), capital repayments on redeemable shares (€-126.5m; 2018: €-70.3), proceeds from issue of shares (€9.3m; 2018: €7.8m), financial expenses paid (€-190.2m; 2018: €-119.1m) and the net change in borrowings (€843.8m; 2018: €1,493.2m).

In 2019, JAB Group's equity increased from €15,255.9m to €18,652.8m, mainly due to an increase in the value of JAB Group's investment portfolio.

Financial information

The profit for the year 2019 amounts to €3,725.5m, mainly relating to the net gain on investments in subsidiaries and other investments (€4,490.5m), dividends received (€334.0m), finance income (€26.8m), interest expense and expense from early repurchase of long-term notes (€-153.7m), expenses from the revaluation of redeemable shares (€-474.6m) and expense from the share-option scheme (€-397.6m).

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Information regarding financial instruments and principal risks

The objective of JAB Group's management is to limit the foreign exchange risk on its transactions. As a result, JAB Group enters into forward exchange contracts as necessary.

JAB Group's exposure to credit risk mainly relates to its cash and cash equivalents. The credit risk on cash transactions is mitigated by transacting with counterparties that are financial institutions with high credit-ratings assigned by international credit-rating agencies.

JAB Group's exposure to liquidity risk is limited, in view of unused amounts under its credit facilities and cash available at year-end.

JAB Group is exposed to market risk as a result of its investments and subsidiaries. This exposure is not hedged.

JAB Group entered into interest swap agreements, which do not qualify for hedge accounting, to reduce the impact of changes in interest rates on its floating rate long-term debt.

The exposure of JAB Group to these risks is described in note 4 to the consolidated financial statements in detail.

Other disclosures

Due to the activities of JAB Holding Company S.à r.l. disclosures for R&D, social aspects, non-financial information KPI's and code of conduct are not relevant. The parent JAB Holding Company S.à r.l. has no branches.

Future developments and outlook

In January 2020, JAB Group has made \$166m distributions to its shareholders.

In January 2020, JAB Group has issued long-term notes in the aggregate principal amount of €100m.

In January and February 2020, JAB Group has provided loans to JAB Luxury Group amounting to €112m.

In February 2020, the acquisition of National Veterinary Associates was closed. JAB Group has made a total equity contribution of \$1.6bn (incl. \$0.2bn that were already provided as loans in 2019 and converted to equity at closing) and has provided a short-term loan to Petcare G.P. Group amounting to \$0.1bn.

In March 2020, Acorn Holdings B.V. has redeemed all preferred shares that were held by JAB Group at 31 December 2019. For the redemption JAB Group has received Acorn Holdings B.V. ordinary shares.

In March 2020, JAB Group has purchased Keurig Dr Pepper shares for an amount of \$0.2bn.

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The spread of the coronavirus disease, together with other political and economic developments, is currently negatively impacting the international stock-markets and global economic growth expectations. Depending on the further evolvement of the coronavirus disease, the direct and indirect investments' fair values might be affected.

Luxembourg, 10 March 2020

Managing Directors:

J. Creus

C. Thun-Hohenstein

Consolidated Statement of Financial Position as of 31 December 2019

| | | 31 December 2019 | 31 December 2018 |
|--------------------------------------|------------|------------------|------------------|
| | note | in €m | in €m |
| ASSETS | | | |
| Investments in subsidiaries | 3.1 | 24,862.8 | 19,061.0 |
| Other investments | 3.2 | 35.6 | 2,095.0 |
| Corporate debt securities | 3.3 | 852.2 | 852.2 |
| Loans | 3.4 | 188.4 | 34.0 |
| Other assets | 3.5 | 21.6 | 13.7 |
| Short-term financial investments | 3.6 | 0.0 | 82.3 |
| Cash and cash equivalents | 3.7 | 2,584.5 | 1,094.6 |
| Non-current assets held-for-sale | 3.8 | 300.1 | 404.7 |
| Total assets | | 28,845.2 | 23,637.5 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 3.9, 3.10 | 18,652.8 | 15,255.9 |
| Attributable to owners of the parent | | 18,652.8 | 15,255.9 |
| Borrowings | 3.13 | 6,799.5 | 5,952.1 |
| Redeemable shares | 3.11 | 2,554.3 | 1,926.9 |
| Other liabilities | 3.12, 3.14 | 838.6 | 502.6 |
| Total liabilities | | 10,192.4 | 8,381.6 |
| Total equity and liabilities | | 28,845.2 | 23,637.5 |

The notes on pages 17 to 66 are an integral part of these consolidated financial statements.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

| | note | 2019 in €m | 2018 in €m |
|--|------|----------------|---------------|
| Net gain / (loss) on investments in subsidiaries, other investments and short-term financial investments | 3.16 | 4,490.5 | -883.0 |
| Dividend income | 3.17 | 334.0 | 271.6 |
| Finance income | 3.19 | 26.8 | 178.9 |
| Finance expenses | 3.19 | -641.2 | -173.8 |
| General and administrative expenses | 3.20 | -473.6 | -245.6 |
| Profit/(loss) before income tax | | 3,736.5 | -851.9 |
| Taxes on income | 3.21 | -11.0 | -0.3 |
| Profit/(loss) for the period | | 3,725.5 | -852.2 |
| Attributable to owners of the parent | | 3,725.5 | -852.2 |
| Items that may be reclassified subsequently to profit and loss | | | |
| Currency translation differences | | -43.3 | -100.7 |
| Other comprehensive loss | | -43.3 | -100.7 |
| Total comprehensive income/(loss) | | 3,682.2 | -952.9 |
| Attributable to owners of the parent | | 3,682.2 | -952.9 |

The notes on pages 17 to 66 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

| | | Share capital | Share premium | Foreign currency translation reserve | Retained earnings | Total equity |
|---|------|------------------|------------------|---|----------------------|-----------------|
| | note | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2017 | | 6.6 | 7,594.7 | -48.9 | 8,596.6 | 16,149.1 |
| Issue of share capital | 3.10 | 0.1 | 149.9 | 0.0 | 0.0 | 150.0 |
| Repayment of share premium | 3.10 | 0.0 | -90.3 | 0.0 | 0.0 | -90.3 |
| Total income and expense recognised directly in equity | | 0.0 | 0.0 | -100.7 | 0.0 | -100.7 |
| Loss for the period | | 0.0 | 0.0 | 0.0 | -852.2 | -852.2 |
| Total comprehensive loss | | 0.0 | 0.0 | -100.7 | -852.2 | -952.9 |
| Balance as of 31 December 2018 | | 6.7 | 7,654.3 | -149.6 | 7,744.4 | 15,255.9 |
| Repayment of share premium | 3.10 | 0.0 | -89.3 | 0.0 | 0.0 | -89.3 |
| Reclassification of shares | 3.10 | -0.1 | -120.8 | 0.0 | -75.1 | -196.0 |
| Total income and expense recognised directly in equity | | 0.0 | 0.0 | -43.3 | 0.0 | -43.3 |
| Profit for the period | | 0.0 | 0.0 | 0.0 | 3,725.5 | 3,725.5 |
| Total comprehensive income | | 0.0 | 0.0 | -43.3 | 3,725.5 | 3,682.2 |
| Balance as of 31 December 2019 | | 6.6 | 7,444.2 | -192.9 | 11,394.8 | 18,652.8 |

The notes on pages 17 to 66 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2019

| | note | 2019 in €m | 2018 in €m |
|--|--------------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before income tax | | 3,736.5 | -851.9 |
| Finance expenses | 3.19 | 641.2 | 173.8 |
| Net (gain) / loss from change in fair value of investments in subsidiaries, other investments and short-term financial investments | 3.16 | -4,490.5 | 883.0 |
| Payments on acquisition of investments in subsidiaries, other investments and short-term financial investments | 3.1-3.2, 3.6 | -368.5 | -3,589.2 |
| Proceeds from sale of investments in subsidiaries, other investments and short-term financial investments | 3.1-3.2, 3.6 | 1,309.7 | 2,303.8 |
| Adjustment for share-based payment transactions | | 372.0 | 194.4 |
| Other adjustment | | 4.1 | -3.0 |
| Changes in other assets and liabilities from operating activities | | | |
| (Net increase) / decrease in loans | 3.4 | -149.9 | -68.6 |
| (Net increase) / decrease in other assets | 3.5 | -6.6 | 1.8 |
| Net increase / (decrease) in other liabilities | 3.14 | 4.9 | 4.8 |
| Income taxes paid and withholding taxes | 3.21 | -7.9 | 0.0 |
| Net cash from / (used in) operating activities | | 1,045.0 | -951.1 |
| Cash flows from financing activities | | | |
| Contribution owners of the parent | | 0.0 | 150.0 |
| Repayment of share premium to owners of the parent | 3.10 | -89.3 | -90.3 |
| Changes in borrowings | 3.13 | 843.8 | 1,493.2 |
| Financial expenses paid | | -190.2 | -119.1 |
| Proceeds from issue of redeemable shares | 3.11 | 9.3 | 7.8 |
| Capital repayments on redeemable shares | 3.11 | -126.5 | -70.3 |
| Payment of lease liability | 3.13 | -0.2 | 0.0 |
| Net cash from / (used in) financing activities | | 446.9 | 1,371.3 |
| Cash and cash equivalents at beginning of period | 3.7 | 1,094.6 | 674.7 |
| Net cash from / (used in) operating activities | | 1,045.0 | -951.1 |
| Net cash from / (used in) financing activities | | 446.9 | 1,371.3 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | -2.0 | -0.3 |
| Cash and cash equivalents at end of period | 3.7 | 2,584.5 | 1,094.6 |

The notes on pages 17 to 66 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

JAB Holding Company S.à r.l. (the "Company") is a company domiciled in Luxembourg. The address of the Company's registered office is 4, Rue Jean Monnet, L-2180 Luxembourg. The Company's object is to act as a holding company and therefore the acquisition of participations. The Company is focused on generating superior returns from long-term investments in companies with premium brands and strong growth and margin dynamics.

The Company is formed for an unlimited period.

As of 31 December 2019, the Company's main shareholder is Joh. A. Benckiser B.V., following a contribution of shares in the Company from Agnaten SE to Joh. A. Benckiser B.V. Joh. A. Benckiser B.V. is domiciled in Piet Heinkade 55, 1019 GM Amsterdam, the Netherlands.

The Company is an entity that obtains funds from investors for the purpose of providing those investors – directly or indirectly through subsidiaries (together the "JAB Group") – with investment management services. The funds are invested for returns from capital appreciation and investment income. JAB Group measures and evaluates the performance of substantially all of its investments on a fair value basis. The Company therefore is assessed by the board to be an Investment Entity in accordance with IFRS 10.27 and is required to apply the exception to consolidation and instead accounts for its investments in a subsidiary at fair value through profit or loss (FVTPL).

JAB Group holds a number of strategic investments in controlled and non-controlled entities with the purpose to invest funds solely for returns from capital appreciation, investment income, or both. As of 31 December 2019, JAB Group is invested in the following significant subsidiaries and other investments:

- Acorn Holdings B.V., Netherlands
- Pret Panera I G.P., USA
- Pret Panera III G.P., USA
- KK G.P., USA
- Cottage Holdco B.V., Netherlands
- Petcare G.P., USA
- JAB Luxury GmbH, Switzerland

Only subsidiaries providing services that relate to the investment entity's investment activities are consolidated in accordance with IFRS 10.32. Consequently, the consolidated financial statements of the Company incorporate the financial statements of the following companies that are not qualified as an investment: JAB Investments S.à r.l., JAB Holdings B.V., JAB Cosmetics B.V., JAB Forest B.V., JAB Holding Sao Paulo Ltda. and Labelux Group GmbH in Liquidation ("Labelux Group GmbH in Liqu.").

2. Accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

These consolidated financial statements were authorised for issue by the Board of Managers on 10 March 2020.

2.2 Significant accounting judgements, estimates and assumptions

The consolidated financial statements prepared in conformity with IFRS require the management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Assessment as an investment entity

The judgement refers to the classification of JAB Holding Company S.à r.l. as an investment entity according to IFRS 10. The management has concluded that the entity meets the definition of an investment entity as the following conditions exist:

- The Company obtained funds from investors for the purpose of providing – directly or via subsidiaries - those investors with investment services.
- The obtained funds are solely invested for returns from capital appreciation, investment income, or both.
- The performance of substantially all of its investments is measured and evaluated on a fair value basis.

The management has also concluded that the Company meets the following additional characteristics of an investment entity: it has more than one investment, it has more than one investor and the investments are predominantly in the form of equity or similar interests. One typical characteristics of an investment entity is that the investors are not related parties. For JAB Group most investors are related parties. However, the management believes it is nevertheless an investment entity, because the majority of the investors is not actively involved in the investment process and it is ensured that there are no returns from investments that are other than capital appreciation or investment income. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changed.

Following the classification as an investment entity, management has made judgement with regard to the consolidation of JAB Group's subsidiaries. Only subsidiaries providing services that relate to the investment entity's investment activities are consolidated in accordance with IFRS 10.32. Management therefore assessed the functions and services provided by the subsidiaries and concluded on the scope of consolidation based on this assessment.

JAB Holding Company S.à r.l., Luxembourg

Other accounting judgements, estimates and assumptions

Further key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date relate to the fair value determination of JAB Group's investments and redeemable shares measured at redemption amount. Management uses its judgment in selecting appropriate valuation techniques.

In order to estimate expenses and liability in connection with share-based payments adequate measurement methods have to be adopted and adequate parameters for those measurement methods have to be determined. Those parameters comprise expected life of options, volatility, dividend yield, risk-free interest rate and assumptions on time of exercise and fluctuation.

The estimates and associated assumptions are based on historical experience and various other factors, such as planning as well as expectations and forecasts of future events that are deemed to be reasonable. As a consequence of the uncertainty actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated financial statements have been prepared on the basis of the going concern assumption.

The consolidated financial statements have been prepared under the historical cost convention, except for the valuation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value through profit or loss.

2.3 Consolidation

The Company is an investment entity in accordance with IFRS 10.27 and is required to apply the exception of consolidation and instead accounts for its investments in a subsidiary at FVTPL.

Only subsidiaries providing services that relate to the investment entity's investment activities are consolidated in accordance with IFRS 10.32. Consequently, the consolidated financial statements of JAB Group incorporate the financial statements of the Company and its intermediate holding companies controlled by the Company, but not its subsidiaries qualified as investments.

The following subsidiaries are consolidated in JAB Group's consolidated financial statements:

| Company | registered | shareholding in % |
|------------------------------|-------------------|--------------------------|
| JAB Holding Company S.à r.l. | Luxembourg | parent company |
| JAB Investments S.à r.l. | Luxembourg | 100.0% |
| JAB Holdings B.V. | Netherlands | 100.0% |
| JAB Cosmetics B.V. | Netherlands | 100.0% |
| JAB Forest B.V. | Netherlands | 100.0% |
| JAB Holding Sao Paulo Ltda. | Brazil | 100.0% |
| LABELUX Group GmbH in Liqu. | Austria | 100.0% |

JAB Holding Company S.à r.l., Luxembourg

The following subsidiaries are qualified as investments and therefore measured at fair value:

| Company | registered | shareholding in % |
|----------------------|-------------|-------------------|
| Acorn Holdings B.V. | Netherlands | 57.0% |
| Pret Panera I G.P. | USA | 53.8% |
| Pret Panera III G.P. | USA | 16.3% |
| KK G.P. | USA | 49.6% |
| Cottage Holdco B.V. | Netherlands | 100.0% |
| Petcare G.P. | USA | 33.1% |
| JAB Luxury GmbH | Switzerland | 100.0% |

The stated shareholding reflects the portion of shares held directly or indirectly by the Company in its consolidated and non-consolidated subsidiaries. It further reflects JAB Group's voting power in these subsidiaries. The investments' direct or indirect subsidiaries are included in the investments' consolidated financial statements.

Control is achieved when JAB Group has power over the consolidated entity, is exposed, or has rights, to variable returns from its involvement with a consolidated entity and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when JAB Group obtains control over the subsidiary and ceases when JAB Group loses control of the subsidiary. Assets, liabilities, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date JAB Group gains control until the date JAB Group ceases to control the subsidiary.

When JAB Group has less than a majority of the voting or similar rights of an entity, JAB Group considers all relevant facts and circumstances in assessing whether it has power over an entity, including the contractual arrangement with the other vote holders of the entity, rights arising from other contractual arrangements and JAB Group's voting rights and potential voting rights.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of JAB Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with JAB Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of JAB Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If JAB Group loses control over a subsidiary, a gain or loss is recognised in profit or loss.

An associate is an entity over which JAB Group has significant influence, but no control over the financial and operating policy decisions of the investee. Investments in associates are measured at FVTPL in accordance with IAS 28.18.

2.4 Foreign currency transactions

The consolidated financial statements are presented in Euro (€), which is different from JAB Holding Company S.à r.l.'s functional currency which is US-Dollar (\$). The functional currency is the currency of the primary economic environment in which an entity operates. Each company within JAB Group determines its functional currency independently. The results and financial positions in the financial statements of each company are measured using the entity's functional currency. The presentation currency Euro was determined with regard to JAB Group's bank financing and notes that are denominated in Euro.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign exchange gains and losses arising from monetary financial assets and liabilities are – except for those measured at fair value - presented in the result for the period under financial income or financial expense.

The assets and liabilities are translated into JAB Group's presentation currency, the Euro, using exchange rates prevailing at the end of each reporting period, income and expenses are translated using the average foreign exchange rate for the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. At disposal of the foreign operation, foreign exchange differences are reclassified from other comprehensive income to profit or loss.

Any amounts (including prior period) in these consolidated financial statements are shown in millions of Euro, unless otherwise stated. Amounts are commercially rounded, therefore rounding differences may appear.

2.5 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales are in general accounted for at the settlement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal or, in its absence, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible for JAB Group.

The most reliable evidence of fair value is quoted prices in an active market. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Valuation techniques include using recent arm's length transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

2.6 Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned categories.

Financial assets and financial liabilities are recognised when JAB Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the investments have expired or JAB Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if JAB Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

In accordance with IFRS 9, JAB Group classifies its non-derivative financial assets as subsequently measured at FVTPL or at amortised cost based on both JAB Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at FVTPL

Financial assets classified at FVTPL are those that are managed with their performance evaluated on a fair value basis. JAB Group's investments measured at FVTPL include equity instruments and debt instruments. Those investments are initially recognised at the fair value and changes therein recognised in profit or loss. Attributable transaction costs are expensed in profit or loss as incurred.

JAB Group is focused on long-term investments, which are presented as non-current assets.

Financial assets at FVTPL that JAB Group acquires or incurs principally for the purpose of selling in the near-term or holds as part of a portfolio that is managed together for short-term profit or position taking are presented in the statement of financial position as short-term financial investments.

Financial assets at amortised cost

Other non-derivative financial assets are classified as measured at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses ("ECLs") on initial recognition.

JAB Group's financial assets at amortised cost include cash and cash equivalents, loans at amortised cost and other receivables. Those assets are recognised initially at fair value plus any directly attributable transaction costs. Any ECLs are recognised directly in profit or loss, with any subsequent reversals recognised in profit or loss.

JAB Holding Company S.à r.l., Luxembourg

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months and less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. Cash and cash equivalents were placed with quality financial institutions and could be withdrawn on short notice. Therefore, the ECLs on cash and cash equivalents were immaterial, as well as the identified impairment loss for the other financial assets subject to the expected credit loss model.

Financial liabilities

Non-derivative financial liabilities are classified at amortised cost and include loans and borrowings, lease liabilities, trade and other payables. JAB Group did not designate financial liabilities as at FVTPL.

Loans and borrowings

After initial recognition at fair value, net of transactions costs incurred, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method amortisation process.

Trade and other payables

Trade and other payables include liabilities for goods and services. After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in the statement of profit or loss.

Redeemable shares

Different classes of the Company's shares contain put features. The shares are redeemable under certain conditions that are out of the Company's control. An obligation to purchase its own equity instruments gives rise to a financial liability. As such the shares are recognised as a liability. The redeemable shares are carried at amortised cost which corresponds to the redemption amount that would be payable at the reporting date if the holder would put the shares at this date. Changes in the measurement of that financial liability are recognised in profit or loss.

Derivative financial instruments

JAB Group uses derivative financial instruments to manage its foreign currency and interest rate risk exposures, including exposures from forecast transactions.

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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In the year ended 31 December 2019, JAB Group did not designate derivatives as hedging instruments and therefore did not apply hedge accounting.

2.7 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

2.8 Provisions

A provision is recognised if, as a result of a past event, JAB Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.9 Dividend income

Dividend income is recognised in profit or loss on the date that JAB Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.10 Finance income and finance expenses

Finance income comprises interest income on bank deposits and liquidity funds, loans and receivables and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expenses on borrowings, bank fees, changes in the redemption amount of redeemable shares classified as liabilities and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Income and expenses are presented on a net basis only when permitted under IFRS, for example, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at FVTPL.

2.11 Income tax expense

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax liability is calculated in accordance with the tax regulations of the state of residence of the Company and its subsidiaries and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. Income taxes are calculated on an individual Company basis as the tax laws do not permit consolidated tax returns.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted in the expected period of settlement of deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.12 Share-based payment transactions

Share-based payment transactions are recognised over the period in which the performance and/or service conditions are fulfilled. Equity-settled transactions are recognised in other capital reserves in equity, while cash-settled transactions are recognised as a liability, including transactions with instruments that contain put features.

JAB Group runs cash-settled transactions or transactions with shares that contain put features. The cumulative expense recognised for share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and JAB Group's best estimate of the number of instruments that will ultimately vest with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss.

2.13 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets must be actively marketed at a reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current assets which meet the criteria for held-for-sale classification are presented separately from other assets in the consolidated statement of financial position.

2.14 Consolidated Statement of Financial Position

Assets and liabilities are presented in their broad range of liquidity, since this presentation provides reliable and more relevant information than separate current and non-current classifications.

2.15 Preparation of the consolidated cash flow statement

The consolidated cash flow statement is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax from continuing operations.

Changes in consolidated statement of financial position items that have not resulted in cash flows such as translation differences, fair value changes, contributions in kind, conversions of debt to equity etc. have been eliminated for the purpose of preparing this statement.

Proceeds from sale of subsidiaries and other investments, payments on acquisition of subsidiaries and other investments, changes in loans and other assets, dividends, capital repayments from investees and interest received have been classified as cash flows from operating activities because the investment activities are JAB Group's principal activities.

Dividends paid, capital repayments to ordinary shareholders and interest paid are included in financing activities.

2.16 Accounting policies and disclosures

JAB Group applied the accounting policies set out above consistently to all periods presented in these consolidated financial statements.

New and amended standards adopted by JAB Group

A number of new standards, including IFRS 16, issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2019. Their adoption has not had a significant impact on JAB Group's consolidated financial statements but may impact the accounting for future transactions or arrangements.

JAB Group has initially adopted IFRS 16 *Leases* from 1 January 2019 using the modified retrospective approach. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, JAB Group, as a lessee, has recognised right of use-assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The effects of the adoption are not significant.

New standards and interpretations not yet adopted by JAB Group

A number of new standards are effective for annual periods beginning after 1 January 2019, and earlier application is permitted. However, JAB Group has not early adopted the new or amended standards in preparing these condensed financial statements. None of these is expected to have a significant effect on the consolidated financial statements of JAB Group.

3. Notes to the Accounts

3.1 Investments in subsidiaries

The following table gives an overview of material investments in subsidiaries at year-end:

| | 2019 | 2018 | Result for the period | Equity | Consolidated financial statements as of |
|--------------------------------------|-------|------|--------------------------|----------|--|
| | % | % | in m | in m | |
| Acorn Holdings B.V., Netherlands | 57.0 | 57.0 | \$360 | \$26,657 | 31 December 2018 (IFRS) |
| Pret Panera I G.P., USA | 53.8 | 53.5 | \$52 | \$4,752 | 31 December 2018 (US-GAAP) |
| Pret Panera III G.P., USA | 16.3 | 15.4 | -\$23 | \$6,891 | 31 December 2018 (US-GAAP) |
| KK G.P., USA | 49.6 | 48.8 | -\$137 | \$1,142 | 31 December 2018 (US-GAAP) |
| Cottage Holdco B.V., Netherlands **) | 100.0 | 0.0 | \$40 | \$3,417 | 31 December 2019 (IFRS) |
| Petcare G.P., USA *) | 33.1 | 0.0 | | | |

* As Petcare G.P. was founded in 2019, there were no consolidated financial statements available as of issuance of JAB Holding Company S.à r.l.'s consolidated financial statements as of 31 December 2019.

** Result for the period and equity according to standalone financial statements as of 31 December 2019.

JAB Group controls its investments in Pret Panera III G.P., KK G.P. and Petcare G.P. by virtue of agreements with its other shareholders. Therefore, the investments are presented as investments in subsidiaries.

JAB Holding Company S.à r.l., Luxembourg

The movements in investments in subsidiaries can be detailed as follows:

| | Acorn Holdings B.V. | Pret Panera I G.P. | Pret Panera III G.P. | KK G.P. | Cottage Holdco B.V. | Petcare G.P. | Pret Holding Com- pany Inc. in €m | JAB Coffee Holding B.V. in €m | Others in €m | Total in €m |
|---|---------------------------|--------------------------|----------------------------|--------------|---------------------------|-----------------|---|---|-----------------|-----------------------|
| | in €m | in €m | in €m | in €m | in €m | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2017 | 9,719.8 | 3,323.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 150.2 | 4.8 | 13,198.3 |
| Additions | 2,878.2 | 236.4 | 93.0 | 0.0 | 0.0 | 0.0 | 160.0 | 27.1 | 0.0 | 3,394.7 |
| Disposals | -162.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -162.2 |
| Reorganisation | 648.9 | -1,887.3 | 917.8 | 660.8 | 0.0 | 0.0 | -162.2 | -178.0 | 0.0 | 0.0 |
| Change in fair value | 1,962.6 | 626.4 | 44.1 | -6.0 | 0.0 | 0.0 | 2.2 | 0.7 | 0.2 | 2,630.2 |
| Balance as of 31 December 2018 | 15,047.4 | 2,299.0 | 1,054.8 | 654.8 | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 19,061.0 |
| Additions | 2.4 | 0.0 | 76.0 | 33.5 | 3,002.4 | 222.5 | 0.0 | 0.0 | 0.0 | 3,336.8 |
| Disposals | -863.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -863.3 |
| Change in fair value | 2,656.1 | 292.3 | 141.5 | 199.7 | 38.8 | -0.2 | 0.0 | 0.0 | 0.1 | 3,328.3 |
| Balance as of 31 December 2019 | 16,842.6 | 2,591.3 | 1,272.3 | 888.0 | 3,041.2 | 222.3 | 0.0 | 0.0 | 5.1 | 24,862.8 |

JAB Holding Company S.à r.l., Luxembourg

Reorganisation

In December 2018, JAB Group reorganised its shareholdings in Beech I G.P., JAB Coffee Holding B.V. and the investments indirectly held through Beech I G.P. and Acorn Holdings B.V.

Beech I G.P. was renamed to Pret Panera I G.P. and a new interim holding company Pret Panera III G.P. was established. JAB Group is invested in Pret Panera I G.P. and Pret Panera III G.P., which invest in return in Pret Panera Holding Company Group which is hereafter referred to aggregate as "Pret Panera Holding Company Group".

The indirect investment in Peet's Coffee Group (formerly held through Beech I G.P.) was distributed to JAB Group and subsequently contributed to Acorn Holdings B.V.

The indirect investment in Krispy Kreme Group (formerly held through Beech I G.P.) was distributed to JAB Group and subsequently contributed to the newly established interim holding company KK G.P.

Acorn Holdings B.V.

Acorn Holdings B.V. is the direct shareholder of further interim holding companies and their investments in Keurig Dr Pepper Group (KDP), Jacobs Douwe Egberts Group (JDE) and Peet's Coffee Group.

In 2019, JAB Group received capital repayments of €857.5m (2018: €91.3m) from Acorn Holdings B.V., sold shares for an amount of €5.7m (2018: €70.9m) and acquired further shares in Acorn Holdings B.V. for an amount of €2.4m (2018: €0.4m).

As of 31 December 2019, JAB Group holds approximately 57.0% in Acorn Holdings B.V. with a fair value of €16,842.6m (2018: €15,047.4m).

Pret Panera I G.P. and Pret Panera III G.P.

JAB Group is invested in Pret Panera Holding Company Group through the direct investments in Pret Panera I G.P. and Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

In 2019, JAB Group made capital contributions in cash to Pret Panera III G.P. in the amount of €69.9m. In 2018, JAB Group had granted a loan to Pret A Manger Group. A portion of the loan (€6.1m) was converted to Pret Panera III G.P. equity (see also note 3.4). In 2018, JAB Group made capital contributions to Pret Panera I G.P. in the amount of €7.7m and acquired further shares in Beech I G.P. for an amount of €228.7m.

As of 31 December 2019, JAB Group holds approximately 53.8% in Pret Panera I G.P. (2018: 53.5%) with a fair value of €2,591.3m (2018: €2,299.0m) and approximately 16.3% in Pret Panera III G.P. (2018: 15.4%) with a fair value of €1,272.3m (2018: €1,054.8m).

JAB Holding Company S.à r.l., Luxembourg

KK G.P.

JAB Group is invested in Krispy Kreme Group through the direct investment in KK G.P.

In 2019, JAB Group made capital contributions to KK G.P. in the amount of €33.5m (2018: €0.0m).

As of 31 December 2019, JAB Group holds approximately 49.6% in KK G.P. (2018: 48.8%) with a fair value of €888.0m (2018: €654.8m).

Cottage Holdco B.V.

JAB Group is invested in Coty Inc. through Cottage Holdco B.V.

In April 2019, the investment in Coty Inc. (301 million shares) was contributed to the newly established interim holding Cottage Holdco B.V. (see note 3.2 on Coty Inc.). Thereafter, Cottage Holdco B.V. acquired further 150 million shares in a partial tender offer (financed by standalone debt at Cottage Holdco B.V.). Furthermore, dividend income of \$80.7m (€72.5m) was reinvested in Coty shares.

As of 31 December 2019, JAB Group indirectly holds 60.2% (458,038,894 shares) in Coty Inc. (2018: 40.1% directly; 300,908,041 shares).

As of 31 December 2019, JAB Group holds 100.0% in Cottage Holdco B.V. with a fair value of €3,041.2m.

Petcare G.P.

JAB Group is invested in Compassion-First Group (VSNA LLC) through a 33.1% investment in Petcare G.P.

In March 2019, the Group made an investment in Compassion-First Group (through Petcare G.P.) in the amount of €222.5m.

All acquisitions were measured at fair value at the time of acquisition or contribution. After initial measurement all investments in subsidiaries are subsequently measured at FVTPL.

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3.2 Other investments

The following table gives an overview of other investments (including associates) at year-end:

| | 2019 | 2018 |
|----------------------------------|------|------|
| | % | % |
| Coty Inc., USA | 0.0 | 40.1 |
| Reckitt Benckiser Group Plc., UK | 0.0 | 0.7 |

The movements in other investments can be detailed as follows:

| | Coty Inc. | Reckitt Benckiser Group Plc. | Others | Total |
|---------------------------------------|----------------|------------------------------|-------------|----------------|
| | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2017 | 4,743.4 | 2,799.6 | 16.7 | 7,559.7 |
| Additions | 160.7 | 0.0 | 17.2 | 177.9 |
| Disposals | 0.0 | -2,141.5 | 0.0 | -2,141.5 |
| Change in fair value | -3,180.1 | -322.0 | 1.0 | -3,501.1 |
| Balance as of 31 December 2018 | 1,724.0 | 336.1 | 34.9 | 2,095.0 |
| Additions | 0.0 | 0.0 | 0.0 | 0.0 |
| Disposals | -3,002.4 | -356.5 | 0.0 | -3,358.9 |
| Change in fair value | 1,278.4 | 20.4 | 0.7 | 1,299.5 |
| Balance as of 31 December 2019 | 0.0 | 0.0 | 35.6 | 35.6 |

Coty Inc.

In April 2019, the investment in Coty Inc. was contributed to the newly established interim holding Cottage Holdco B.V. (see note 3.1 on Cottage Holdco B.V.).

Reckitt Benckiser Group Plc.

JAB Group was a minority investor in Reckitt Benckiser Group Plc. with a share of approximately 0.7% as of 31 December 2018. As of 31 December 2018, JAB Group held 5,000,000 shares in Reckitt Benckiser Group Plc. In 2019, all shares were sold for an amount of €356.5m (2018: 30.9 million shares; €2,141.5m)

All acquisitions were measured at fair value at the time of acquisition. After initial measurement all other investments are subsequently measured at FVTPL.

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3.3 Corporate debt securities

The movements in corporate debt securities can be detailed as follows:

| | 31 December 2019 | 31 December 2018 |
|--------------------------------------|------------------|------------------|
| | in €m | in €m |
| Acorn Holdings B.V. preferred shares | 852.2 | 852.2 |
| Total | 852.2 | 852.2 |

In October and December 2017, the Company acquired perpetual preferred shares in Acorn Holdings B.V. for an amount of €852.2m. These preferred shares are measured at FVTPL and have stated fixed interest rates of 5.5% to 6.5% (2018: 6.0% to 6.5%).

3.4 Loans

The movements in the loans can be detailed as follows:

| | JAB Management | JAB Holding Company LLC | Pret A Manger Group | Petcare Inter-mediate Inc. | National Veterinary Associates | Total |
|---------------------------------------|----------------|-------------------------|---------------------|----------------------------|--------------------------------|--------------|
| | in €m | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2017 | 51.0 | 3.2 | 0.0 | 0.0 | 0.0 | 54.2 |
| Additions | 2.4 | 0.1 | 106.9 | 0.0 | 0.0 | 109.4 |
| Disposals | -40.8 | 0.0 | -91.3 | 0.0 | 0.0 | -132.1 |
| Translation differences | 0.0 | 0.1 | 2.4 | 0.0 | 0.0 | 2.5 |
| Balance as of 31 December 2018 | 12.6 | 3.4 | 18.0 | 0.0 | 0.0 | 34.0 |
| Additions | 22.1 | 0.1 | 4.4 | 26.5 | 127.0 | 180.1 |
| Disposals | -1.0 | 0.0 | -22.9 | 0.0 | 0.0 | -23.9 |
| Translation differences | 0.1 | 0.1 | 0.5 | -0.1 | -2.4 | -1.8 |
| Balance as of 31 December 2019 | 33.8 | 3.6 | 0.0 | 26.4 | 124.6 | 188.4 |

The current portion of the loans amounts to €188.4m (2018: €34.0m). The non-current portion amounts to €0.0m (2018: €0.0m).

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Receivables to JAB Management relate to loans, which were granted to JAB Management or personal holding companies of JAB Management in the course of a management participation plan of JAB Group. The additions to the loans in 2019 relate to new loans and to accrued interest relating to the outstanding loans. The disposals of €1.0m relate to repayments of loans in 2019 (2018: €40.8m). As of 31 December 2019, short-term loans of \$38.0m (€33.8m) (2018: €12.6) are outstanding, including loans to the Directors of the Company provided by JAB Holdings B.V. in the amount of €2.9m (2018: €1.6m).

In 2018, JAB Group granted loans in the amount of \$124.5m (€106.9m) to Pret A Manger Group. Subsequently, loans in the amount of \$103.9m (€91.3m) were contributed to Pret Panera III G.P. together with accrued interest in the amount of €1.7m. In 2019, an additional loan of \$5.0m (€4.4m) was granted. Loans in the amount of \$6.8m (€6.1m) were contributed to Pret Panera III G.P. The remainder outstanding balance was repaid in 2019.

In 2019, JAB Group granted two loans in the total amount of \$29.7m (€26.5m) to Petcare Intermediate Inc. As of 31 December 2019, loans amounting to €26.4m are outstanding.

In 2019, JAB Group granted a loan of \$140.0m (€127.0m) to National Veterinary Associates. As of 31 December 2019, a loan amounting to €124.6m is outstanding.

Interest rate for fixed rate receivables range from 2.0% to 7.2% p.a. (2018: 2.0%). As of 31 December 2019, JAB Group has no floating rate receivables (2018: €0.0m).

3.5 Other assets

| | 31 December 2019 | 31 December 2018 |
|----------------------------|------------------|------------------|
| | in €m | in €m |
| Prepayments | 7.3 | 3.6 |
| Accrued interest | 4.5 | 1.1 |
| Refund withholding tax | 3.1 | 6.1 |
| Foreign exchange contracts | 0.3 | 0.0 |
| Other | 6.4 | 2.9 |
| Total | 21.6 | 13.7 |

The prepayments relate to prepaid bank fees, which are amortised over the period of the terms of the underlying credit facilities or expensed at early termination of such facilities.

The non-current portion of the other assets amounts to €3.8m (2018: €0.0m).

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3.6 Short-term financial investments

The movements in short-term financial investments can be detailed as follows:

| | in €m |
|---------------------------------------|-------------|
| Balance as of 31 December 2017 | 0.0 |
| Additions | 83.8 |
| Disposals | -0.1 |
| Change in fair value | -1.4 |
| Balance as of 31 December 2018 | 82.3 |
| Disposals | -89.9 |
| Change in fair value | 7.6 |
| Balance as of 31 December 2019 | 0.0 |

As of 31 December 2018, short-term financial instruments related to corporate debt securities of Coty Inc. (bonds and term loan B).

Short-term financial instruments are measured at FVTPL.

3.7 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2019, include bank deposits and liquidity funds available on demand (€1,784.5m; 2018: €869.6m) and deposits with maturity in January 2020 (€800.0m) (2018: €200.0m with maturity February 2019 and €25.0m with maturity April 2019).

3.8 Non-current assets held-for-sale

JAB Group is 100% shareholder in JAB Luxury GmbH.

In June 2017, management committed to a plan to dispose of its investment in JAB Luxury GmbH and classified the investment in JAB Luxury GmbH as held-for-sale.

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As of 31 December 2019, the non-current assets held-for-sale comprised assets of €300.1m (2018: €404.7m) and can be detailed as follows:

| | JAB Luxury GmbH in €m | Total in €m |
|---------------------------------------|-----------------------------|-----------------------|
| Balance as of 31 December 2017 | 389.8 | 389.8 |
| Additions | 25.6 | 25.6 |
| Change in fair value | -10.7 | -10.7 |
| Balance as of 31 December 2018 | 404.7 | 404.7 |
| Additions | 40.1 | 40.1 |
| Change in fair value | -144.7 | -144.7 |
| Balance as of 31 December 2019 | 300.1 | 300.1 |

3.9 Issued capital

At year-end issued capital comprises:

| | 31 December 2019 | | 31 December 2018 | |
|-----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|
| | Number | Nominal Value in \$m | Number | Nominal Value in \$m |
| Ordinary Class A shares | 8,888,582 | 8.9 | 8,888,582 | 8.9 |
| Ordinary Class B shares | 780,118 | 0.8 | 767,184 | 0.8 |
| Special Class S shares | 1,347,563 | 1.3 | 1,407,023 | 1.4 |
| Issued share capital | 11,016,263 | 11.0 | 11,062,789 | 11.1 |

Each share has a nominal value of \$1.0.

Class A shares regularly do not contain put features and are classified as equity unless transferred to shareholders with redemptions rights. Reclassification from equity to a financial liability is recognised upon such transfer of shares. Following the transfer these shares are redesignated to another share class (Class B shares or Class S shares).

Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control and have been classified as liabilities (see note 3.11).

3.10 Shareholder's equity

As of 31 December 2019, the Company's share capital and share premium recognised in equity consist of 8,796,619 Class A shares (2018: 8,888,582) with a total nominal value of \$8.8m (€6.6m; 2018: \$8.9m, €6.7m) and a share premium of \$9,637.3m (€7,444.2m; 2018: \$9,899.1m, €7,654.3m).

In 2019, no Class A shares were issued. In 2018, 88,382 Class A shares were issued with a nominal value of \$0.1m (€0.1m) and a share premium in the amount of \$173.6m (€149.9m).

In 2019, 91,963 Class A shares with a nominal value of \$0.1m (€0.1m) and a share premium in the amount of \$160.3m (€120.8m) were transferred to shareholders with redemption rights and reclassified from equity to a financial liability. The redesignation of these shares to Class B shares was formally resolved and completed on 21 January 2020.

In 2019, no dividend was paid to the Class A shareholders (2018: \$0.0). Capital repayments out of the share premium in the amount of \$101.5m (€89.3m; 2018: \$110.7m, €90.3m) were made to shareholders of Class A shares.

In respect of the current year, the directors propose no dividend and to carry forward the retained earnings. This proposal is subject to approval by shareholders at the annual general meeting.

The translation reserve comprises all currency differences arising from the translation of financial statements of operations into JAB Group's presentation currency, the EURO.

3.11 Redeemable shares

Different classes of the Company's shares contain put features. The shares are redeemable under certain conditions that are out of the Company's control. As such the shares are recognised as liability.

The redeemable shares are carried at the redemption amount that would be payable as of the reporting date if the holders would put the shares at this date.

The redemption amount is determined based on valuation rules that have been contractually agreed with the shareholders. As of 31 December 2019, the redemption amount is calculated on the basis of the Company's direct and indirect investments.

The redeemable shares are carried at €2,554.3m (2018: €1,926.9m), including shares held by the management in the amount of €2,396.3m (2018: €1,790.9m).

As of 31 December 2019 and 2018, all shares are redeemable in short-term, if specific criteria are met. The payment obligation following the exercise of the put rights can result in long-term obligations for specific shares. The right to put the shares will be suspended if the redemption would lead to a default under the financing agreements of JAB Holdings B.V.

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Payment obligations following the exercise of the put rights for certain shares are due to be settled in short-term and for other shares are due to be settled over a period of 10 years after redemption with the Company's right to pre-pay the outstanding amount. Redemption amounts with an earliest possible due date within twelve months after the reporting period are presented as current liabilities (€1,141.9m; 2018: €1,926.9m) and the other redemption amounts with an earliest possible due date of at least twelve months after the reporting period are presented as non-current liabilities (€1,412.4m; 2018: €0.0m).

The following table illustrates the movements in the redeemable shares in 2019:

| | Ordinary Class A shares | | Ordinary Class B shares | | Special Class S shares | | Carrying | Carrying |
|--|------------------------------------|----------------------------|------------------------------------|----------------------------|-----------------------------------|----------------------------|------------------|-----------------|
| | Number | Nominal value in \$k | Number | Nominal value in \$k | Number | Nominal value in \$k | amount in \$m | amount in €m |
| In issue as of 31 December 2017 | | | 596,142 | 596 | 1,173,554 | 1,174 | 1,790.6 | 1,493.0 |
| Issued for cash | | | 2,066 | 2 | 249,113 | 249 | 10.7 | |
| Exercise of share options | | | 385,890 | 386 | 0 | 0 | 816.5 | |
| Redeemed to the Company | | | -216,914 | -217 | -15,645 | -16 | -464.9 | |
| Capital repayment/distributions | | | | | | | -16.2 | |
| Change in redemption amount | | | | | | | 69.6 | |
| In issue as of 31 December 2018 | 0 | 0 | 767,184 | 767 | 1,407,022 | 1,407 | 2,206.3 | 1,926.9 |
| Issued for cash | | | 16,229 | 16 | 30,998 | 31 | 37.3 | |
| Exercise of share options | | | 37,000 | 37 | 0 | 0 | 81.8 | |
| Redeemed to the Company | | | -40,295 | -40 | -90,458 | -90 | -189.7 | |
| Reclassification of shares | 91,963 | 92 | 0 | 0 | 0 | 0 | 220.2 | |
| Capital repayment/distributions | | | | | | | -17.1 | |
| Change in redemption amount | | | | | | | 530.7 | |
| In issue as of 31 December 2019 | 91,963 | 92 | 780,118 | 780 | 1,347,563 | 1,348 | 2,869.5 | 2,554.3 |

16,229 (2018: 2,066) Class B shares and 30,998 (2018: 249,113) Class S shares were issued for cash in 2019. Thereof, 0 (2018: 328) shares relate to new investments following the exercise of options.

In 2019, 91,963 Class A shares were reclassified from equity to a financial liability following a transfer of shares in connection with the granting of redemption rights. The redesignation of these Class A shares to Class B shares was formally resolved and completed in January 2020. No reclassification took place in 2018. Reclassification was measured at the shares' fair value estimated with the potential redemption amount at the date of reclassification. Any difference between the carrying value of the equity instrument and the fair value was recognised in equity.

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In 2019, 314,000 special class S shares with a carrying amount of \$375.9m were redeemed to JAB Group with legal effect in March 2020. Additional 10,000 class B shares will be due for redemption by JAB Group at an aggregate redemption price of \$25.2m before the end of March 2020. Therefore, those shares continue to be included under redeemable shares as of 31 December 2019.

The average issue price (for one ordinary share or five special shares) was \$2,207 (€1,964; 2018: \$2,115, €1,847).

In 2019, no dividend was paid to Class B and special Class S shareholders out of retained earnings (2018: €0.0). Capital repayments to these shareholders in the amount of \$17.1m (€15.3m) were made in 2019 (2018: \$16.2m, €13.7m). No capital repayments and no dividend were made to Class A shareholders after reclassification.

3.12 Share-based payments

The Company has share purchase agreements with the members of the Advisory Committee as well as with members of its management team and executives and senior managers of the Company and its affiliates. The shares contain put features to sell shares back to the Company for cash. As such the shares are recorded as a liability at potential redemption amount (see note 3.11). The expense recognised arising from share-purchase agreements during the year was \$1.2m (€1.1m; 2018: \$1.2m, €1.0m).

Further, the Company has share option schemes for the members of the Advisory Committee as well as members of its management team and executives and senior managers of the Company and its affiliates. Options may be exercised at any time from the date of vesting to the date of their expiry. The exercise of an option will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V.

All options related to share-based compensation plans were granted at the redemption amount of the underlying shares at the grant date (see note 3.11).

The options are settled in cash by payment of the net value of the option. The net value is determined by the amount, if any, by which the per share value at the exercise date exceeds the strike price. Alternatively, the holder of the option – at the grant of the option – may waive the right for cash settlement. In case of such a waiver the option will be settled either by payment of the strike price in cash for the issue of the corresponding new shares or in a cashless way by the issue of new shares with a combined value which is equal to the net value of the options that have been exercised. The Company's share-based compensation plans are accounted for as liability as they either allow for cash settlement or in case of non-cash-settlement contain put features to sell shares back to the Company for cash. The options are time vesting (5 years) without performance restrictions and have a graded vesting or a cliff vesting with the compensation expense recognised during the vesting period.

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Share options outstanding at the end of the year have the following vesting conditions and contractual life:

| Options granted | Vesting Conditions | Contractual Life of Options | Number of Options 31 December 2019 | Number of Options 31 December 2018 |
|--------------------------------|--|-----------------------------|------------------------------------|------------------------------------|
| 2013 | Graded vesting over vesting period of 5 service years (annual instalments) from grant date | 10 years | 0 | 37,000 |
| 2013 | Vesting after 5 years' service from grant date | 10 years | 15,000 | 15,000 |
| 2014 | Vesting after 5 years' service from grant date | 10 years | 0 | 8,918 |
| 2015 | Vesting after 5 years' service from grant date | 10 years | 9,495 | 9,495 |
| 2016 | Vesting after 5 years' service from grant date | 10 years | 2,808 | 2,808 |
| 2017 | Graded vesting over vesting period of 5 service years (annual instalments) from grant date | 10 years | 839,144 | 839,144 |
| 2017 | Vesting after 5 years' service from grant date | 10 years | 97,731 | 132,731 |
| 2018 | Graded vesting over vesting period of 5 service years (annual instalments) from grant date | 10 years | 192,038 | 192,038 |
| 2018 | Vesting after 5 years' service from grant date | 10 years | 83,068 | 97,740 |
| 2019 | Graded vesting over vesting period of 5 service years (annual instalments) from grant date | 10 years | 31,405 | 0 |
| 2019 | Vesting after 5 years' service from grant date | 10 years | 72,687 | 0 |
| Total number of options | | | 1,343,376 | 1,334,874 |

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, and market data at the grant date such as the risk-free rate, share price (redemption amount), volatility, expected dividends and behavioural assumptions regarding beneficiaries. The expected life of the options is based on management's assumptions and is below the contractual life.

The expected volatility is based on a peer group analysis using historical information, which may not necessarily reflect the actual outcome.

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The share-option schemes are denominated in \$. The following table lists the weighted average inputs for the measurement of the fair values at grant date for the share option granted during the year and the inputs used for the measurement of the fair values of the outstanding share options at the end of the year ended 31 December 2019:

| | Grant date 2019 | Measurement date 31 Dec. 2019 | Grant date 2018 | Measurement date 31 Dec. 2018 |
|--|--------------------|-------------------------------------|--------------------|-------------------------------------|
| Dividend yield (%) | 0.7% | 0.7% | 0.7% | 0.7% |
| Expected volatility (%) | 30.0% | 30.0% | 30.0% | 30.0% |
| Risk-free interest rate (%) | 2.4% | 1.8% | 2.8% | 2.6% |
| Expected life of options (years) | 7.5 years | 4.0 years | 7.3 years | 4.7 years |
| Exercise price (USD) | 2,205 | 1,858 | 2,059 | 1,819 |
| Share price (redemption amount) (USD) | 2,205 | 2,521 | 2,059 | 2,030 |

The weighted average fair value of options granted during the year was \$762 (€678; 2018: \$745, €651).

The following table illustrates the number and weighted average exercise prices of, and movements in, share option schemes during the year:

| | Number of options 2019 | Weighted average exercise price 2019 in \$ | Number of options 2018 | Weighted average exercise price 2018 in \$ |
|---|---------------------------|---|---------------------------|---|
| Balance at beginning of year (outstanding) | 1,334,874 | 1,819 | 1,580,842 | 1,572 |
| Granted during the year | 104,092 | 2,205 | 289,778 | 2,059 |
| Lapsed during the year | 0 | 0 | 134,856 | 1,738 |
| Exercised during the year | 95,590 | 1,686 | 400,890 | 1,049 |
| Expired during the year | 0 | 0 | 0 | 0 |
| Balance at end of year (outstanding) | 1,343,376 | 1,858 | 1,334,874 | 1,819 |
| Vested and exercisable at end of year | 188,135 | 1,737 | 52,000 | 1,491 |

As of 31 December 2019, the carrying amount of the liability relating to the share option schemes is \$845.6m (€752.7m; 2018: \$457.9m, €399.9m). As of 31 December 2019, options amounting to €95.3m (2018: €22.6m) are qualified as current and €657.4m (2018: €377.3m) as non-current.

188,135 options have vested as of 31 December 2019 (2018: 52,000). The intrinsic value of liabilities for vested options is \$147.5m (€131.3m; 2018: \$28.0m, €24.5m).

The weighted-average share price at the date of exercise for share options exercised in 2019 was \$2,274 (2018: \$2,113).

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58,590 (2018: 15,000) options were settled in cash by payment of the net value of the options in the amount of \$29.4m (2018: \$7.9m), of which \$0.0m (2018: \$0.7m) were used for the investment into 0 redeemable shares (Ordinary Class B shares) (2018: 328). 37,000 (2018: 385,890) options were exercised by payment of the strike price in cash for the issue of 37,000 (2018: 385,890) redeemable shares (thereof 37,000 Ordinary Class B Shares (2018: 385,890)). JAB Group granted short-term facilities to finance the strike price of 0 options (2018: 22,890), which was paid back on the same day from the proceeds from redemption of shares.

The range of exercise prices for options outstanding at the end of the year was \$1,501 to \$2,333 (2018: \$1,363 to \$2,121).

The expense recognised for the period arising from the share-option schemes during the year was \$445.1m (€397.6m; 2018: expense \$236.9m, €200.6m).

3.13 Borrowings

| | Long-term notes in €m |
|---------------------------------------|-----------------------------|
| Balance as of 31 December 2017 | 4,460.0 |
| Additions / Repayments | 1,485.6 |
| Amortisation disagio and fees | 6.5 |
| Balance as of 31 December 2018 | 5,952.1 |
| Additions | 1,474.2 |
| Repayments | -634.5 |
| Amortisation disagio and fees | 7.7 |
| Balance as of 31 December 2019 | 6,799.5 |

In November 2014, JAB Group issued long-term notes (DE000A1ZSAF4) in the aggregate principal amount of €750.0m. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. In December 2019, JAB Group early repurchased notes in the principal amount of €211.7m for an amount of € 218.0m with a remaining principal amount outstanding of €538.3m. As of 31 December 2019, the carrying value of the notes is €536.9m (2018: €747.0m), with a maturity in November 2021.

In April 2015, JAB Group issued long-term notes in the aggregate principal amount of €600.0m (DE000A1Z0TA4). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. As of 31 December 2019, the carrying value of the notes is €594.4m (2018: €593.4m), with a maturity in April 2025.

In September 2015, JAB Group issued further long-term notes in the aggregate principal amount of €750.0m (DE000A1Z6C06). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. In December 2019, JAB Group early repurchased notes in the principal amount of €226.0m for an amount of € 239.5m with a remaining principal amount outstanding of €524.0m. As of 31 December 2019, the carrying value of the notes is €521.0m (2018: €744.2m), with a maturity in September 2022.

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In May 2016, JAB Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A181034). In June 2016, the long-term notes were increased by €150.0m having the same terms as the original notes. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. In December 2019, JAB Group early repurchased notes in the principal amount of €199.1m for an amount of €210.1m with a remaining principal amount outstanding of €700.9m. As of 31 December 2019, the carrying value of the notes is €699.4m (2018: €897.5m), with a maturity in May 2023.

In May 2017, JAB Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A19HCW0) and €750.0m (DE000A19HCX8). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. Thereof, notes with a carrying value of €744.7m (2018: €743.5m) are maturing in May 2024 and notes with a carrying value of €741.1m (2018: 740.2m) are maturing in May 2028.

In June 2018, JAB Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A1919G4) and €750.0m (DE000A1919H2). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. As of 31 December 2019, thereof notes with a carrying value of €742.2m (2018: €741.1) are maturing in June 2026 and notes with a carrying value of €745.6m (2018: €745.2) are maturing in June 2029.

In December 2019, JAB Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A2SBDE0) and €750.0m (DE000A2SBDF7). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. As of 31 December 2019, thereof notes with a carrying value of €738.8m are maturing in December 2027 and notes with a carrying value of €735.5m are maturing in December 2039.

The proceeds from the issuance of the new bonds in 2019 were set off against the acquisition costs for the early repurchased notes. The expenses on early repurchased notes have been included as part of the finance expenses.

As of 31 December 2019, JAB Group has no outstanding payable under its credit facilities (2018: €0.0m).

Interest rates for fixed rate financial liabilities range from 1.0% to 2.5% p.a. (2018: 1.25% to 2.5% p.a.). As of 31 December 2019, JAB Group has no floating rate financial liabilities (2018: €0.0m).

JAB Group enters into interest swap agreements to manage its interest rate risk exposures, including exposures from potential transactions. The swap agreements do not qualify for hedge accounting. In 2013, JAB Holdings B.V. entered into interest rate swap agreements having total nominal amounts of €1,400.0m, with a maturity in June 2020. These agreements fix the interest rate exposure of drawings under the credit facilities at approximately between 1.4% and 1.8% plus applicable borrowing margins.

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3.14 Other liabilities

| | 31 December 2019 | 31 December 2018 |
|--------------------------------------|------------------|------------------|
| | in €m | in €m |
| Share-based transactions | 752.7 | 399.9 |
| Derivatives | 13.2 | 38.0 |
| Accrued interest and other bank fees | 50.7 | 55.2 |
| Lease liability | 1.8 | 0.0 |
| Trade and other payables | 20.2 | 9.5 |
| Total | 838.6 | 502.6 |
| Thereof current | 174.5 | 123.6 |
| Thereof non-current | 664.1 | 379.0 |

Other liabilities in the amount of €4.3m (2018: €3.4m) relate to a service agreement with JAB Holding Company LLC.

Following the adoption of IFRS 16 *Leases*, JAB Group recognised lease liabilities of €1.8m (2018: €0.0m). The current portion of the lease liability amounts to €0.3m.

The liability from derivatives relates to the fair value of interest rate swap contracts. The fair value is determined based on the contract rates and the rate applied at the reporting date using a valuation technique.

Trade and other payables will be settled in short-term.

3.15 Reconciliation of liabilities arising from financing activities

The table below details changes in JAB Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in JAB Group's statement of cash flows from financing activities.

| | | Non-cash changes | | | | | |
|-------------------------|------|------------------|--------------|-------------|--------------|--------------|----------------|
| | | 31 Dec | Financing | Foreign | Change in | Other | 31 Dec |
| | | 2018 | cash flows | exchange | fair value | changes | 2019 |
| note | | in €m | in €m | movement | in €m | in €m | in €m |
| | | | | in €m | | | |
| Redeemable shares | 3.11 | 1,926.9 | -117.3 | 35.7 | 0.0 | 709.0 | 2,554.3 |
| Long-term notes | 3.13 | 5,952.1 | 840.9 | 0.0 | 0.0 | 6.5 | 6,799.5 |
| Lease liability | 3.14 | 0.0 | -0.2 | 0.0 | 0.0 | 2.0 | 1.8 |
| Interest rate contracts | 3.14 | 37.3 | 0.0 | 0.0 | -24.1 | 0.0 | 13.2 |
| | | 7,916.3 | 723.4 | 35.7 | -24.1 | 717.5 | 9,368.8 |

| | | Non-cash changes | | | | | |
|-------------------------|------|------------------|------------|----------|------------|---------|---------|
| | | 31 Dec | Financing | Foreign | Change in | Other | 31 Dec |
| | | 2017 | cash flows | exchange | fair value | changes | 2018 |
| note | | in €m | in €m | movement | in €m | in €m | in €m |
| | | | | in €m | | | |
| Redeemable shares | 3.11 | 1,493.0 | -62.5 | 81.9 | 0.0 | 414.5 | 1,926.9 |
| Long-term notes | 3.13 | 4,460.0 | 1,485.6 | 0.0 | 0.0 | 6.5 | 5,952.1 |
| Interest rate contracts | 3.14 | 57.1 | 0.0 | 0.0 | -19.8 | 0.0 | 37.3 |
| | | 6,010.1 | 1,423.1 | 81.9 | -19.8 | 421.0 | 7,916.3 |

Other changes relating to redeemable shares include €474.6m (2018: €58.9m) change in redemption amount.

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3.16 Net gain / (loss) on investments in subsidiaries, other investments and short-term financial investments

| | 2019 in €m | 2018 in €m |
|---|----------------|---------------|
| Net gain / (loss) on investments in subsidiaries at FVTPL | | |
| Acorn Holdings B.V. | 2,656.1 | 1,962.6 |
| Pret Panera I G.P. | 292.3 | 626.4 |
| Pret Panera III G.P. | 141.5 | 44.1 |
| Pret Parent Holding Inc. | 0.0 | 2.2 |
| KK G.P. | 199.7 | -6.0 |
| JAB Coffee Holding B.V. | 0.0 | 0.7 |
| Cottage Holdco B.V. | 38.8 | 0.0 |
| Petcare G.P. | -0.2 | 0.0 |
| JAB Luxury GmbH | -144.9 | -10.7 |
| Others | 0.1 | 0.2 |
| Net gain / (loss) on other investments at FVTPL | | |
| Coty Inc. | 1,278.4 | -3,180.1 |
| Reckitt Benckiser Group Plc. | 20.4 | -322.0 |
| Others | 0.7 | 1.0 |
| Net gain / (loss) on short-term financial investments at FVTPL | 7.6 | -1.4 |
| Total | 4,490.5 | -883.0 |

3.17 Dividend income

In 2019, JAB Group recognised dividend income from the following investments measured at FVTPL:

| | 2019 in €m | 2018 in €m |
|--|---------------|---------------|
| Acorn Holdings B.V. | 190.7 | 0.0 |
| Pret Panera III G.P. | 16.3 | 11.9 |
| Coty Inc. | 33.1 | 125.3 |
| KK G.P. | 8.2 | 6.9 |
| Reckitt Benckiser Group Plc. | 5.7 | 56.3 |
| Pret Panera I G.P. | 33.2 | 25.9 |
| Acorn Holdings B.V. preferred dividend | 46.8 | 45.3 |
| Total | 334.0 | 271.6 |

In 2019, JAB Group also received €857.5m (2018: €91.3m) capital repayments from Acorn Holdings B.V. (see note 3.1).

3.18 Net income from investments at FVTPL

| | 2019 in €m | 2018 in €m |
|---|----------------|---------------|
| Financial assets measured at FVTPL | | |
| Investments in subsidiaries | 3,432.0 | 2,664.2 |
| Other investments | 1,338.3 | -3,319.5 |
| Corporate debt securities | 46.8 | 45.3 |
| Short-term financial investments | 7.6 | -1.4 |
| Total | 4,824.7 | -611.4 |

Net income from investments at FVTPL comprises net gain/(loss) on investments in subsidiaries, other investments and short-term financial investments and dividend income from investments at FVTPL.

3.19 Finance income and finance expenses

Finance income can be detailed as follows:

| | 2019 in €m | 2018 in €m |
|---------------------------|---------------|---------------|
| Interest income | 22.7 | 11.5 |
| Net foreign exchange gain | 4.1 | 167.4 |
| Total | 26.8 | 178.9 |

Finance expenses can be detailed as follows:

| | 2019 in €m | 2018 in €m |
|--|---------------|---------------|
| Change in redemption amount of redeemable shares | -474.6 | -57.9 |
| Interest expense on financial liabilities | -145.6 | -127.6 |
| Expenses from early repurchase long-term notes | -33.2 | 0.0 |
| Valuation of interest rate contracts | 24.1 | 19.9 |
| Bank fees | -11.9 | -8.2 |
| Total | -641.2 | -173.8 |

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3.20 General and administrative expenses

General and administrative expenses can be detailed as follows:

| | 2019 in €m | 2018 in €m |
|--|---------------|---------------|
| Service fees | -449.7 | -234.1 |
| Salary and personnel related expenses | -12.1 | -5.9 |
| Legal, tax, audit and consultancy fees | -9.0 | -4.0 |
| Others | -2.8 | -1.6 |
| Total | -473.6 | -245.6 |

Fees billed to the Company and its fully consolidated subsidiaries by KPMG Luxembourg, Société coopérative, and other member firms of the KPMG network during the year are as follows: Audit fees (annual accounts / consolidated accounts) amounting to €453k (2018: €435k) and audit-related fees amounting to €320k (2018: €190k).

Service and other fees include expenses for share-based payment transactions in the amount of €397.6m (2018: €200.6m) and fees charged by the related parties Donata Service GmbH, JAB Service GmbH and JAB Holding Company LLC.

3.21 Taxes on income

JAB Group has a net loss carry-forward amounting to approximately €1,030.8m (2018: €989.0m). A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

The reconciliation of the movement in the loss carry-forward can be detailed as follows:

| | note | 2019 in €m | 2018 in €m |
|---|------|-----------------|---------------|
| Accounting profit / (loss) for the period | | 3,725.4 | -852.2 |
| Dividend income | 3.17 | -334.0 | -226.8 |
| Tax exempt (gain) / loss on investments in subsidiaries and other investments | 3.16 | -4,482.9 | 881.6 |
| Non-deductible interest expense | | 175.0 | 0.0 |
| Other adjustments | | 858.6 | 83.1 |
| Taxable loss for the period | | -57.9 | -114.3 |
| Tax losses carry-forward as of 1 January | | -989.0 | -865.0 |
| Adjustment due to translation differences | | -4.0 | -9.7 |
| Expired | | 20.1 | 0.0 |
| Tax losses carry-forward as of 31 December | | -1,030.8 | -989.0 |

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Other adjustments mainly include changes in the value of redeemable shares in the amount of €474.6m (2018: €57.9m) and accrual for options in the amount of €397.6m (2018: €200.6m).

JAB Holdings B.V. together with JAB Forest B.V., JAB Cosmetics B.V. and Cottage Holdco B.V. (part of the fiscal unity as of 30 January 2019) forms a fiscal unity for corporate income tax purposes. Taxable loss for JAB Group therefore includes taxable loss from non-consolidated members of the fiscal unity.

| | 2019 in €m | 2018 in €m |
|--|---------------|---------------|
| Withholding tax on dividends and finance income | -11.0 | -0.3 |
| Income tax expense | -11.0 | -0.3 |

Dividends and finance income can be subject to withholding taxes. These dividends are tax exempt under the Dutch participation exemption. Withholding taxes have been recognised as part of income tax expense, with dividend income recognised on a gross basis.

3.22 Related parties

3.22.1 Agnaten SE

Agnaten SE, Vienna, is the ultimate parent of JAB Holding Company S.à r.l. and the majority shareholder of Joh. A. Benckiser B.V. Agnaten SE has established the Company and is a party in the comprehensive agreement with Lucrezca SE and the Advisory Committee.

3.22.2 Joh. A. Benckiser B.V. (formerly Donata Holdings B.V.)

The entity is a subsidiary of Agnaten SE. Following a contribution of shares in JAB Holding Company S.à r.l. from Agnaten SE to Joh. A. Benckiser B.V., the entity is the majority shareholder of JAB Holding Company S.à r.l.

3.22.3 Lucrezca SE and affiliated companies

Lucrezca SE, Vienna, is the further shareholder of Joh. A. Benckiser B.V. Lucrezca SE is a holding Company controlled closely by members of the family of the shareholders of Agnaten SE and is minority shareholder of Joh. A. Benckiser B.V. Lucrezca SE is a party in the comprehensive agreement with the Advisory Committee.

3.22.4 JAB Consumer Fund

JAB Consumer Fund was created to share the JAB investment strategy with professional and semi-professional investors.

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3.22.5 Benckiser Stiftung Zukunft

The members of the “Stiftungsrat” of the Stiftung are appointed by the executive board of Agnaten SE or successor companies. The Stiftung has been set up to serve public interest.

3.22.6 JAB Service GmbH

This entity is a subsidiary of Joh. A. Benckiser B.V.

3.22.7 Management

JAB Group and its investments are managed by an Advisory Committee and further management including executives and senior managers of the Company and its affiliates (including JAB Holding Company LLC). The Company's agreements with management comprise agreements on base remunerations, share-based payments, loans as well as management's investment in the Company. Expense for management's compensation amount to €422.5m (2018: expense €219.6m), thereof €397.6m (2018: expense €200.6m) with regard to share-based payment transactions. The total interest income from loans to management amounts to €0.5m (2018: €0.5m).

In 2019, 91,963 Class A shares with a nominal value of \$0.1m (€0.1m) and a share premium in the amount of \$160.3m (€120.8m) were transferred to members of the management with redemption rights and reclassified from equity to a financial liability. The redesignation of these shares to Class B shares was formally resolved and completed on 21 January 2020.

In 2019, 53,229 class B shares (2018: 387,956) and 30,998 special class S shares (2018: 249,113) with a carrying amount of \$119.1m (2018: \$827.2m) were issued to members of the management (either in cash or exercise of options). 35,295 class B shares (2018: 216,914) and 90,458 special class S shares (2018: 15,645) with a carrying amount of \$178.0m (2018: \$464.9m) were redeemed by members of management to the Company.

In addition, 10,000 class B shares and 314,000 special class S shares with a carrying amount of \$401.1m were redeemed to the Company with legal effect in March 2020 (see note 3.11).

During the financial year, no advances or guarantees were granted to members of the Board of Managers or other administrative bodies.

3.22.8 Non-consolidated investments in subsidiaries

JAB Group holds 57.0% of Acorn Holdings B.V. This entity is direct shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts Group, Keurig Dr Pepper Group and Peet's Coffee Group.

JAB Group indirectly holds an investment in Pret Panera Holding Company Group through a direct investment of 53.8% (2018: 53.5%) in Pret Panera I G.P. and 16.3% (2018: 15.4%) in Pret Panera III G.P. JAB Group controls Pret Panera III G.P. by virtue of agreements with its other shareholders. Therefore, the investment in Pret Panera III G.P. is presented as an investment in subsidiary.

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Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group. In 2019, interest income from loans granted to intermediate holding company Pret Parent Holding Inc. amounts to €0.1m (2018: €1.8m).

JAB Group directly holds approximately 49.6% (2018: 48.8%) in KK G.P. The entity is direct shareholder of further holding companies and their investment in Krispy Kreme Doughnuts Inc. JAB Group controls KK G.P. by virtue of agreements with its other shareholders. Therefore, the investment in KK G.P. is presented as an investment in subsidiary.

JAB Group is the sole owner of JAB Luxury GmbH, Caslano. The total interest income from JAB Luxury GmbH amounts to €1.6m (2018: €0.3m). JAB Group has the intention to dispose of its investment in Labelux Group GmbH in Liqu. and therefore classified the shares as assets held for sale.

JAB Group indirectly holds an investment in Coty Inc. (60.2%) through a direct investment of 100% (2018: 0.0%) in Cottage Holdco B.V.

JAB Group indirectly holds an investment in Compassion-First Group through a direct investment of 33.1% in Petcare G.P. (2018: 0.0%). JAB Group controls Petcare G.P. by virtue of agreements with its other shareholders. Therefore, the investment in Petcare G.P. is presented as an investment in subsidiary. In 2019, interest income from loans granted to intermediate holding company Petcare Intermediate Inc. amounts to €0.8m (2018: €0.0m).

Some portfolio companies have debt like/borrowing arrangements which might lead to limitations of dividend distributions.

3.22.9 Non-consolidated associates

In 2018, JAB Group held 40.1% of Coty Inc. In 2019, the shares were contributed to Cottage Holdco B.V. (see note 3.22.8).

3.22.10 Employees

During the year JAB Group had two Managing Directors who received salaries of in total €1.6m (2018: €0.3m). JAB Group had on average 17 employees in 2019 (2018: seven employees).

3.23 Contingent liabilities

As of 31 December 2019, JAB Group provides no material guarantees for third parties (2018: 0).

JAB Group Companies (JAB Holdings B.V., JAB Holding Company S.à r.l., JAB Cosmetics B.V., Cottage Holdco B.V.) are a defendant in stockholder class action and derivative lawsuit, which the complaint alleges all have acted in concert to control Coty Inc. The plaintiffs, stockholders of Coty Inc., allege that controlling stockholders of Coty Inc. breached fiduciary duties to the minority stockholders in connection with a partial tender offer for shares of Coty Inc. Plaintiffs contend that the tender offer injured the stockholders who tendered because it was purportedly coercive and unfairly priced. Plaintiffs also contend that the non-tendering stockholders were injured because the JAB Group gained mathematical control of Coty Inc. as a result of the tender offer, thereby

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depriving the minority stockholders of a control premium. The case is still at its early stages. It is intended to move to dismiss the complaint.

4. Financial instruments – Fair Value and Risk Management

4.1 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Managers together with the Advisory Committee monitors the return on capital and the value enhancement of JAB Group's investments.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantage and security afforded by a sound capital position.

As of 31 December 2019, equity amounts to €18,652.8m (2018: €15,255.9m) and liabilities amount to €10,192.4m (2018: €8,381.6m).

4.2 Financial instruments and fair value hierarchy

JAB Group classified its financial instruments by category as set out below:

| | 31 December 2019 | | | 31 December 2018 | | |
|--|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | Amortised cost | FVTPL | Total | Amortised cost | FVTPL | Total |
| | in €m | in €m | in €m | in €m | in €m | in €m |
| Assets as per statement of financial position | | | | | | |
| Investments in subsidiaries | 0.0 | 24,862.8 | 24,862.8 | 0.0 | 19,061.0 | 19,061.0 |
| Other investments | 0.0 | 35.6 | 35.6 | 0.0 | 2,095.0 | 2,095.0 |
| Corporate debt securities | 0.0 | 852.2 | 852.2 | 0.0 | 852.2 | 852.2 |
| Loans | 188.4 | 0.0 | 188.4 | 34.0 | 0.0 | 34.0 |
| Other Receivables | 17.6 | 0.3 | 17.9 | 12.9 | 0.8 | 13.7 |
| Short-term financial investments | 0.0 | 0.0 | 0.0 | 0.0 | 82.3 | 82.3 |
| Cash and cash equivalents | 2,584.5 | 0.0 | 2,584.5 | 1,094.6 | 0.0 | 1,094.6 |
| Non-current assets held-for-sale | 0.0 | 300.1 | 300.1 | 0.0 | 404.7 | 404.7 |
| Total | 2,790.5 | 26,051.0 | 28,841.5 | 1,141.5 | 22,496.0 | 23,637.5 |

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| | 31 December 2019 | | | | 31 December 2018 | | | |
|---|-------------------|-------------|---------------------------|----------------|-------------------|-------------|---------------------------|----------------|
| | Amortised cost | FVTPL | Redeem- able shares | Total | Amortised cost | FVTPL | Redeem- able shares | Total |
| | in €m | in €m | in €m | in €m | in €m | in €m | in €m | in €m |
| Liabilities as per statement of financial position | | | | | | | | |
| Borrowings | 6,799.5 | 0.0 | 0.0 | 6,799.5 | 5,952.1 | 0.0 | 0.0 | 5,952.1 |
| Redeemable shares | 0.0 | 0.0 | 2,554.3 | 2,554.3 | 0.0 | 0.0 | 1,926.9 | 1,926.9 |
| Other liabilities | 72.8 | 13.2 | 0.0 | 86.0 | 64.7 | 38.0 | 0.0 | 102.7 |
| Total | 6,872.3 | 13.2 | 2,554.3 | 9,439.8 | 6,016.8 | 38.0 | 1,926.9 | 7,981.7 |

The redeemable shares are carried at amortised cost which corresponds to the redemption amount that would be payable at the reporting date if the holder would put the shares at this date. Since the redemption amount is calculated on the basis of JAB Group's direct and indirect investments the redeemable shares are presented separately from the other financial liabilities at amortised cost.

Cash and cash equivalents as well as other receivables are subject to the impairment requirements of IFRS 9. As of 31 December 2019 and 31 December 2018, cash and cash equivalents were placed with quality financial institutions and could be withdrawn on short notice. Therefore, the expected credit loss on cash and cash equivalents and other receivables was immaterial, as well as the identified impairment loss for the other receivables subject to the expected credit loss model.

JAB Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine fair value of an instrument are observable, the instrument is included in Level 2.

Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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The following table analyses financial instruments carried at fair value by valuation technique. It does not include fair value information of financial assets and financial liabilities not measured at fair value. The issued long-term notes have a carrying amount of €6,799.5m (2018: €5,952.1m), the fair value is €7,180.3m (2018: €6,089.4m) based on dealer-quotes (Level 2). For all other financial assets and liabilities, the carrying amounts are a reasonable approximate of fair values.

| 31 December 2019 | | | | |
|---|------------|-------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | in €m | in €m | in €m | in €m |
| Financial assets at FVTPL | | | | |
| Investments in subsidiaries and other investments | | | | |
| Unlisted equity investments | 0.0 | 0.0 | 24,898.4 | 24,898.4 |
| Non-current assets held-for-sale | | | | |
| Unlisted equity investments | 0.0 | 0.0 | 300.1 | 300.1 |
| Corporate debt securities | 0.0 | 0.0 | 852.2 | 852.2 |
| Other receivables | 0.0 | 0.3 | 0.0 | 0.3 |
| Total financial assets | 0.0 | 0.3 | 26,050.7 | 26,051.0 |
| Financial Liabilities at FVTPL | | | | |
| Interest rate contracts | 0.0 | 13.2 | 0.0 | 13.2 |
| Total financial liabilities | 0.0 | 13.2 | 0.0 | 13.2 |

| 31 December 2018 | | | | |
|---|----------------|-------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | in €m | in €m | in €m | in €m |
| Financial assets at FVTPL | | | | |
| Investments in subsidiaries and other investments | | | | |
| Listed equity investments | 2,060.1 | 0.0 | 0.0 | 2,060.1 |
| Unlisted equity investments | 0.0 | 0.0 | 19,095.9 | 19,095.9 |
| Non-current assets held-for-sale | | | | |
| Unlisted equity investments | 0.0 | 0.0 | 404.7 | 404.7 |
| Corporate debt securities | 0.0 | 0.0 | 852.2 | 852.2 |
| Other receivables | 0.0 | 0.8 | 0.0 | 0.8 |
| Short-term financial investments | 0.0 | 82.3 | 0.0 | 82.3 |
| Total financial assets | 2,060.1 | 83.1 | 20,352.9 | 22,496.1 |
| Financial Liabilities at FVTPL | | | | |
| Interest rate contracts | 0.0 | 37.2 | 0.0 | 37.2 |
| Foreign exchange contracts | 0.0 | 0.8 | 0.0 | 0.8 |
| Total financial liabilities | 0.0 | 38.0 | 0.0 | 38.0 |

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In 2019, FVTPL equity instruments with a carrying amount of €2,930.8m were transferred from Level 1 to Level 3. To determine the fair value of the equity instruments, management used a valuation technique in which significant inputs were based on observable and unobservable data. There were no transfers from Level 2 or 3 to Level 1 in 2019 and no transfers in either direction in 2018.

Transfers between the levels of the fair value hierarchy are deemed to have occurred at the date of the event that caused the transfer.

The following tables show a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

| | Investments in Subsidiaries | Other investments | Corporate debt securities | Non-current assets held-for-sale |
|---------------------------------------|--|------------------------------|--|---|
| | Unlisted equity in €m | Unlisted equity in €m | Preferred shares in €m | Unlisted equity in €m |
| Balance as of 31 December 2017 | 13,198.3 | 16.7 | 852.2 | 389.8 |
| Additions | 3,394.7 | 17.2 | 0.0 | 25.6 |
| Disposals | -162.2 | 0.0 | 0.0 | 0.0 |
| Change in fair value | 2,630.2 | 1.0 | 0.0 | -10.7 |
| Balance as of 31 December 2018 | 19,061.0 | 34.9 | 852.2 | 404.7 |
| Additions | 406.0 | 0.0 | 0.0 | 40.1 |
| Disposals | -863.3 | 0.0 | 0.0 | 0.0 |
| Transfer from Level 1 to Level 3 | 2,930.8 | 0.0 | 0.0 | 0.0 |
| Change in fair value | 3,328.3 | 0.7 | 0.0 | -144.7 |
| Balance as of 31 December 2019 | 24,862.8 | 35.6 | 852.2 | 300.1 |

Level 3 valuation techniques of equity investments are appropriate in the circumstance and reflect recent transactions and market multiples.

Cash and cash equivalents, loans receivable, loans payable and other assets and liabilities, except for derivative financial instruments, were valued at amortised cost which are a reasonable approximate of fair values.

Investments in subsidiaries categorised in Level 3

JAB Group's investments include equity participations in Acorn Holdings B.V., JAB Luxury GmbH., Pret Panera I G.P., Pret Panera III G.P, KK G.P and Petcare G.P. which are not quoted in active markets. JAB Group uses a market-based valuation technique based on market multiples applied on LTM figures or, if appropriate, third-party transactions (at-arm's length) for measuring its investments.

The valuation models were based on market multiples derived from quoted prices of comparable public companies based on industry, size, leverage and strategy.

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The following details show the valuation techniques in measuring Level 3 fair values, as well as the unobservable inputs used, for JAB Group's equity investments:

Acorn Holdings B.V.:

JAB Group holds 57.0% of Acorn Holdings B.V. which is a direct shareholder of further interim holding companies and their investments in Keurig Dr Pepper Group (KDP), Jacob Douwe Egberts Group (JDE) and Peet's Coffee Group (Peet's).

On 17 December 2019, JDE announced its intention to combine with Peet's and explore an IPO sometime during 2020.

As of 31 December, the shares in Acorn Holdings B.V. were valued at €16,842.6m. Acorn Holdings B.V.'s fair value was calculated as the net asset value of the different investments. These investments were valued as follows:

- As of 31 December 2019 and 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 31 December 2019 and 31 December 2018, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The current JDE valuation was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for JDE fair value as of 31 December 2019. The following LTM (based on 12 months) multiples were used for the valuation of JDE: EBITDA multiple of 16.3x (31 December 2018: 14.0x) and P/E multiple of 23.1x (31 December 2018: 20.9x).
- As of 31 December 2019 and 31 December 2018, Peet's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The current Peet's valuation was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for Peet's fair value as of 31 December 2019. The following LTM multiples were used for the valuation of Peet's: EBITDA multiple of 18.1x (31 December 2018: 15.7x), P/E multiple of 28.1x (31 December 2018: 24.6x) and Sales multiple of 4.2x (31 December 2018: 3.3x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

In 2017, JAB Group entered into agreements regarding its investment in Acorn Holdings B.V. with certain non-controlling shareholders in this company. Under these agreements certain subsidiaries of JAB Holdings B.V. may be obliged to purchase such person's ordinary shares in Acorn Holdings B.V., conditional on the occurrence of Acorn Holdings B.V.'s engagement in certain business activities. Since JAB Group controls Acorn Holdings B.V., this contingent obligation is under the Company's control. Acorn Holdings B.V. has not engaged in such business activities as of 31 December 2019 and 31 December 2018. In the event certain subsidiaries of JAB Holdings B.V. are required to purchase the ordinary shares of any such non-controlling shareholder of Acorn Holdings B.V., then JAB Group may be obliged to subscribe for ordinary shares. JAB Group qualified these contingent payment obligations as financial instruments. As of 31 December 2019 and

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31 December 2018, the financial instruments fair value is measured close to 0 since the probability of the cash-outflow upon this agreement is estimated to be remote.

Pret Panera I G.P. and Pret Panera III G.P.:

JAB Group is invested in Pret Panera Holding Company Group through a 53.8% investment in Pret Panera I G.P. and a 16.3% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

As of 31 December 2019, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €3,863.7m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger Group occurred in the second half of 2018. As of 31 December 2019 and 2018, management assessed the original acquisition cost still to be the best estimate of fair value.
- As of 31 December 2019 and 2018, Panera Group's, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 19.5x (2018: 17.3x), P/E multiple of 30.9x (2018: 25.0x) and Sales multiple of 4.3x (2018: 2.9x).
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.1x (2018: 16.1x), P/E multiple of 24.7x (2018: 25.0x) and Sales multiple of 1.8x (2018: 1.8x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.6x (2018: 17.8x), P/E multiple of 24.7x (2018: 25.5x) and Sales multiple of 2.0x (2018: 2.5x).
- The multiples applied to the LTM figures ending December 2019 and 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

In 2018, JAB Group entered into an agreement with Pret Panera I GP, Pret Panera Holding Company Inc. and certain other persons that hold direct or indirect non-controlling interests in Pret Panera Holding Company Inc. Under this agreement, certain of these non-controlling shareholders can request an IPO of Pret Panera Holding Company Inc. after April 1st, 2023. Upon such request, Pret Panera Holding Company Inc., at its option, may purchase such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. If such IPO is not completed within 13 months, JAB Group may be obliged to purchase such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. JAB Group has qualified the contingent obligation to purchase such person's interest as a financial instrument. Its fair value is 0, since it is exercisable at the fair value of the underlying item.

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KK G.P.:

JAB Group is invested in Krispy Kreme Group through a 49.6% investment in KK G.P.

As of 31 December 2019, the shares in KK G.P. were valued at €888.0m. KK G.P.'s investment was valued as follows:

- As of 31 December 2019 and 2018, Krispy Kreme Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Krispy Kreme Group's: EBITDA multiple of 18.6x (2018: 16.9x), P/E multiple of 25.5x (2018: 24.4x) and Sales multiple of 4.3x (2018: 3.2x).
- The multiples applied to the LTM figures ending December 2019 and 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

In 2018, JAB Group entered into an agreement with KK GP, Krispy Kreme Holdco Inc. and certain other persons that hold direct or indirect non-controlling interests in Krispy Kreme Holdco Inc. Under this agreement, certain of these non-controlling shareholders can request an IPO of Krispy Kreme Holdco Inc. after April 1st, 2023. Upon such request, Krispy Kreme Holdco Inc, at its option, may purchase such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. If such IPO is not completed within 13 months, JAB Group may be obliged to purchase such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. JAB Group has qualified the contingent obligation to purchase such person's interest as a financial instrument. Its fair value is 0, since it is exercisable at the fair value of the underlying item.

Cottage Holdco B.V.:

JAB Group is invested in Coty Inc. through Cottage Holdco B.V.

As of 31 December 2019, the shares in Cottage Holdco B.V. were valued at €3,041.2m. The investment was valued as follows:

Cottage Holdco B.V. is the direct shareholder of an investment in Coty Inc. and was valued by adjusting its investment in Coty Inc. for financial debt. As of 31 December 2019, Coty Inc. is a listed company (New York Stock Exchange). The shares in Coty Inc. were valued based on the quoted market price at the reporting date.

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Petcare G.P.:

JAB Group is invested in Compassion-First (VSNA LLC) through a 33.1% investment in Petcare G.P.

As of 31 December 2019, the shares in Petcare G.P. were valued at €222.2m. Petcare G.P.'s investment in Compassion-First Group was valued as follows:

The investment in Compassion-First Group occurred in March 2019. As of 31 December 2019, management assessed the original acquisition cost still to be the best estimate of fair value.

JAB Luxury GmbH:

JAB Group is the sole owner of JAB Luxury GmbH, Switzerland. JAB Group has the intention to dispose of its investment in our Group GmbH and therefore classified the shares as assets held for sale.

As of 31 December 2019, the shares in JAB Luxury GmbH, Switzerland were valued at €300.1m.

Corporate debt securities Acorn Holdings B.V.:

JAB Group holds preferred shares in Acorn Holdings B.V.

As of 31 December 2019, the preferred shares in Acorn were valued at €852.2m.

The management assessed the original acquisition cost of the preferred shares to be the best fair value estimate.

Sensitivity analysis to unobservable inputs

Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The most significant unobservable inputs are the applied multiples. The estimated fair value would increase (decrease) if the adjusted market multiples were higher (lower). A change of the applied multiples by 10% would change the fair value estimate in the amount of €1,394.7m (increase) / €-1,362.4m (decrease) (31 December 2018: €1,082.2m increase/decrease). As of 31 December 2019 and 31 December 2018, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., Pret Panera I G.P., Pret Panera III G.P. and KK G.P.

Redeemable shares

The Company recorded its issued shares containing put features as liability at the potential redemption amount (€2,554.3m; 2018: €1,926.9m), which is based on valuation rules that have been contractually agreed with the shareholders.

4.3 Overview of financial risk factors

JAB Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Moreover, JAB Group is subject to inherent risks due to its investment activities. The value development of the investments depends on various external and internal factors which also might lead to negative variances from the expected developments.

Information is presented about JAB Group's exposure to each of the above risks, JAB Group's objectives, policies and processes for measuring and managing risk, and JAB Group's management of capital.

The Board of Managers has ultimate responsibility for the establishment and oversight of JAB Group's risk management framework but has delegated the responsibility for identifying and controlling risks to JAB Group's operative management.

JAB Group's risk management policies are established to identify and analyse the risks faced by JAB Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and JAB Group's activities. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risks. JAB Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.4 Concentration risk

As of 31 December 2019, JAB Group's holding in Acorn Holdings B.V. represented 58.4% (2018: Acorn Holdings B.V. 63.7%) of the gross asset value of JAB Group's assets. Other assets such as Pret Panera I G.P., Pret Panera III G.P., KK G.P., Cottage Holdco B.V., Petcare G.P. and JAB Luxury GmbH, represented 41,6% (2018: Pret Panera I G.P., Pret Panera III G.P., KK G.P., Coty Inc., Reckitt Benckiser Group Plc. and JAB Luxury GmbH 36.3%) of the gross asset value of JAB Group's assets. Hence, there is a concentration risk within the portfolio whereby a loss affecting a single investment may have a significant negative impact on the overall performance of JAB Group.

4.5 Credit risk

Credit risk is the risk of financial loss to JAB Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from JAB Group's investment in debt securities, loans receivable, other receivables, derivatives and cash and cash equivalents.

Debt securities

The Group is subject to credit risk on its investments in debt securities. The credit risk relating to these assets is reflected through the measurement at FVTPL.

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Loans and other receivables

JAB Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Risk is limited by JAB Group's policy on dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. As all major counterparties are related parties the risk is limited.

Cash and cash equivalents

JAB Group's cash and cash equivalents are placed with quality rating financial institutions, such that management does not expect these institutions to fail to meet repayments of amounts held in the name of JAB Group.

Derivative financial instruments

JAB Group's exposure to credit risk is limited, as the counterparties are banks with excellent credit ratings by international rating agencies; furthermore, netting arrangements are concluded.

Guarantees

JAB Group's policy generally is to avoid providing financial guarantees for third parties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The table below contains the carrying amounts and their due dates as of 31 December 2019 and 31 December 2018.

| | | Due | Less than | 1 to 5 | More than | Total |
|----------------------------------|------|----------------|----------------|------------|-------------|----------------|
| | | in €m | 1 year | years | 5 years | in €m |
| 31 December 2019 | note | in €m | in €m | in €m | in €m | in €m |
| Loans | 3.4 | 0.0 | 188.4 | 0.0 | 0.0 | 188.4 |
| Other assets | 3.5 | 0.0 | 12.0 | 5.9 | 0.0 | 17.9 |
| Cash and cash equivalents | 3.7 | 1,784.5 | 800.0 | 0.0 | 0.0 | 2,584.5 |
| | | 1,784.5 | 1,000.4 | 5.9 | 0.0 | 2,790.8 |
| | | | | | | |
| 31 December 2018 | note | in €m | in €m | in €m | in €m | in €m |
| Loans | 3.4 | 0.0 | 34.0 | 0.0 | 0.0 | 34.0 |
| Other assets | 3.5 | 0.0 | 11.0 | 2.7 | 0.0 | 13.7 |
| Short-term financial investments | 3.6 | 0.0 | 0.0 | 1.3 | 81.0 | 82.3 |
| Cash and cash equivalents | 3.7 | 869.6 | 225.0 | 0.0 | 0.0 | 1,094.6 |
| | | 869.6 | 270.0 | 4.0 | 81.0 | 1,224.6 |

In respect of the financial assets shown, no impairments were recognised and no financial assets were past due as of 31 December 2019 and 31 December 2018.

4.6 Liquidity risk

Liquidity risk is the risk that JAB Group will not be able to meet its financial obligations as they fall due. JAB Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to JAB Group's reputation.

JAB Group's strategy as well as the management's approach in managing liquidity risk is to ensure sufficient cash on demand, including cash from related parties. The management monitors the planning of liquidity reserves and cash flows and coordinates the due dates of financial assets and liabilities. As of 31 December 2019 and 31 December 2018, JAB Group has unused credit facilities, which reduce liquidity risk.

The table below contains the due dates of the carrying amounts as of 31 December 2019 and 31 December 2018. As of 31 December 2019, all redeemable shares are redeemable in short-term, if specific criteria are met. The right to put the shares will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V. The table below contains the earliest possible due dates for repayment of the redeemable shares as of 31 December 2019 and 2018 assuming that the shares had been put at the reporting date:

| | | Due | Less than | 1 to 5 | More than | Total |
|-----------------------------------|------|--------------|------------------|----------------|------------------|----------------|
| | | in €m | 1 year | years | 5 years | |
| 31 December 2019 | note | in €m | in €m | in €m | in €m | in €m |
| Non-derivative liabilities | | | | | | |
| Borrowings | 3.13 | 0.0 | 0.0 | 2,501.9 | 4,297.6 | 6,799.5 |
| Redeemable shares | 3.11 | 0.0 | 1,141.9 | 627.7 | 784.7 | 2,554.3 |
| Other liabilities | 3.14 | 0.0 | 71.3 | 0.7 | 0.8 | 72.8 |
| | | 0.0 | 1,213.2 | 3,130.4 | 5,083.1 | 9,426.6 |
| Derivatives | 3.14 | 0.0 | 13.2 | 0.0 | 0.0 | 13.2 |

| | | Due | Less than | 1 to 5 | More than | Total |
|-----------------------------------|------|--------------|------------------|----------------|------------------|----------------|
| | | in €m | 1 year | years | 5 years | |
| 31 December 2018 | note | in €m | in €m | in €m | in €m | in €m |
| Non-derivative liabilities | | | | | | |
| Borrowings | 3.13 | 0.0 | 0.0 | 2,388.7 | 3,563.4 | 5,952.1 |
| Redeemable shares | 3.11 | 0.0 | 1,926.9 | 0.0 | 0.0 | 1,926.9 |
| Other liabilities | 3.14 | 0.0 | 64.7 | 0.0 | 0.0 | 64.7 |
| | | 0.0 | 1,991.6 | 2,388.7 | 3,563.4 | 7,943.7 |
| Derivatives | 3.14 | 0.0 | 38.0 | 0.0 | 0.0 | 38.0 |

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Derivatives are presented with their fair value. The liquidity risk of derivatives might be subject to short-term and significant changes due to the high volatility of the fair values. Information on the maturity of the derivatives is presented under note 4.7.

4.7 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect JAB Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

JAB Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. Hedge accounting is not applied.

Exposure to currency risk

JAB Group invests in financial instruments and enters transactions that are denominated in currencies other than its functional currency, primarily in USD and GBP. Consequently, JAB Group is exposed to the risk that changes in foreign exchange rates may have a favourable or unfavourable effect on the fair values of its financial instruments and the fair values of its future cash flows.

Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts. JAB Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

JAB Group's exposure to foreign currency risk was as follows based on notional amounts:

| | 31 December 2019 | | 31 December 2018 | |
|----------------------------------|------------------|----------------|------------------|--------------|
| | in £m | in \$m | in £m | in \$m |
| Loans | 0.0 | 211.7 | 0.0 | 38.9 |
| Other receivables | 0.0 | 8.5 | 0.0 | 8.1 |
| Short-term financial investments | 0.0 | 0.0 | 0.0 | 90.2 |
| Cash and cash equivalents | 0.7 | 1,381.9 | 86.5 | 335.7 |
| Other current liabilities | 0.0 | -0.4 | 0.0 | -0.3 |
| Gross balance sheet exposure | 0.7 | 1,601.7 | 86.5 | 472.6 |
| Forward exchange contracts | 0.0 | -25.0 | 0.0 | -20.6 |
| Net exposure | 0.7 | 1,576.7 | 86.5 | 452.0 |

The USD forward exchange contracts expire in March 2020 (\$25.0m).

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The following significant exchange rates applied during the year:

| | Average rate 2019 1 Euro | Average rate 2018 1 Euro | Year-end rate 2019 1 Euro | Year-end rate 2018 1 Euro |
|-----|--|--|---|---|
| USD | 1.12 | 1.18 | 1.12 | 1.15 |
| GBP | 0.88 | 0.88 | 0.85 | 0.89 |

Sensitivity analysis

The sensitivity analyses below have been determined on JAB Group's exposure to currency risk for both, derivative and non-derivative, financial instruments at the end of the reporting period. A 10 % increase or decrease represents management's assessment of the reasonably possible change in foreign exchange rates. This analysis assumes that all other variables remain constant.

A 10 % strengthening (weakening) of the Euro against the USD at 31 December would have decreased (increased) profit or loss by €140.3m (2018: €39.5m). A strengthening (weakening) of the Euro against the USD at reporting date would not have affected other comprehensive income.

A 10 % strengthening (weakening) of the Euro against the GBP at 31 December would have increased (decreased) profit or loss by €0.1m (2018: €9.7m). A strengthening (weakening) of the Euro against the GBP at reporting date would not have affected other comprehensive income.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities exposed to interest rate risk include loans receivable and other receivables, derivative financial instruments, borrowings and cash and bank balances.

JAB Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings, including exposures from potential transactions is limited. Interest rate risk exposure is managed by JAB Group by maintaining an appropriate mix between fixed and floating rate financial instruments and, if considered appropriate, by the use of interest rate swap contracts or other interest rate derivatives. Hedging activities are evaluated regularly to align with interest rate views and JAB Group's investment and risk policies. At the reporting date JAB Group has interest rate swap agreements with a notional value of €1,400.0m (2018: €1,400.0m).

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Profile

At the reporting date the interest rate profile of JAB Group's interest-bearing financial instruments was:

| | Carrying amount 31 December 2019 in €m | Carrying amount 31 December 2018 in €m |
|----------------------------------|--|--|
| Fixed rate instruments | | |
| Financial assets | 2,772.9 | 1,170.2 |
| Borrowings | -6,799.5 | -5,952.1 |
| Floating rate instruments | | |
| Financial assets | 0.3 | 40.7 |
| Borrowings | 0.0 | 0.0 |

Fixed rate financial assets include cash and cash equivalents. Derivative financial instruments are not included in the table above.

The sensitivity analyses below have been determined on JAB Group's exposure to interest rates for financial instruments at the end of the reporting period. For the variable rate instruments, the analyses are prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Fair value sensitivity analysis for fixed rate instruments

JAB Group has fixed rate financial assets (interest rate swaps) at FVTPL. JAB Group does not designate these derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. A decrease of 50 basis points in the market interest rate at the reporting date would have resulted in an additional loss of approximately €3.5m (2018: €10.6m loss). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. Other comprehensive income would not have changed.

Cash flow sensitivity analysis for floating rate instruments

An increase of 50 basis points in the market interest rate at the reporting date would have resulted in an additional loss of approximately €0.0m (2018: loss €0.2m) with regard to floating rate instruments. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Other comprehensive income would not have changed.

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all instruments traded in the market.

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JAB Group's exposure to changes in share prices of its investments was as follows:

| | Carrying amount 31 December 2019 in €m | Carrying amount 31 December 2018 in €m |
|------------------------------|---|---|
| Investments | | |
| Coty Inc. | 0.0 | 1,724.0 |
| Reckitt Benckiser Group Plc. | 0.0 | 336.1 |
| Total | 0.0 | 2,060.1 |

Sensitivity analysis – equity price risk

The sensitivity analyses below have been determined on the exposure to equity price risks at the end of the reporting period.

If share prices had been 5% higher/lower, profit for the year ended 31 December 2019 would have increased/decreased by €0.0m as a result of changes in the fair value of these investments (2018: €103.0m). Other comprehensive income for the year ended 31 December 2019 would have been unaffected.

There are no further significant assets or liabilities that could be exposed to material direct market risks.

In addition, JAB Group has indirect exposure to market risks through changes to the valuation of its investments caused by market price fluctuations.

5. Subsequent Events

In January 2020, JAB Group has made \$166m distributions to its shareholders.

In January 2020, JAB Group has issued long-term notes in the aggregate principal amount of €100m.

In January and February 2020, JAB Group has provided loans to JAB Luxury Group amounting to €112m.

In February 2020, the acquisition of National Veterinary Associates was closed. JAB Group has made a total equity contribution of \$1.6bn (incl. \$0.2bn that were already provided as loans in 2019 and converted to equity at closing) and has provided a short-term loan to Petcare G.P. Group amounting to \$0.1bn.

In March 2020, Acorn Holdings B.V. has redeemed all preferred shares that were held by JAB Group at 31 December 2019. For the redemption JAB Group has received Acorn Holdings B.V. ordinary shares.

In March 2020, JAB Group has purchased Keurig Dr Pepper shares for an amount of \$0.2bn.

The spread of the coronavirus disease, together with other political and economic developments, is currently negatively impacting the international stock-markets and global economic growth expectations. Depending on the further evolvement of the coronavirus disease, the direct and indirect investments' fair values might be affected.

Luxembourg, 10 March 2020

Managing Directors:

J. Creus

C. Thun-Hohenstein