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

JAB Holding Company S.à r.l.

Luxembourg

2018 Financial Statements
(with the report of the Réviseur d'Entreprises agréé thereon)

4, Rue Jean Monnet, 2180 Luxembourg
B 164.586

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

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To the Board of Managers of
JAB Holding Company S.à r.l.
4, rue Jean Monnet
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of JAB Holding Company S.à r.l. (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its 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 financial statements » section of our report. We are also independent of the Company 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 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.

Responsibilities of the Board of Managers for the financial statements

The Board of Managers is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Managers is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

The objectives of our audit are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Luxembourg, 11 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Yves Thorn

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

Statement of Financial Position as of 31 December 2018

	note	31 December 2018 in $k	31 December 2018 in $k	31 December 2017 restated* in $k	31 December 2017 restated* in $k	1 January 2017 restated* in $k	1 January 2017 restated* in $k
Non-current assets							
Subsidiaries	4	20,137,589		21,806,980		18,367,912	
			20,137,589		**21,806,980**		**18,367,912**
Current assets							
Other receivables	5	1,335		2,420		4,977	
Cash and cash equivalents	6	188		123		44	
			1,523		**2,543**		**5,021**
			20,139,112		**21,809,523**		**18,372,933**
Shareholder's equity	7						
Issued share capital	7.1	8,889		8,800		8,800	
Share premium	7.1	9,899,089		9,836,177		9,901,230	
Retained earnings		7,560,016		9,522,610		6,820,913	
			17,467,994		**19,367,587**		**16,730,943**
Non-current liabilities							
Other liabilities	9,10	433,950		262,938		32,097	
			433,950		**262,938**		**32,097**
Current liabilities							
Redeemable shares	8	2,206,319		1,790,612		853,981	
Other liabilities	9,10	30,849		388,386		755,912	
			2,237,168		**2,178,998**		**1,609,893**
			20,139,112		**21,809,523**		**18,372,933**

* The Company has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is restated. See note 3.1.

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

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	note	2018 in $k	2017 restated* in $k
Net gain / (loss) on subsidiaries	11	-1,618,946	3,593,744
Finance income	12	0	156
Finance expenses	12	-68,681	-192,872
Finance result		**-1,687,627**	**3,401,028**
General and administrative expenses	13	-274,934	-699,326
Result before income taxes		**-1,962,561**	**2,701,702**
Income tax expense	14	-33	-5
Result for the period		**-1,962,594**	**2,701,697**
Total comprehensive result attributable to equity holder		**-1,962,594**	**2,701,697**

* The Company has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is restated. See note 3.1.

The notes on pages 7 to 36 are an integral part of these financial statements.

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

Statement of Changes in Equity for the year ended 31 December 2018

	note	Share capital in $k	Share premium in $k	Fair value reserve in $k	Retained earnings in $k	Total equity in $k
Balance as of 1 January 2017 as previously reported		**8,800**	**9,901,230**	**8,193,673**	**-1,372,760**	**16,730,943**
Adjustment from adoption of IFRS 9		0	0	-8,193,673	8,193,673	0
Balance as of 1 January 2017 restated*		**8,800**	**9,901,230**	**0**	**6,820,913**	**16,730,943**
Repayment of share premium	7.1	0	-65,053	0	0	-65,053
Result for the period		0	0	0	2,701,697	2,701,697
Total comprehensive result		0	0	0	2,701,697	2,701,697
Balance as of 31 December 2017		**8,800**	**9,836,177**	**0**	**9,522,610**	**19,367,587**
Contributions	7.1	89	173,582	0	0	173,671
Repayment of share premium	7.1	0	-110,670	0	0	-110,670
Result for the period		0	0	0	-1,962,594	-1,962,594
Total comprehensive result		0	0	0	-1,962,594	-1,962,594
Balance as of 31 December 2018		**8,889**	**9,899,089**	**0**	**7,560,016**	**17,467,994**

* The Company has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is restated. See note 3.1.

The notes on pages 7 to 36 are an integral part of these financial statements.

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

Cash Flow Statement for the year ended 31 December 2018

	note	2018 in $k	2017 restated* in $k
Cash flows from operating activities			
Result for the period		-1,962,594	2,701,697
Adjustments for:			
Share based payment transactions	9	229,575	273,220
Net (gain) / loss from change in fair value of subsidiaries	11	1,618,946	-3,593,744
Income tax expense		33	5
Finance income and finance expenses	13	68,681	192,717
		-45,359	**-426,105**
Change in other receivables	5	1,875	3,102
Change in other current liabilities	10	4,271	833
Net foreign exchange gain / (loss)		-46	156
Income taxes paid		-33	-5
Net cash used in operating activities		**-39,292**	**-422,019**
Cash flows from investing activities			
Capital repayments from subsidiaries	7.1	114,228	455,934
Contribution payments to subsidiaries	7.1	-1,000	-327,126
Net cash from investing activities		**113,228**	**128,808**
Cash flows from financing activities			
Payments from issue of redeemable shares	8	9,183	328,654
Capital repayments on redeemable shares	8	-83,053	-35,167
Interest Paid		-1	0
Others		0	-197
Net cash from / (used in) financing activities		**-73,871**	**293,290**
Movement in cash and cash equivalents		**65**	**79**
Cash and cash equivalents as of 1 January		123	44
Cash and cash equivalents as of 31 December	6	**188**	**123**

* The Company has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is restated. See note 3.1.

The notes on pages 7 to 36 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

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 long-term investments in companies with premium brands, attractive growth and strong cash flow.

The Company is formed for an unlimited period.

As of 31 December 2018, the Company’s majority shareholder is Agnaten SE, which is domiciled in Rooseveltplatz 4-5, 1090 Vienna, Austria.

In December 2011, the Company entered into a comprehensive agreement with Agnaten SE, Lucresca SE, an Advisory Committee and further investors. The agreement envisages a long-term support for Agnaten SE and Lucresca SE by the Advisory Committee to further develop the Group’s business. The agreement provides for a service agreement and a long-term incentive plan for the Advisory Committee as well as capital contributions of the Advisory Committee and other investors.

2. Statement of compliance

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

These financial statements were authorised for issue by the board of managers on 11 March 2019.

This is the first set of the Company´s financial statement where IFRS 9 has been applied. Changes to significant accounting policies are described in note 3.1.

These financial statements represent the statutory annual accounts.

3. Significant accounting policies

The financial statements prepared in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date relate to the fair value determination of the Company´s investments, the determination of the redemption amount of the Company’s redeemable shares and the valuation of the share-based payment scheme. Management uses its judgment in selecting appropriate valuation techniques.

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

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

The financial statements are presented in thousands of US-Dollars ($), which is the functional currency of the Company.

The accounting policies set out below have been applied consistently during the year presented in these separate financial statements.

3.1 Changes in significant accounting policies and disclosures

New and amended standards adopted by the Company

A number of new standards 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 2018. The adoption of the following standards had a significant impact on the Company's financial statements.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and restating the comparative information for the period beginning 1 January 2017.

<u>Financial assets and liabilities</u>

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement.

The Company has assessed its business model as of 1 January 2018 and classified its financial instruments into the appropriate IFRS 9 categories.

As of adoption of IFRS 9, the Company's investments will be designated as measured at FVTPL. Consequently, equity investments classified as available for sale in prior periods were reclassified to financial assets at FVTPL. Related fair value changes were transferred from the fair value reserve to retained earnings in the opening balance as of 1 January 2017. Accordingly, changes in fair value will be recognised in profit or loss instead of other comprehensive income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal as of the adoption of IFRS 9.

The main effects resulting from this reclassification are as follows:

Financial assets - 1 January 2018	**FVTPL**	**FVOCI (available-for-sale 2017)**	**Amortised cost (loans and receivables 2017)**
	in $k	in $k	in $k
Closing balance 31 December 2017 - IAS 39	**0**	**21,806,980**	**2,543**
Reclassify subsidiaries from available-for-sale to FVTPL	21,806,980	-21,806,980	0
Opening balance 1 January 2018 - IFRS 9	**21,806,980**	**0**	**2,543**

Impact of adoption of IFRS 9 solely relates to designation of the Company's investments at FVTPL. The 'expected credit loss' model has no significant impact on the Company's accounts. The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to other financial assets and derivative financial instruments.

The effect of adopting IFRS 9 on the statement of financial position is as follows:

	31 December 2017 as originally presented	IFRS 9	31 December 2017 restated
	in $k	in $k	in $k
Total assets	**21,809,523**	**0**	**21,809,523**
Fair value reserve	11,787,417	-11,787,417	0
Retained earnings	-2,264,807	11,787,417	9,522,610
Others	9,844,977	0	9,844,977
Total shareholder's equity	**19,367,587**	**0**	**19,367,587**
Total liabilities	**2,441,936**	**0**	**2,441,936**

	1 January 2017 as originally presented	IFRS 9	1 January 2017 restated
	in $k	in $k	in $k
Total assets	**18,372,933**	**0**	**18,372,933**
Fair value reserve	8,193,673	-8,193,673	0
Retained earnings	-1,372,760	8,193,673	6,820,913
Others	9,910,030	0	9,910,030
Total shareholder's equity	**16,730,943**	**0**	**16,730,943**
Total liabilities	**1,641,990**	**0**	**1,641,990**

The effect of adopting IFRS 9 on the statement of profit or loss and other comprehensive income is as follows:

	2017 as originally presented in $k	IFRS 9 in $k	2017 restated in $k
Net gain on subsidiaries	0	3,593,744	3,593,744
Finance income	156	0	156
Finance expenses	-192,872	0	-192,872
Finance result	**-192,716**	**3,593,744**	**3,401,028**
General and administrative expenses	-699,326	0	-699,326
Result before income taxes	**-892,042**	**3,593,744**	**2,701,702**
Income tax expense	-5	0	-5
Result for the period	**-892,047**	**3,593,744**	**2,701,697**
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	3,593,744	-3,593,744	0
Other comprehensive income	**3,593,744**	**-3,593,744**	**0**
Total comprehensive result attributable to equity holder	**2,701,697**	**0**	**2,701,697**

New standards and interpretations not yet adopted by the Company

A number of new standards are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

3.2 Consolidation

The Company prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The consolidated financial statements which are subject to publication as prescribed by the Luxembourg Law are available at the Companies' Register of Luxembourg.

3.3 Foreign currency transactions

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 USD at the exchange rate at that date. Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

In the financial report $ is used as a symbol for US Dollar and € is used as a symbol for Euro.

3.4 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 the Company.

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.

3.5 Subsidiaries

Subsidiaries are those entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The investments in subsidiaries are accounted for in accordance with IFRS 9 at FVTPL.

3.6 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity instruments and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at FVTPL, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below. Purchases and sales of financial assets are accounted for at the settlement date.

Accounting for finance income and expenses is discussed in note 3.11.

Classification and measurement of financial assets depends on the Company’s business model managing the financial assets and the contractual cash flow characteristics of the financial asset. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest. A debt instrument is measured at FVOCI if the objective of the business model is to hold the financial asset both to collect contractual cash flows and to sell. All other debt instruments must be recognised at FVTPL. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are measured at FVTPL unless, for equity instruments not held for trading, an irrevocable option is taken to measure at FVOCI.

Financial assets at FVTPL
The Company's investments are managed on a fair value basis. The Company uses fair value information to assess the investment's performance. The Company's investments in equity securities and certain debt securities are classified as financial assets at FVTPL. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets at amortised cost
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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

As of 31 December 2018, the Company does not hold derivative financial instruments other than put features included in share-based transactions.

3.7 Impairment

Financial assets

According to IFRS 9, the Company recognises an allowance for expected credit loss (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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.

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.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company 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.

3.9 Net gain / (loss) on subsidiaries

Net gain / (loss) on subsidiaries comprises changes in the fair value and gains on the disposal of financial assets at FVTPL.

3.10 Dividend income

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

3.11 Finance income and finance expenses

Finance income comprises interest income on funds 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, unwinding of the discount on provisions, dividends on redeemable shares classified as liabilities, changes in the redemption amount of redeemable shares classified as liabilities, impairment losses recognised on financial assets, 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.

Finance income and finance expenses include foreign currency gains and losses which 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.

3.12 Corporate income tax

Income tax on the profit and loss for the period comprises current and deferred tax. Income tax is recognised in the statement of 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 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.

3.13 Share-based payment transactions

Share-based payment transactions are recognised over the period in which the performance and for 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.

The Company 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 the Company'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.

3.14 Preparation of the cash flow statement

The 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 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.

Dividends paid and capital repayments to ordinary shareholders are included in financing activities. Dividends, capital repayments from investees and interest received are classified as investing activities. Interest paid is included in financing activities.

4. Subsidiaries

At year-end, the Company holds interest in the following subsidiaries:

	2018	2017
	%	%
JAB Investments S.à r.l.		
4, Rue Jean Monnet, 2180 Luxembourg	100.0	100.0

	2018	2017 restated
	in $k	in $k
JAB Investments S.à r.l.		
Share capital	25	25
Equity	20,137,589	21,806,980
Result for the period	-1,618,946	3,593,744

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

	JAB Investments S.à r.l. in $k
Balance as of 31 December 2016	18,367,912
Contribution	366,312
Capital repayment	-520,988
Change in fair value	3,593,744
Balance as of 31 December 2017	**21,806,980**
Contribution	174,671
Capital repayment	-225,116
Change in fair value	-1,618,946
Balance as of 31 December 2018	**20,137,589**

In 2018, the Company made contributions to JAB Investments S.à r.l. with an amount of $174.7m and received repayments from JAB Investments S.à r.l. in the amount of $225.1m. Thereof, contributions amounting to $173.7m were directly made from the shareholders of the Company to its indirect subsidiary JAB Holdings B.V., whereas capital repayments amounting to $110.7m were directly made by JAB Holdings B.V. to shareholders of the Company (see note 7.1).

In 2017, the Company made cash contributions to JAB Investments S.à r.l. of $327.1m and contributions in kind of $39.2m. Furthermore, the Company received capital repayments from JAB Investments S.à r.l. in the amount of $521.0m. Thereof, repayments of $455.9m were made in cash (see note 7.1).

All contributions were measured at fair value at the time of contribution. After initial measurement the subsidiary is subsequently measured at FVTPL.

5. Other receivables

	2018 in $k	**2017** in $k
JAB Holding Company LLC	0	1,874
Others	1,335	546
	1,335	**2,420**

Other receivables as of 31 December 2017, mainly relate to a service agreement with JAB Holding Company LLC.

The other receivables are short-term.

6. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2018 in the amount of $188k (2017: $123k) only include bank deposits available on demand.

7. Shareholder's equity

7.1 Share capital and share premium

As of 31 December 2018, the Company's share capital and share premium recognised in equity consists of 8,888,582 (31 December 2017: 8,800,200) Class A shares with a total nominal value of $8.9m (2017: $8.8m) and a share premium of $9,899.1m (2017: $9,836.2m).

At year-end issued capital comprises:

	Number 2018 in $k	Nominal value 2018 in $k	Number 2017 in $k	Nominal value 2017 in $k
Ordinary Class A shares	8,888,582	8,889	8,800,200	8,800
Ordinary Class B shares	767,184	767	596,142	596
Special Class S shares	1,407,023	1,407	1,173,554	1,174
Issued share capital	**11,062,789**	**11,063**	**10,569,896**	**10,570**

Each share has a nominal value of $1.00.

Class A shares are recognised as equity. Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control. The redeemable shares have been classified as liabilities (see note 8).

In 2018, 88,382 Class A shares were issued with a nominal value of $0.1m and a share premium in the amount of $173.6m. Capital payments were made directly from shareholders to JAB Holdings B.V. No Class A shares were issued in 2017.

In 2018, no dividend was paid to the Class A shareholders (2017: $0.0m). Capital repayments out of the share premium in the amount of $110.7m (2017: $65.1m) were made directly from JAB Holdings B.V. 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.

7.2 Fair value reserve

On adoption of IFRS 9, the fair value reserve as of 1 January 2017 amounting to $8,193.7m was transferred to retained earnings.

8. 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 each year, the redemption amount is calculated on the basis of the Company's direct and indirect investments.

The redeemable shares are carried at $2,206.3m (2017: $1,790.6m), including shares held by the management in the amount of $2,050.6m (2017: $1,639.6m).

As of 31 December 2018, all redeemable shares are redeemable in short-term, if specific criteria are met and presented as current liabilities ($2,206.3m; 2017: $1,790.6m).

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 following table illustrates the movements in the redeemable shares in 2018:

	Ordinary Class B shares		**Special Class S shares**		
	Number	Nominal value in $k	Number	Nominal value in $k	Carrying amount in $k
In issue as of 1 January 2017	399,028	399	698,135	698	853,981
Issued for cash	171,968	172	495,767	496	331,263
Issued for consideration in kind	19,731	20			39,186
Exercise of share options	52,110	52	400,000	400	869,221
Redeemed to the Company	-46,695	-47	-420,348	-420	-495,200
Capital repayment/distributions					-3,572
Change in redemption amount					195,733
In issue as of 31 December 2017	**596,142**	**596**	**1,173,554**	**1,174**	**1,790,612**
Issued for cash	2,066	2	249,113	249	10,688
Exercise of share options	385,890	386	0	0	816,495
Redeemed to the Company	-216,914	-217	-15,645	-16	-464,872
Capital repayment/distributions					-16,187
Change in redemption amount					69,583
In issue as of 31 December 2018	**767,184**	**767**	**1,407,022**	**1,407**	**2,206,319**

2,066 (2017: 171,968) Class B shares were issued for cash in 2018. No Class B shares were issued for consideration in kind (2017: 19,731).

The average issue price (for one ordinary share or five special shares) was $2,115 (2017: $1,921).

In 2018, no dividend was paid to Class B and special Class S shareholders out of retained earnings (2017: $0.0). Capital repayments to these shareholders in the amount of $16.2m were made in 2018 (2017: $4.0m).

9. 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 the potential redemption amount (see note 8). The expense recognised arising from share-purchase agreements during the year was $1.2m (2017: $3.1m).

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 (see note 8).

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 redemption amount per share 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 redemption amount 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.

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 2018	Number of Options 31 December 2017
2012	Graded vesting over vesting period of 5 service years (annual instalments) from grant date	10 years	0	360,000
2013	Graded vesting over vesting period of 5 service years (annual instalments) from grant date	10 years	37,000	40,000
2013	Vesting after 5 years' service from grant date	10 years	15,000	52,890
2014	Vesting after 5 years' service from grant date	10 years	8,918	18,774
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	132,731	257,731
2018	Graded vesting over vesting period of 5 service years (annual instalments) from grant date	10 years	192,038	0
2018	Vesting after 5 years' service from grant date	10 years	97,740	0
Total number of options			**1,334,874**	**1,580,842**

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. After 31 December 2016, all holders of options granted in or before the year 2015 have contractually committed to exercise these options immediately when vested, subject to further conditions being met.

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

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 2018:

	Grant date 2018	Measurement date 31 Dec. 2018	Grant date 2017	Measurement date 31 Dec. 2017
Dividend yield (%)	0.7%	0.7%	0.7%	0.7%
Expected volatility (%)	30.0%	30.0%	30.0%	30.0%
Risk-free interest rate (%)	2.8%	2.6%	2.2%	2.2%
Expected life of options (years)	7.3 years	4.7 years	7.5 years	4.9 years
Exercise price (USD)	2,059	1,819	1,766	1,572
Share price (redemption amount) (USD)	2,059	2,030	1,986	1,951

The weighted average fair value of options granted during the year was $745 (2017: $601).

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

	Number of options 2018	Weighted average exercise price 2018	Number of options 2017	Weighted average exercise price 2017
Balance at beginning of year (outstanding)	1,580,842	1,572	1,381,077	1,063
Granted during the year	289,778	2,059	1,096,875	1,766
Lapsed during the year	134,856	1,738	0	0
Exercised during the year	400,890	1,049	897,110	1,025
Expired during the year	0	0	0	0
Balance at end of year (outstanding)	1,334,874	1,819	1,580,842	1,572
Vested and exercisable at end of year	52,000	1,491	360,000	1,000

As of 31 December 2018, the carrying amount of the liability relating to the share option schemes is $457.9m (2017: $648.6m). As of 31 December 2018, options amounting to $25.9m (2017: $387.1m) are qualified as current and $432.0m (2017: $261.6m) as non-current.

52,000 options had vested as of 31 December 2018 (2017: 360,000). The intrinsic value of liabilities for vested options is $28.0m (2017: $342.4m).

The weighted-average share price at the date of exercise for share options exercised in 2018 was $2,113 (2017: $1,921).

15,000 (2017: 445,000) options were settled in cash by payment of the net value of the options in the amount of $7.9m (2017: $396.6m), of which $0.7m (2017: $325.1m) were used for the investment into 328 redeemable shares (Ordinary Class B shares) (2017: 169,956). 385,890 options (2017: 452,110) were exercised by payment of the strike price in cash for the issue of 385,890 (2017: 452,110) redeemable shares (thereof no Special Class S shares (2017: 400,000) and 385,890 Ordinary Class B shares (2017: 52,110)). The Company's subsidiary JAB Investments S.à r.l. granted short-term facilities to finance the strike price of 22,890 options, 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 $1,363 to 2,121 (2017: $1,000 to 2,010).

The expense recognised for the period arising from the share-option schemes during the year was $236.9m (2017: expense $669.8m).

10. Other liabilities

	2018 in $k	**2017** in $k
Share-based transactions	457,850	648,647
Trade and other payables	6,948	2,676
	464,798	**651,323**
thereof current	30,848	388,385
thereof non current	433,950	262,938

An analysis of share-based transaction accrual and share-option schemes is provided in note 9.

Other liabilities in the amount of $3.9m (2017: $0.0m) relate to a service agreement with JAB Holding Company LLC.

Accrued service costs, trade and other payables and payables to related parties will be settled in short-term.

11. Net gain / (loss) on subsidiaries

	2018 in $k	**2017 restated** in $k
Net gain / (loss) on subsidiaries at FVTPL		
JAB Investments S.á r.l.	-1,618,946	3,593,744
	-1,618,946	**3,593,744**

12. Finance income and finance expenses

Finance income can be detailed as follows:

	2018 in $k	2017 in $k
Net foreign exchange gain	0	156
	0	**156**

Finance expenses can be detailed as follows:

	2018 in $k	2017 in $k
Change in redemption amount of redeemable shares	-68,418	-192,675
Net foreign exchange loss	-263	0
Others	0	-197
	-68,681	**-192,872**

Changes in the measurement of redeemable shares (see note 8) are recognised in profit and loss.

13. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2018 in $k	2017 in $k
Salary and personnel related expenses	-446	-1,281
Service fees	-273,939	-697,578
Legal, tax, audit and consultancy fees	-541	-449
Others	-8	-18
	-274,934	**-699,326**

Service and other fees include expenses for share-based payment transactions in the amount of $236.9m (2017: $669.8m).

14. Taxes on income

The Company has a net loss carry-forward amounting to approximately $200.3m (2017: $161.4m). Thereof $68.8m expire between 2034 and 2035. 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:

	2018	2017 restated
	in $k	in $k
Accounting profit / (loss) for the period	-1,962,594	2,701,697
Income tax expense	33	5
Tax exempt (gain) / loss on subsidiaries	1,618,946	-3,593,744
Non-deductible expenses for tax purposes	304,690	862,185
Adjustments prior year	0	5,501
Taxable profit / (loss) for the period	**-38,925**	**-24,356**

15. Related parties

15.1 Agnaten SE

Agnaten SE, Vienna, is the majority shareholder of JAB Holding Company S.à r.l. Agnaten SE has established the Company and is a party in the comprehensive agreement with Lucresca SE and the Advisory Committee.

15.2 Donata Holdings B.V.

Donata Holdings B.V., Amsterdam, is a minority shareholder of JAB Holding Company S.à r.l.

15.3 Lucresca SE and affiliated companies

Lucresca SE, Vienna, is the shareholder of Donata Holdings B.V. Lucresca SE is a holding Company controlled closely by members of the family of the shareholders of Agnaten SE. Lucresca SE is a party in the comprehensive agreement with the Advisory Committee.

15.4 JAB Investments S.à r.l.

The Company holds a 100% share in JAB Investments S.à r.l., Luxembourg.

15.5 JAB Holdings B.V.

JAB Holdings B.V., Amsterdam, is a 100% subsidiary of JAB Investments S.à r.l. JAB Holdings B.V.'s investments include participations in Acorn Holdings B.V. and Reckitt Benckiser Group Plc. (both through JAB Forest 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 JAB Cosmetics B.V.) and JAB Luxury GmbH (through Labelux Group GmbH).

15.6 JAB Consumer Fund

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

15.7 Management

The Company and its investments are managed by an Advisory Committee and further management including executives and senior managers of the Company and its affiliates. The Company's agreements with management comprise agreements on base remunerations, share-based payments as well as management's investment in the Company. Expenses for management's compensation amount to $259.3m (2017: income $681.3m), thereof $236.9m (2017: income $669.8m) with regard to share-based payment transactions.

15.8 Employees and remuneration of Directors

In 2018, the Company had two Managing Director who received salaries of in total $0.4m (2017: $1.3m). The Company had on average one employee in 2018 (2017: two employees).

During the financial year, no loans, advances or guarantees were granted to members of the board of managers or other administrative bodies.

16. Contingent liabilities

As of 31 December 2018, the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €2,600.0m (2017: €2,600.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €6,000.0m (2017: €4,500.0m).

17. Financial instruments – Fair Value and Risk Management

17.1 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 the Company'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. The Company has no direct investments and no material liabilities except for liabilities due to share-based transactions and shares with put-rights. Its only material asset is the participation in JAB Investments S.à r.l., an intermediary holding company.

As of 31 December 2018, equity amounts to $17,468.0m (2017: $19,367.6m) and liabilities amount to $2,671.1m (2017: $2,441.9m).

The Company is not subject to externally imposed capital requirements.

17.2 Financial instruments and fair value hierarchy

The Company classified its financial instruments by category as set out below:

	31 December 2018			31 December 2017 restated		
	Amortised cost in $k	FVTPL in $k	**Total** in $k	Amortised cost in $k	FVTPL in $k	**Total** in $k
Assets as per statement of financial position						
Subsidiaries	0	20,137,589	20,137,589	0	21,806,980	21,806,980
Other receivables	1,335	0	1,335	2,420	0	2,420
Cash and cash equivalents	188	0	188	123	0	123
Total	**1,523**	**20,137,589**	**20,139,112**	**2,543**	**21,806,980**	**21,809,523**

	31 December 2018			31 December 2017 restated		
	Amortised cost in $k	Redeemable shares in $k	**Total** in $k	Amortised cost in $k	Redeemable shares in $k	**Total** in $k
Liabilities as per statement of financial position						
Redeemable shares	0	2,206,319	2,206,319	0	1,790,612	1,790,612
Other liabilities	6,948	0	6,948	2,677	0	2,677
Total	**6,948**	**2,206,319**	**2,213,267**	**2,677**	**1,790,612**	**1,793,289**

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 the Company'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 2018 and 31 December 2017, 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.

The Company 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. Financial instruments included in Level 3 comprise shares in JAB Investments S.à r.l. and shares of the Company containing put features.

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information of financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximate of fair values.

	31 December 2018			
	Level 1 in $k	**Level 2** in $k	**Level 3** in $k	**Total** in $k
Financial assets at FVTPL				
Subsidiaries				
Unlisted equity investments	0	0	20,137,589	20,137,589
Total financial assets	**0**	**0**	**20,137,589**	**20,137,589**

	31 December 2017 restated			
	Level 1 in $k	**Level 2** in $k	**Level 3** in $k	**Total** in $k
Financial assets at FVTPL				
Subsidiaries				
Unlisted equity investments	0	0	21,806,980	21,806,980
Total financial assets	**0**	**0**	**21,806,980**	**21,806,980**

There were no transfers between the levels for the years ended 31 December 2018 and 31 December 2017.

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.

	Subsidiaries Unlisted equity investments	
	2018 in $k	**2017** in $k
Balance as of 1 January	21,806,980	18,367,912
Contributions	174,670	366,312
Capital repayment	-225,115	-520,988
Change in fair value	-1,618,946	3,593,744
Balance as of 31 December	**20,137,589**	**21,806,980**

As of 31 December 2018, the unlisted equity investments relate to the 100% participation in JAB Investments S.à r.l. JAB Investments S.à r.l. is a holding company with direct participation in JAB Holdings B.V. As of 31 December 2018, the fair value was determined by using valuation techniques. The valuation accounts for JAB Investments S.à r.l.'s objective to act as a holding company. JAB Investments S.à r.l.'s fair value is estimated as its net asset value and is calculated as the total fair value of its assets and liabilities. The main asset of JAB Investments S.à r.l. is its participation in JAB Holdings B.V. which directly and indirectly holds a diversified investment portfolio that includes assets that are traded on a securities exchange (Level 1) as well as assets and liabilities that are valued using valuation techniques (Level 2 and Level 3). The assets are valued by objective criteria on an evaluation by the management.

Determination of JAB Investments S.à r.l.'s net asset value can be detailed as follows (including indirect investments through JAB Holdings B.V.):

	2018 in $k	**2017** in $k
Equity investments measured using Level 1	1,981,171	9,053,392
Derivative instruments measured using Level 2	-43,536	-67,228
Equity investments measured using Level 3	23,617,368	17,255,993
Corporate debt securities using level 3	975,797	1,022,072
Short-term financial investments using level 2	95,153	0
Loans receivable	39,216	64,984
Loans payable	-7,718,640	-6,287,515
Cash and cash equivalents	1,252,321	808,518
Other assets and liabilities	-61,262	-43,236
Net asset value	**20,137,589**	**21,806,980**

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

The Company recorded its issued shares containing put features as liability at the potential redemption amount ($2,206.3m; 2017: $1,790.6), which is based on valuation rules that have been contractually agreed with the shareholders.

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

The following details show the valuation techniques in measuring JAB Holdings B.V.'s material investments:

<u>JAB Forest B.V.</u>

JAB Holdings B.V. is 100% shareholder of JAB Forest B.V. The entity holds 57.0% of Acorn Holdings B.V. and 0.7% of Reckitt Benckiser Group Plc. As of 31 December 2017, JAB Forest B.V. held 57.3% of Acorn Holdings B.V. and 51.9% of JAB Coffee Holding B.V.

As of 31 December 2018, the shares in JAB Forest B.V. were valued at $17,620.3m (Level 3). The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

Acorn Holdings B.V.

As of 31 December 2018, Acorn Holdings B.V. is the direct shareholder of further interim holding companies and their investments in Keurig Dr Pepper Inc. (KDP), Jacob Douwe Egberts B.V. (JDE) and Peet's Coffee Group.

As of 31 December 2017, Acorn Holdings B.V. was the direct shareholder of further interim holding companies and their investments in Keurig Green Mountain Group (KGM) and JDE. In July 2018, the merger between Acorn Holding B.V.'s investment in KGM and Dr Pepper Snapple Group Inc. was completed, creating KDP. In December 2018, the investment in Peet's Coffee Group (formerly held through Beech I G.P.) was contributed to Acorn Holdings B.V.

Acorn Holding B.V.'s investments were valued as follows:

- As of 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 2017, KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM multiples were used for the 2017 valuation of KGM: EBITDA multiple of 15.2x and P/E multiple of 23.8x.
- As of 31 December 2018 and 31 December 2017, 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 following LTM multiples were used for the valuation of JDE: EBITDA multiple of 14.0x (2017: 15.2x) and P/E multiple of 20.9x (2017: 23.8x).
- As of 31 December 2018 and 31 December 2017, Peet's Coffee Group'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 following LTM multiples were used for the valuation of Peet's Coffee Group: EBITDA multiple of 15.7x (2017: 16.8x), P/E multiple of 24.6x (2017: 28.3x) and Sales multiple of 3.3x (2017: 4.0x). Peet's was held through Beech I G.P. as of 31 December 2017.
- The multiples applied to the LTM figures ending December 2018 and 2017 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.

Reckitt Benckiser Group Plc.

The shares in Reckitt Benckiser Group Plc. were valued based on the quoted market price at the reporting date.

<u>JAB Cosmetics B.V.</u>

JAB Holdings B.V. is 100% shareholder of JAB Cosmetics B.V. The entity holds 40.1% of Coty Inc (2017: 38.1%).

As of 31 December 2018, the shares in JAB Cosmetics B.V. were valued at $1,981.2m (Level 1). JAB Cosmetics B.V.'s investment was valued as follows:

The shares in Coty Inc. were valued based on the quoted market price at the reporting date.

<u>Pret Panera I G.P. and Pret Panera III G.P.</u>

JAB Holdings B.V. is invested in Pret Panera Holding Company Group through a 53.5% investment in Pret Panera I G.P. and 15.4% 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 2018, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at $3,840.1m (Level 3). 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 2018, management assessed the original acquisition cost to be the best fair value estimate.
- As of 31 December 2018, Panera 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 investment in Panera Group occurred in the second half of 2017. As of 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.3x, P/E multiple of 25.0x and Sales multiple of 2.9x.
- As of 31 December 2018 and 31 December 2017, 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 Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 16.1x (2017: 15.8x), P/E multiple of 25.0x (2017: 28.1x) and Sales multiple of 1.8x (2017: 1.5x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.8x (2017: 16.3x), P/E multiple of 25.5x (2017: 25.5x) and Sales multiple of 2.5x (2017: 2.5x). Espresso House Group was held through JAB Coffee Holding B.V. as of 31 December 2017.

- The multiples applied to the LTM figures ending December 2018 and 2017 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 Holdings B.V. is invested in Krispy Kreme Group through a 48.8% investment in KK G.P.

As of 31 December 2018, the shares in KK G.P. were valued at $749.7m (Level 3). KK G.P.'s investment was valued as follows:

- As of 31 December 2018 and 31 December 2017, 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 16.9x (2017: 16.7x), P/E multiple of 24.4x (2017: 28.3x) and Sales multiple of 3.2x (2017: 3.2x). Krispy Kreme Group was held through Beech I G.P. as of 31 December 2017.
- The multiples applied to the LTM figures ending December 2018 and 2017 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.

Labelux Group GmbH

Labelux Group GmbH is the sole owner of Labelux Group GmbH, Switzerland. This entity is a direct shareholder of further interim holding companies and their investment in the luxury goods company Bally International AG (Bally).

As of 31 December 2018, the shares in Labelux Group GmbH were valued at $1,367.1m (Level 3).

As of 31 December 2018 and 31 December 2017, the investment's fair value was based on the value per share of an at-arms' length transaction in Bally International AG shares in February 2018.

Corporate debt securities Acorn Holdings B.V.

JAB Holdings B.V. holds preferred shares in Acorn Holdings B.V. (Level 3).

JAB Holdings B.V.'s investment in the preferred shares in Acorn Holdings B.V. occurred in the fourth quarter of 2017. As of 31 December 2018 and 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.

Short-term financial investments Coty Inc.

JAB Holdings B.V. holds short-term financial investments in Coty Inc. (Level 2).

The short-term financial investments in Coty Inc. were valued based on dealer-quotes.

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 in respect of the valuation techniques in measuring JAB Holdings B.V.'s material investments 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 $1,239.1m (2017: $1,604.3). As of 31 December 2018, the sensitivity to unobservable inputs comprises the investments in Acorn Holdings B.V., Pret Panera I G.P., Pret Panera III G.P. and KK G.P. (2017: Acorn Holdings B.V., Beech I G.P. and JAB Coffee Holding B.V.).

17.3 Overview of financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

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

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

The board of managers has ultimate responsibility for the establishment and oversight of the Company's risk management framework but has delegated the responsibility for identifying and controlling risks to the Company's operative management.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 the Company's activities. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risks. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

17.4 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from counterparties.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. As all counterparties are related parties the risk is limited.

Cash at bank
The Company's cash is 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 the Company.

Guarantees
The Company's policy generally is to avoid providing financial guarantees to third parties. As of 31 December 2018, the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €2,600.0m (2017: €2,600.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €6,000.0m (2017: €4,500.0m).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	note	Carrying amount **2018** in $k	Carrying amount **2017** in $k
Other receivables	5	1,334	2,420
Cash and cash equivalents	6	188	123
		1,522	**2,543**

In respect of the other receivables, the Company is subject to the impairment requirements of IFRS 9. The expected credit loss on other receivables is immaterial.

17.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 the Company's reputation.

The Company actively manages cash flow requirements. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

17.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company'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.

17.7 Summary of risks

The Company is a holding company with its 100% subsidiary JAB Investments S.à r.l. as its only significant asset and indirectly exposed to its credit, liquidity and market risk. JAB Investments S.à r.l. itself only has one significant asset – the participation in the 100% subsidiary JAB Holdings B.V. JAB Holdings B.V. is an investment and financing company with a diversified investment portfolio. JAB Holdings B.V.'s investments include participations in Acorn Holdings B.V. and Reckitt Benckiser Group Plc. (both through JAB Forest 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 JAB Cosmetics B.V.), JAB Luxury GmbH (through Labelux Group GmbH) and corporate debt securities in Acorn Holdings B.V. and Coty Inc.

Significant liquidity and market risks regarding the Company`s liabilities are relating to the redeemable shares of the Company's minority shareholders. As of 31 December 2018, all redeemable shares are redeemable in short-term, if specific criteria are met. The right to put the shares would be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V.

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

18. Subsequent events

In January 2019, the Company has received $133m share premium repayments from JAB Investments S.à r.l. and has made $115m distributions to its shareholders.

Luxembourg, 11 March 2019

Managing Directors:

M. Hopmann

J. Creus