JAB Holdings B.V.

Amsterdam

Annual Accounts 2019

JAB Holdings B.V., Amsterdam

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JAB Holdings B.V., Amsterdam

Report of the Board of Directors

Management of JAB Holdings B.V. (the "Company") hereby presents its annual accounts for the financial year ended 31 December 2019.

General information

The objectives of the Company are to act as a holding and finance company. The Company's sole shareholder is JAB Investments S.à r.l., which is domiciled in Luxembourg ("JAB Investments"). Ultimate parent company is Agnaten SE, Austria.

The Company is focused on long-term investments in companies with premium brands, attractive growth and strong cash flow. The Board of Directors monitors the return on capital and the value enhancement of the Company’s investment portfolio.

In July 2019, a Supervisory Board was established. As of 31 December 2019, the Supervisory Board has two members. The responsibilities of the Supervisory Board are to supervise the management of the Management Board and the general course of affairs of the Company and the business connected with it.

Investments

As of 31 December 2019, the Company’s portfolio includes participations in Acorn Holdings B.V. (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.), Cottage Holdco B.V. (through JAB Cosmetics B.V.), Compassion-First Group (through Petcare G.P.) and JAB Luxury GmbH (through Labelux Group GmbH in Liqu.).

In 2019, the Company made capital contributions to Pret Panera III G.P. in the amount of €76.0 and to KK G.P. in the amount of €33.5m.

In March 2019, the Company made an investment in Petcare G.P. for the acquisition of Compassion-First Group, a pet hospital group, in the amount of €222.5m.

In 2019, the Company received €1,416.1m share premium repayment from JAB Forest B.V. partly funded by a disposal of shares in Reckitt Benckiser Group Plc. and by the disposal of shares in Keurig Dr Pepper Group that were held by an indirect subsidiary of JAB Forest B.V. Furthermore, the Company made capital contributions to JAB Forest B.V. in the amount of €2.4m.

In 2019, the Company received €24.9m share premium repayment from JAB Cosmetics B.V.

The cash flows from investing activities during 2019 include received dividends (€104.4m; 2018: €146.3m), capital transactions with investments in subsidiaries (€1,070.7m; 2018: €-3,219.6m), disposal of other investments (€0.0m; 2018: €2,141.7m), change in short-term financial investments (€90.0m; 2018: €-83.8m), loan transactions (€-171.0m; 2018: €-67.9m), interests received (€18.8m; 2018: €8.3m) and acquisition of property, plant and equipment (€-1.3m; 2018: €0.0m).

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

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

The Company is 100% shareholder of JAB Forest B.V. The entity holds 57.0% of Acorn Holdings B.V.

As of 31 December 2019, the shares in JAB Forest B.V. were valued at €16,848.1m. The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

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), 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.

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 (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.

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

The Company 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 to be still 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 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.:

The Company 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.

JAB Cosmetics B.V.:

The Company is 100% shareholder of JAB Cosmetics B.V. JAB Cosmetics B.V. was direct shareholder of an investment in Coty Inc. as of 31 December 2018. In March 2019, JAB Cosmetics B.V. founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. to the newly established 100% owned holding company.

As of 31 December 2019, the shares in JAB Cosmetics B.V. were valued at €3,044.5m. JAB Cosmetics B.V.'s investment in Cottage Holdco B.V. 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. In 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.

Petcare G.P.:

The Company 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.

Labelux Group GmbH in Liqu.:

The Company is the sole owner of Labelux Group GmbH in Liqu., Switzerland. The Company 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 Labelux Group GmbH in Liqu. were valued at €299.8m.

Corporate debt securities Acorn Holdings B.V.:

The Company holds preferred shares in Acorn Holdings B.V.

As of 31 December 2019, the preferred shares were valued at €852.2m (2018: €852.2m).

Financing

As of 31 December 2019, the Company has borrowings of in total €6,799.5m (2018: €5,952.1m). The outstanding amount in the reporting 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 (2018: €1,500.0m). Long-term notes with an aggregate principal amount of €636.8m (2018: €0.0m) were early repurchased in 2019.

As of 31 December 2019, the Company has unused credit facilities, which reduce liquidity risk. There are no outstanding amounts under the credit facilities as of 31 December 2019 (2018: €0.0m).

The cash flows from financing activities during 2019 include share premium distributions to and contributions by the shareholder (€-271.3m; 2018: €-45.5m), interest and bank fees paid (€-193.5m; 2018: €-125.5m) and the net change in borrowings (€843.8m; 2018: €1,493.2m).

In 2019, the Company's equity increased from €17,587.8m to €21,973.4m, mainly due to the net gain on investments in subsidiaries, other investments and short-term financial investments (€4,712.1m).

As of 31 December 2019, cash and cash equivalents amount to €2,583.1m (2018: €1,093.4m).

In 2019, the Company recognised net foreign exchange gains of €3.7m (2018: €168.7m gain).

Financial information

The profit for the period 2019 amounts to €4,666.0m (2018: loss €550.1m), mainly relating to the net gain on investments in subsidiaries, other investments and short-term financial investments (€4,712.1m; 2018: loss €752.9m). In 2019, the Company realised a net gain on its investments in subsidiaries JAB Forest B.V. (€2,872.9m; 2018: €1,957.5m), JAB Cosmetics B.V. (€1,339.1m; 2018: €-3,055.9m), Pret Panera I G.P. (€292.3m; 2018: €626.4m), Pret Panera III G.P. (€141.5m; 2018: €44.1m) and KK G.P. (€199.6m, 2018: €-6.0m), whereas a net loss was realised in its investment in subsidiary Labelux Group GmbH in Liqu. (€141.5m, 2018: €-4.8m).

Dividend income amounts to €104.4m (2018: €146.3m). Finance income of €26.4m mainly includes interest income (2018: €180.1m mainly from foreign exchange gain).

Finance expenses of €169.8m (2018: €121.9m) mainly include interest expenses and expenses from early repurchase of long-term notes.

Personnel

The Company had eight employees in 2019 (2018: two employees). No significant changes are expected for 2020.

Information regarding financial instruments

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

The Company's exposure to credit risk mainly relates to its loan receivables and its cash and cash equivalents. With regard to loan receivables risk is influenced mainly by the individual characteristics of each counterparty. Risk is limited as all counterparties are related parties. 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.

The Company is exposed to market risk as a result of its investments and its borrowings. This exposure is not hedged.

The Company 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 Company’s exposure to these risks is described in note 25 to the financial statements in detail.

Other disclosures

Due to the activities of JAB Holdings B.V. disclosures for R&D, social aspects, non-financial information KPI’s and code of conduct are not relevant.

Information on male/female partitioning of board members

During the financial year, the Board of Directors consisted of two male members. Therefore, the balanced partitioning anticipated in the Netherlands Civil Code was not met. There is an anticipated target of 30% for the minimum of female and males represented on the Board of Directors. The current composition of the Board of Directors deviates from the above mentioned percentage. Regarding future appointments the Board of Directors will take the gender diversity objectives in account as much as possible. The members of the Board of Directors have been appointed based on their knowledge, experiences and competencies.

JAB Holdings B.V., Amsterdam

Remuneration of Directors

The Company has two Directors, who received a remuneration of in total €1,024k (2018: €89k). The Supervisory Directors received a remuneration of in total €200k (2018: €0k).

Future developments and outlook

The Company will continue to serve under its business purpose as a holding and financing company. Its liquidity situation is sound and expected to remain well in the next years.

In January 2020, JAB Holdings B.V. has made €174m distributions to its shareholders.

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

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

In February 2020, the acquisition of National Veterinary Associates was closed. JAB Holdings B.V. has made a total equity contribution of $1.6bn (incl. $0.2bn that were already provided to Petcare G.P. Group 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 Holdings B.V. at 31 December 2019. For the redemption JAB Holdings B.V. has received Acorn Holdings B.V. ordinary shares.

In March 2020, JAB Holdings B.V. 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.

Amsterdam, 10 March 2020

The Board of Directors:

J. Creus

F. Simon

JAB Holdings B.V., Amsterdam

Statement of Financial Position as of 31 December 2019

(after appropriation of result)

	note	31 December 2019 in €k	in €k	31 December 2018 in €k	in €k
Non-current assets					
Property, plant and equipment		2,587		0	
Investments in subsidiaries	4	24,868,400		21,127,840	
Other investments	5	35,606		34,934	
Corporate debt securities	6	852,224		852,224	
Prepayments		7,298		3,583	
			25,766,115		**22,018,581**
Current Assets					
Loans	7	188,407		33,965	
Derivatives	8	329		0	
Other receivables		6,580		1,071	
Short-term financial investments	9	0		82,336	
Cash and cash equivalents	10	2,583,130		1,093,420	
Non-current assets held-for-sale	11	300,111		1,194,313	
			3,078,557		**2,405,105**
			28,844,672		**24,423,686**
Shareholder's equity	12				
Share capital	12.1	18		18	
Share premium	12.2	5,982,461		6,262,889	
Legal reserve	12.3	11,437,610		7,954,356	
Retained earnings	12.4	4,553,317		3,370,569	
			21,973,406		**17,587,832**
Non-current liabilities					
Borrowings	13	6,799,539		5,952,105	
Other liabilities	15	1,361		0	
			6,800,900		**5,952,105**
Current liabilities					
Derivatives	14	13,192		38,023	
Other liabilities	15	57,174		56,156	
Liabilities directly associated with assets held-for-sale	11	0		789,570	
			70,366		**883,749**
			28,844,672		**24,423,686**

The notes on pages 14 to 55 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

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

	note	2019 in €k	2018 in €k
Net gain / (loss) on investments in subsidiaries, other investments and short-term financial investments	17	4,712,061	-752,869
Dividend income	18	104,445	146,322
Finance income	20	26,359	180,121
Finance expenses	20	-169,789	-121,853
General and administrative expenses	21	-7,317	-1,630
Profit / (loss) before income taxes		**4,665,759**	**-549,909**
Income tax expense	22	243	-230
Profit / (loss) for the period		**4,666,002**	**-550,139**
Other comprehensive income		**0**	**0**
Total comprehensive income / (loss) attributable to equity holder		**4,666,002**	**-550,139**

The notes on pages 14 to 55 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

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

	note	Share capital in €k	Share premium in €k	Legal reserve in €k	Retained earnings in €k	Total equity in €k
Balance as of 31 December 2017		**18**	**6,308,399**	**5,335,371**	**6,539,693**	**18,183,481**
Contributions	12.2	0	180,208	0	0	180,208
Repayment of share premium	12.2	0	-225,718	0	0	-225,718
Loss for the period		0	0	2,618,985	-3,169,124	-550,139
Total comprehensive loss		0	0	2,618,985	-3,169,124	-550,139
Balance as of 31 December 2018		**18**	**6,262,889**	**7,954,356**	**3,370,569**	**17,587,832**
Contributions	12.2	0	6,710	0	0	6,710
Repayment of share premium	12.2	0	-287,138	0	0	-287,138
Profit for the period		0	0	3,483,254	1,182,748	4,666,002
Total comprehensive income		0	0	3,483,254	1,182,748	4,666,002
Balance as of 31 December 2019		**18**	**5,982,461**	**11,437,610**	**4,553,317**	**21,973,406**

The notes on pages 14 to 55 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

Cash Flow Statement for the year ended 31 December 2019

	note	2019 in €k	2018 in €k
Cash flows from operating activities			
Profit / (loss) for the period		4,666,002	-550,139
Adjustments for:			
Depreciation		179	0
Dividend income	18	-104,445	-146,322
Net (gain) / loss from change in fair value of investments in subsidiaries, other investments and short-term financial investments	17	-4,712,061	752,869
Income tax expense		-243	230
Finance income and finance expenses		143,431	-58,268
		-7,137	**-1,630**
Change in other receivables		-2,096	2
Change in other current liabilities		3,984	6,149
Net foreign exchange gain	20	6,383	168,280
Income taxes paid		14	0
Net cash from operating activities		**1,148**	**172,801**
Cash flows from investing activities			
Dividends received	18	104,445	146,322
Capital repayments from investments in subsidiaries	4	1,441,039	291,006
Contribution payments to investments in subsidiaries		-370,293	-3,510,598
Disposal of other investments	5	0	2,141,650
Change in short term financial investments		89,954	-83,811
Interest received		18,764	8,267
New loans	7	-236,442	-133,953
Repayment loans	7	65,472	66,067
Acquisition of property, plant and equipment		-1,302	0
Net cash from / (used in) investing activities		**1,111,637**	**-1,075,050**
Cash flows from financing activities			
Repayment of share premium	12.2	-278,020	-225,718
Contribution shareholders	12.2	6,710	180,208
Interest paid (including settlement of derivatives)		-177,012	-118,560
Bank fees		-16,522	-6,892
New borrowings	13	1,477,080	2,603,198
Repayment borrowings	13	-633,281	-1,110,000
Net cash from financing activities		**378,955**	**1,322,236**
Movement in cash and cash equivalents		**1,491,740**	**419,987**
Cash and cash equivalents as of 1 January		1,093,420	673,761
Effect of exchange rate changes on cash and cash equivalents		-2,030	-328
Cash and cash equivalents as of 31 December	10	**2,583,130**	**1,093,420**

The notes on pages 14 to 55 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

JAB Holdings B.V. (the "Company") is a private limited liability company under Dutch law and is registered under number 34233247 in the Trade Register. The address of the Company's registered office is Piet Heinkade 55, 1019 GM Amsterdam, the Netherlands. The objectives of the Company are to act as a holding and finance company.

The Company's sole shareholder is JAB Investments S.à r.l. ("JAB Investments"), domiciled in Luxembourg. Ultimate parent is Agnaten SE, Austria.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements also comply with the requirements of Book 2 Title 9 of the Netherlands Civil Code.

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

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 uncertainty at the reporting date relate to the fair value determination of the Company's investments. 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, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair value through profit or loss.

The financial statements are presented in thousands of Euros (EUR), which is the functional currency of the Company.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

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 the Company's financial statements but may impact the accounting for future transactions or arrangements.

The Company has initially adopted IFRS 16 *Leases* from 1 January 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee, has recognised right of use-assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. The effects of the adoption are not significant as there were no leases as of 1 January 2019.

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 2019 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

For the 2019 financial statements and earlier, the Company has applied the consolidation exemption by article 408, Part 9, Book 2 of the Netherlands Civil Code. As such, the Company is exempted from preparing consolidated financial statements. The financial statements of the Company are included in the consolidated financial statements of its indirect shareholder, JAB Holding Company S.à r.l., Luxembourg, which will be filed with the Chamber of Commerce in Amsterdam.

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 Euro at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the 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 symbol for Euro, $ is used as symbol for US Dollar and £ is used as a symbol for British Pound.

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 Non-current assets and liabilities 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 statement of financial position.

The non-current assets and liabilities held-for-sale are measured for in accordance with IFRS 9 at FVTPL and at amortised cost (in line with IFRS 5).

3.6 Investments in 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.

3.7 Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for in accordance with IFRS 9 at FVTPL. Associates are classified as “other investments” in the statement of financial position.

3.8 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 the Company 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 the Company 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 the Company 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, the Company classifies its non-derivative financial assets as subsequently measured at FVTPL or at amortised cost based on both the Company'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. The Company'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.

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

Financial assets at FVTPL that the Company 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.

The Company'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.

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. The Company 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.

Derivative financial instruments
The Company 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.

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

3.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

3.10 Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the initial measurement of the corresponding lease liability, initial direct costs incurred and lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. Right of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently increased to reflect interest on the lease liability (using the effective interest method) and reduced for the lease payments made.

3.11 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.

3.12 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.

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

Net gain / (loss) on investments in subsidiaries, other investments and short-term financial investments comprises changes in the fair value and gains on the disposal of financial assets at FVTPL.

3.14 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.

3.15 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, expenses on the early repurchase of long-term notes 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.

3.16 Income tax expense

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the 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 is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. The Company is the head of a fiscal unity with the Dutch Group companies JAB Forest B.V., JAB Cosmetics B.V. and Cottage Holdco B.V. and prepares the overall tax return including all members of the fiscal unity. Other than the Company none of the other members of the fiscal unity recognise any position of corporate income tax that the entity would owe as an independent tax payer.

Withholding taxes have been recognised as part of income tax expense, with the interest income recognised on a gross basis.

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.

3.17 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 for the period.

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 investments and interest received are classified as investing activities. Interest paid is included in financing activities.

4. Investments in subsidiaries

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

	2019	2018
	%	%
JAB Forest B.V., Netherlands	100.0	100.0
Pret Panera I G.P., USA	53.8	53.5
Pret Panera III G.P., USA	16.3	15.4
KK G.P., USA	49.6	48.8
JAB Cosmetics B.V., Netherlands	100.0	100.0
Petcare G.P., USA	33.1	0.0
JAB Holding Sao Paulo Ltda., Brazil	99.9	0.0

The Company 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 Holdings B.V., Amsterdam

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

	JAB Forest B.V.	Pret Panera I G.P.	Pret Panera III G.P.	KK G.P.	Pret Holding Company Inc.	JAB Cosmetics B.V.	Petcare G.P.	JAB Holding Sao Paulo Ltda.	**Total**
	in €k	in €k	in €k	in €k	in €k	in €k	in €k	in €k	in €k
Balance as of 31 December 2017	9,875,030	3,323,532	0	0	0	4,749,261	0	0	17,947,823
Additions	3,247,426	236,435	92,957	0	160,033	165,961	0	0	3,902,812
Repayment share premium	-161,950	0	0	0	0	-129,056	0	0	-291,006
Reorganisation	470,943	-1,887,321	917,805	660,804	-162,231	0	0	0	0
Change in fair value	1,957,466	626,351	44,083	-6,001	2,197	-3,055,885	0	0	-431,789
Balance as of 31 December 2018	**15,388,915**	**2,298,997**	**1,054,845**	**654,803**	**0**	**1,730,281**	**0**	**0**	**21,127,840**
Additions	2,400	0	76,024	33,541	0	0	222,519	1,807	336,291
Repayment share premium	-1,416,103	0	0	0	0	-24,936	0	0	-1,441,039
Change in fair value	2,872,868	292,303	141,546	199,608	0	1,339,133	-276	126	4,845,308
Balance as of 31 December 2019	**16,848,080**	**2,591,300**	**1,272,415**	**887,952**	**0**	**3,044,478**	**222,243**	**1,933**	**24,868,400**

JAB Holdings B.V., Amsterdam

Reorganisation 2018

In December 2018, the Company reorganised its shareholdings in JAB Forest B.V., Beech I G.P. and the investments indirectly held through JAB Forest B.V. and Beech I G.P.

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 Holdings B.V.'s investment in Pret Panera Holding Company Group is held through Pret Panera I G.P. and Pret Panera III G.P.

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

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

JAB Forest B.V.

As of 31 December 2019, JAB Forest B.V. holds 57.0% (2018: 57.0%) of 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, Jacobs Douwe Egberts Group and Peet's Coffee Group.

In 2019, the Company made capital contributions in cash to JAB Forest B.V. in the amount of €2.4m (2018: €2,905.3m; thereof, €2,877.8m relate to a capital contribution to Acorn Holdings B.V. for the merger of Keurig Dr Pepper Group). In December 2018, the Company contributed all shares in Reckitt Benckiser Group Plc. to JAB Forest B.V. in the amount of €342.1m.

In 2019, the Company received repayments of share premium in cash of €1,416.1m (2018: €162.0m) from JAB Forest B.V. partly funded by a disposal of shares in Reckitt Benckiser Group Plc. and by the disposal of shares in Keurig Dr Pepper Group that were held by an indirect subsidiary of JAB Forest B.V.

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

The Company 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, the Company made capital contributions in cash to Pret Panera III G.P. in the amount of €69.9m. In 2018, the Company 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 in 2019 (see also note 7). In 2018, the Company 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.

KK G.P.

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

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

JAB Cosmetics B.V.

In 2019, the Company made no cash contributions to JAB Cosmetics B.V. (2018: €166.0m) and received repayments of share premium of €24.9m (2018: €129.1m).

JAB Cosmetics B.V. was direct shareholder of an investment in Coty Inc. In January 2019, JAB Cosmetics B.V. founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. to the newly established 100% owned holding company.

Petcare G.P.

The Company is invested in Compassion-First (VSNA LLC) through a 33.1% investment in Petcare G.P.
In March 2019, the Company made an investment in Compassion-First Group (through Petcare G.P.) in the amount of €222.5m.

5. Other investments

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

	Reckitt Benckiser Group Plc. in €k	Others in €k	**Total** in €k
Balance as of 31 December 2017	2,799,636	16,676	2,816,312
Disposal	-2,483,667	0	-2,483,667
Additions	0	17,218	17,218
Change in fair value	-315,969	1,040	-314,929
Balance as of 31 December 2018	**0**	**34,934**	**34,934**
Disposal	0	0	0
Additions	0	0	0
Change in fair value	0	672	672
Balance as of 31 December 2019	**0**	**35,606**	**35,606**

In 2018, 30,900,000 Reckitt Benckiser Group Plc. shares were sold for an amount of €2,141.5m. In December 2018, the Company contributed 5,000,000 shares to JAB Forest B.V. at the value of €342.1m.

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

6. Corporate debt securities

	2019 in €k	**2018** in €k
Acorn Holdings B.V. preferred shares	852,224	852,224
	852,224	**852,224**

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 have stated fixed interest rates of 5.5% to 6.5% (2018: 6.0% to 6.5%).

7. Loans

The movements in the loans can be detailed as follows:

	JAB Management in €k	JAB Holding Company LLC in €k	Pret A Manger Group in €k	Petcare Intermediate Inc. in €k	National Veterinary Associates in €k	**Total** in €k
Balance as of 31 December 2017	51,032	3,153	0	0	0	54,185
Additions	2,414	64	106,858	0	0	109,336
Disposals	-40,767	0	-91,300	0	0	-132,067
Translation differences	-98	151	2,458	0	0	2,511
Balance as of 31 December 2018	**12,581**	**3,368**	**18,016**	**0**	**0**	**33,965**
Additions	22,110	68	4,443	26,497	126,954	180,072
Disposals	-979	0	-22,877	0	0	-23,856
Translation differences	132	66	418	-57	-2,333	-1,774
Balance as of 31 December 2019	**33,844**	**3,502**	**0**	**26,440**	**124,621**	**188,407**

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

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 Holding Company S.à r.l., a related party to the Company. 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. As of 31 December 2019, short-term loans of $38.0m (€33.8m) (2018: €12.6m) are outstanding, including loans to the Board of Directors of the Company in the amount of €7.0m (2018: €0.7m).

In 2018, the Company 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, the Company 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, the Company 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.

As of 31 December 2019, a short-term loan of €3.5m (2018: €3.4m) is outstanding to JAB Holding Company LLC.

The interest rate for fixed rate loan receivables range from 2.0% to 7.2% p.a. (2018: 2.0%). As of 31 December 2019, the Company has no floating rate receivables (2018: €0.0m)

8. Derivatives

	2019 in €k	**2018** in €k
Foreign exchange contracts	329	0
	329	**0**

9. Short-term financial investments

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

	in €k
Balance as of 31 December 2017	0
Additions	83,823
Disposals	-108
Change in fair value	-1,380
Balance as of 31 December 2018	**82,335**
Disposals	-89,954
Change in fair value	7,619
Balance as of 31 December 2019	**0**

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

In 2019, the Company sold its short-term financial investments for an amount of €90.0m (2018: €0.0m).

10. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2019 include bank deposits and liquidity funds available on demand (€1,783.1m, 2018: €868.4m) and deposits with maturity in January 2020 (€800.0m) (2018: €200.0m with maturity February 2019 and €25.0m with maturity April 2019).

11. Non-current assets held-for-sale

The Company is 100% shareholder in Labelux Group GmbH in Liqu.

In June 2017, management committed to a plan to dispose of its investment in Labelux Group GmbH in Liqu. and classified the investment in Labelux Group GmbH in Liqu. and loans to JAB Luxury GmbH as held-for-sale. In December 2018, liquidation of Labelux Group GmbH in Liqu. was initiated, and its corporate name was changed to Labelux Group GmbH in Liqu.

As of 31 December 2019, the non-current assets held-for-sale comprise assets of €300.1m (2018: €1,194.3m) detailed as follows:

	Subsidiary Labelux Group GmbH in Liqu. in €k	Loan Labelux Group GmbH in Liqu. in €k	Loan JAB Luxury GmbH in €k	**Total** in €k
Balance as of 31 December 2017	1,173,149	241	0	1,173,390
Additions	25,650	44	25,300	50,994
Repayments	0	0	-25,300	-25,300
Change in fair value	-4,771	0	0	-4,771
Balance as of 31 December 2018	**1,194,028**	**285**	**0**	**1,194,313**
Additions	40,100	45	47,700	87,845
Repayments/Distributions	-792,809	0	-47,700	-840,509
Change in fair value	-141,538	0	0	-141,538
Balance as of 31 December 2019	**299,781**	**330**	**0**	**300,111**

As of 31 December 2019, there are no liabilities directly associated with the non-current assets held-for-sale. As of 31 December 2018, liabilities directly associated with the non-current assets held-for-sale detailed as follows:

	Loan Labelux Group GmbH in Liqu. in €k	Accrued interest / Loan Labelux Group GmbH in Liqu. in €k	**Total** in €k
Balance as of 31 December 2017	782,664	950	783,615
Additions/Repayments	6,400	-445	5,955
Balance as of 31 December 2018	**789,065**	**505**	**789,570**

12. Shareholder's equity

12.1 Share capital

The authorised share capital amounts to €90,000 (1,800 shares), of which 363 shares of €50 each (total €18,150; 31 December 2018: 363 shares, €18,150) have been issued and fully paid.

As of 31 December 2019, no shares in the entity are held by the Company or by its subsidiaries or associates.

12.2 Share premium

In 2019, the Company received cash contributions to the share premium in the amount of €6.7m (2018: €180.2m).

In 2019, the Company partly returned the share premium in cash in the amount of €278.0m (2018: €225.7m). Furthermore, the Company made capital distributions in kind in the amount of €9.1m (2018: €0.0m).

12.3 Legal reserve

As of 31 December 2019, pursuant to Dutch law (Book 2 Title 9 of the Netherlands Civil Code art. 390), certain limitations exist relating to the distribution of shareholders' equity. The limitations for the company relate to the revaluations of assets without a frequent market listing in the amount of €11,437.6m (2018: €7,954.4m).

12.4 Retained earnings

In 2019, no dividend was paid to the parent company JAB Investments out of retained earnings (2018: €0.0).

In respect of the current year, the Board of Directors propose to bring forward the result to the retained earnings to the next period. This proposal has been reflected in the statement of financial position and is subject to approval by shareholders at the annual general meeting.

13. Borrowings

	Long-term notes in €k
Balance as of 31 December 2017	4,459,990
Additions/Repayments	1,485,585
Amortisation disagio and fees	6,530
Balance as of 31 December 2018	**5,952,105**
Additions	1,474,230
Repayments	-634,484
Amortisation disagio and fees	7,688
Balance as of 31 December 2019	**6,799,539**

In November 2014, the Company 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. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. In December 2019, the Company 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, the Company 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. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. 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, the Company issued 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. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. In December 2019, the Company 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.

In May 2016, the Company issued long-term notes (DE000A181034) in the aggregate principal amount of €750.0m. 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. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. In December 2019, the Company 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.

JAB Holdings B.V., Amsterdam

In May 2017, the Company 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. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.á r.l. As of 31 December 2019, 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, the Company 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. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. 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: 745.2m) are maturing in June 2029.

In December 2019, the Company 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. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. 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 were set off against the acquisition costs for the early repurchased notes in 2019. The expenses on early repurchased notes have been included as part of the finance expenses.

As of 31 December 2019, the Company 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: 0.75% to 2.5% p.a.). As of 31 December 2019, the Company has no floating rate financial liabilities (2018: €0.0m).

The Company 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, the Company 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.

14. Derivatives

	2019 in €k	2018 in €k
Interest rate contracts	13,192	37,261
Foreign exchange contracts	0	762
	13,192	**38,023**

The fair value of an interest rate swap is the amount that the Company would receive or pay to terminate the swap agreement. The approximate cost to terminate the Company's swap agreements as of 31 December 2019 would have been €13.2m loss (2018: €37.3m loss). The agreements were not held for trading purposes and the Company has no current intention to terminate any swap agreements prior to maturity.

15. Other liabilities

	2019 in €k	2018 in €k
Accrued interest and other bank fees	50,666	55,226
Lease liability	1,476	0
Other liabilities	6,394	930
	58,536	**56,156**
thereof non-current	1,361	0
thereof current	57,175	56,156

Following IFRS 16 *Leases*, the Company recognised a lease liability of €1.5m (2018: €0.0m). The current portion of the lease liability amounts to €0.1m.

16. Reconciliation of liabilities arising from financing activities

The table below details changes in the Company'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 the Company's statement of cash flows from financing activities.

				Non-cash changes			
		31 Dec 2018	Financing cash flows	Foreign exchange movement	Change in fair value	Other changes	**31 Dec 2019**
	note	in €k	in €k	in €k	in €k	in €k	in €k
Long-term notes	13	5,952,105	840,949	0	0	6,485	6,799,539
Lease liability	15	0	0	0	0	1,476	1,476
Loans from related parties	11	789,570	-506	0	0	-789,064	0
Interest rate contracts	14	37,261	0	0	-24,069	0	13,192
		6,778,936	**840,443**	**0**	**-24,069**	**-781,103**	**6,814,207**

				Non-cash changes			
		31 Dec 2017	Financing cash flows	Foreign exchange movement	Change in fair value	Other changes	**31 Dec 2018**
	note	in €k	in €k	in €k	in €k	in €k	in €k
Long-term notes	13	4,459,990	1,485,585	0	0	6,530	5,952,105
Loans from related parties	11	783,615	-445	0	0	6,400	789,570
Interest rate contracts	14	57,135	0	0	-19,874	0	37,261
		5,300,740	**1,485,140**	**0**	**-19,874**	**12,930**	**6,778,936**

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

	2019 in €k	2018 in €k
Net gain / (loss) on investments in subsidiaries at FVTPL		
JAB Forest B.V.	2,872,868	1,957,466
JAB Cosmetics B.V.	1,339,133	-3,055,885
Pret Panera I G.P.	292,303	626,351
Pret Panera III G.P.	141,546	44,083
KK G.P.	199,608	-6,001
JAB Holding Company Ltda.	126	0
Petcare G.P.	-276	0
Labelux Group GmbH in Liqu.	-141,538	-4,771
Pret Parent Holding Inc.	0	2,197
Net gain / (loss) on other investments at FVTPL		
Reckitt Benckiser Group Plc.	0	-315,969
Others	672	1,040
Net gain / (loss) on short-term financial investments at FVTPL	7,619	-1,380
	4,712,061	**-752,869**

18. Dividend income

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

	2019 in €k	2018 in €k
Pret Panera III G.P.	16,306	11,895
Acorn Holdings B.V. preferred dividend	46,768	45,274
KK G.P.	8,164	6,947
Reckitt Benckiser Group Plc.	0	56,282
Pret Panera I G.P.	33,207	25,924
	104,445	**146,322**

JAB Holdings B.V., Amsterdam

19. Net income from investments at FVTPL

	2019 in €k	2018 in €k
Financial assets measured at FVTPL		
Investments in subsidiaries	4,808,202	-391,793
Other investments	672	-258,647
Corporate debt securities	0	45,274
Short-term financial investments	7,632	-1,380
	4,816,506	**-606,547**

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.

20. Finance income and finance expenses

Finance income can be detailed as follows:

	2019 in €k	2018 in €k
Net foreign exchange gain	3,667	168,657
Interest income on bank deposits	15,330	8,483
Interest income on loans and receivables	7,362	2,981
	26,359	**180,121**

Finance expenses can be detailed as follows:

	2019 in €k	2018 in €k
Interest expenses on financial liabilities	-148,853	-133,609
Expense from early repurchase long-term notes	-33,156	0
Bank fees	-11,850	-8,118
Valuation of interest rate contracts	24,070	19,874
	-169,789	**-121,853**

Result from valuation of interest rate contracts relates to interest rate expense on financial liabilities and is therefore classified as finance expenses.

21. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2019 in €k	2018 in €k
Salary and personnel related expenses	-3,868	-186
Legal, tax, audit and consultancy fees	-2,591	-1,258
Service fees	-455	0
Office expenses	-285	-11
Others	-118	-175
	-7,317	**-1,630**

Audit fees charged by KPMG Accountants N.V. or the KPMG network for the financial period amount to €107k (2018: €163k). Non-audit services in the financial period amounts to €51k (2018: €50k).

In 2019, salary and personnel related expenses mainly relate to new employees.

22. Taxes on income

Together with its subsidiaries JAB Forest B.V., JAB Cosmetics B.V. and Cottage Holdco B.V. (part of the fiscal unity as of 30 January 2019), the Company forms a fiscal unity for corporate income tax purposes (see also note 3.16).

JAB Holdings B.V., Amsterdam

The reconciliation of income taxes for the fiscal unity in the reporting period can be detailed as follows:

	2019 in €k	2018 in €k
JAB Holdings B.V.: Profit for the period	4,666,002	-550,139
Result for the period of members of the fiscal unity (net)	-6,504	11,351
Total consolidated commercial result for the period	4,659,498	-538,788
Tax using the fiscal unity's domestic tax rate of 25%	1,164,875	-134,697
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Tax exempt (gain) / loss on investments in subsidiaries, other investments and short-term financial investments	-1,096,489	176,192
Tax exempt dividend income	-121,661	-67,898
Other adjustments	11,951	8,417
Non-deductible interest expense	43,749	0
Non-deductible general costs	3	0
Set off net loss-carry forward	-2,428	0
Income tax expense fiscal unity 2019	**0**	**-17,986**

The fiscal unity has a net loss carry-forward amounting to approximately €718.3m (2018: €747.6m). The net loss-carry forward expires between 2020 and 2027. A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

The fiscal unity is subject to a generic limitation of interest deduction. In 2019, an amount of total interest surplus of €175.0m is non-deductible and can be carried forward indefinitely.

	2019 in €k	2018 in €k
Withholding tax on short-term financial investments	243	-230
Income tax expense	**243**	**-230**

Income from short-term financial investments can be subject to withholding taxes. Withholding taxes have been recognised as part of income tax expense, with the income recognised on a gross basis.

Withholding taxes are not separately disclosed in the Company’s statement of cash flows as they are deducted at source and do not involve cash outflows.

23. Segment Reporting

The Company is focused on generating returns from long-term investments in companies with premium brands and strong growth and margin dynamics. The management monitors the return on capital and the value enhancement of the Company's investment portfolio. For management purposes, the Company is organised into one main operating segment, namely the management of the Company's investments. The management decides on its existing and potential new investments and the funding of its investments on an integrated basis. There are no pre-defined sub-portfolios. The Company's performance is evaluated on an overall basis.

The financial information and results from this segment are equivalent to the Company's financial information as a whole. The Company's sole income is generated by its investment activities. The diversification of its investments is disclosed in notes 4, 5, 6, 7, 9 and 11.

24. Related parties and transactions with related parties

Related parties of the Company are, next to key management personnel (note 27), the following companies:

24.1 Agnaten SE, Vienna

The entity is the majority shareholder of Joh. A. Benckiser B.V. (formerly Donata Holdings B.V.).

24.2 JAB Holding Company S.à r.l.

This entity is the sole shareholder of JAB Investments S.à r.l.

24.3 JAB Investments S.à r.l.

This entity is the sole shareholder of JAB Holdings B.V.

The total interest expense to JAB Investments S.à r.l. amounts to €0k (2018: €5k).

24.4 Lucresca SE

The entity is controlled by close members of the family of the shareholders of Agnaten SE and is minority shareholder of Joh. A. Benckiser B.V.

24.5 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.

24.6 JAB Consumer Fund

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

24.7 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 had been set up to serve public interest.

24.8 JAB Service GmbH

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

24.9 JAB Holding Company S.à r.l.`s Management

In the course of JAB Holding Company S.à r.l.´s management participation plan the Company acquired loans to JAB Holding Company S.à r.l.´s management or personal holding companies of JAB Management. The total interest income amounts to €0.5m (2018: €0.5m).

24.10 Investments in subsidiaries and further group companies

The Company is 100% shareholder of JAB Cosmetics B.V. In January 2019, JAB Cosmetics B.V. founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. to the newly established holding company. As of 31 December 2019 Cottage Holdco B.V. holds 60.2% (2018: 40.1%) of Coty Inc. In 2019, the total interest income from Coty Inc. amounts to €0.0m (2018: €0.3m).

The Company is 100% shareholder of JAB Forest B.V. As of 31 December 2019, the entity holds 57.0% of Acorn Holdings B.V. (2018: 57.0%). In 2019, JAB Forest B.V. sold the investment in Reckitt Benckiser Group Plc. (2018: 0.7% held directly by the Company).

Acorn Holdings B.V. 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.

The Company indirectly holds an investment in Pret Panera Holding Company Group through a direct investment of 53.8% in Pret Panera I G.P. (2018: 53.5 %) and 16.3% in Pret Panera III G.P. (2018: 15.4%). The Company 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.

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).

The Company directly holds approximately 49.6% in KK G.P (2018: 48.8%). The entity is direct shareholder of further holding companies and their investment in Krispy Kreme Doughnuts Inc. The Company 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.

The Company indirectly holds an investment in Compassion-First Group through a direct investment of 33.1% in Petcare G.P. (2018: 0.0%). The Company 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).

The Company is 100% shareholder of Labelux Group GmbH in Liqu., Vienna. The entity holds the participation in JAB Luxury GmbH, Caslano. The total interest income from JAB Luxury GmbH amounts to €1.6m (2018: €0.3m). The total interest expense from Labelux Group GmbH in Liqu. amounts to €3.2m (2018: €6.0m). In 2017, the investment in Labelux Group GmbH in Liqu. was reclassified to non-current assets held-for-sale (see note 11).

25. Financial instruments – Fair Value and Risk Management

25.1 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 Directors 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 advantages and security afforded by a sound capital position.

25.2 Financial instruments and fair value hierarchy

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

	31 December 2019			31 December 2018		
	Amortised cost	FVTPL	**Total**	Amortised cost	FVTPL	**Total**
	in €k	in €k	in €k	in €k	in €k	in €k
Assets as per statement of financial position						
Investments in subsidiaries	0	24,868,400	24,868,400	0	21,127,840	21,127,840
Other investments	0	35,606	35,606	0	34,934	34,934
Corporate debt securities	0	852,224	852,224	0	852,224	852,224
Prepayments	7,298	0	7,298	3,583	0	3,583
Loans	188,407	0	188,407	33,965	0	33,965
Derivatives	0	329	329	0	0	0
Other receivables	6,580	0	6,580	304	767	1,071
Short-term financial investments	0	0	0	0	82,336	82,336
Cash and cash equivalents	2,583,130	0	2,583,130	1,093,420	0	1,093,420
Non-current assets held-for-sale	330	299,781	300,111	285	1,194,028	1,194,313
Total	**2,785,745**	**26,056,340**	**28,842,085**	**1,131,557**	**23,292,129**	**24,423,686**

	31 December 2019			31 December 2018		
	Amortised cost	FVTPL	**Total**	Amortised cost	FVTPL	**Total**
	in €k	in €k	in €k	in €k	in €k	in €k
Liabilities as per statement of financial position						
Borrowings	6,799,539	0	6,799,539	5,952,105	0	5,952,105
Derivatives	0	13,192	13,192	0	38,023	38,023
Other non-current liabilities	1,361	0	1,361	0	0	0
Other current liabilities	57,174	0	57,174	56,156	0	56,156
Liabilities directly associated with assets held-for-sale	0	0	0	789,570	0	789,570
Total	**6,858,074**	**13,192**	**6,871,266**	**6,797,831**	**38,023**	**6,835,854**

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. As of 31 December 2019 and 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 was immaterial, as well as the identified impairment loss for the other financial assets 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 quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

As of 31 December 2019, there are no financial instruments included in Level 1 (2018: JAB Cosmetics B.V. as interim holding company for shares of Coty Inc. that are listed on the New York Stock Exchange).

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 fair value an instrument are observable, the instrument is included in Level 2.

Financial instruments included in Level 2 comprise foreign exchange contracts and interest rate swaps (31 December 2018: foreign exchange contracts, interest rate swaps and short-term financial investments (corporate debt securities in Coty Inc.)). Specific valuation techniques used to value these financial instruments include

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Quoted market prices or dealer quotes for outstanding long-term notes and similar instruments;
- The fair value of forward exchange contracts is determined using forward exchange rates at the reporting date.

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 Forest B.V., JAB Cosmetics B.V., Pret Panera I G.P., Pret Panera III G.P, KK G.P., JAB Holding Company Ltda., Petcare G.P., Labelux Group GmbH in Liqu. and corporate debt securities in Acorn Holdings B.V. (2018: JAB Forest B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., Labelux Group GmbH in Liqu. and corporate debt securities in Acorn Holdings B.V.).

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information for 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 €k	in €k	in €k	in €k
Financial assets at FVTPL				
Investments in subsidiaries and other investments				
Unlisted equity investments	0	0	24,904,006	24,904,006
Non-current assets held-for-sale				
Unlisted equity investments	0	0	299,781	299,781
Corporate debt securities	0	0	852,224	852,224
Foreign exchange contracts	0	329	0	329
Total financial assets	**0**	**329**	**26,056,011**	**26,056,340**
Financial liabilities at FVTPL				
Interest rate contracts	0	13,192	0	13,192
Total financial liabilities	**0**	**13,192**	**0**	**13,192**

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	in €k	in €k	in €k	in €k
Financial assets at FVTPL				
Investments in subsidiaries and other investments				
Listed equity investments	1,730,281	0	0	1,730,281
Unlisted equity investments	0	0	19,432,493	19,432,493
Non-current assets held-for-sale				
Unlisted equity investments	0	0	1,194,028	1,194,028
Corporate debt securities	0	0	852,224	852,224
Other receivables	0	767	0	767
Short-term financial investments	0	82,336	0	82,336
Total financial assets	**1,730,281**	**83,103**	**21,478,745**	**23,292,129**
Financial liabilities at FVTPL				
Interest rate contracts	0	37,261	0	37,261
Foreign exchange contracts	0	762	0	762
Total financial liabilities	**0**	**38,023**	**0**	**38,023**

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. For further details on the transfer, please refer to page 25 on JAB Cosmetics B.V.

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 table shows 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 Unlisted equity investments in €k	**Other investments** Unlisted equity investments in €k	**Corporate debt securities** Preferred shares in €k	**Non-current assets held-for-sale** Unlisted equity investments in €k
Balance as of 31 December 2017	13,198,562	16,676	852,224	1,173,149
Additions	3,736,851	17,218	0	25,650
Repayment share premium	-161,950	0	0	0
Change in fair value	2,624,096	1,040	0	-4,771
Balance as of 31 December 2018	**19,397,559**	**34,934**	**852,224**	**1,194,028**
Additions	336,291	0	0	40,100
Repayment share premium	-1,441,039	0	0	-792,809
Transfers to Level 3	2,930,817	0	0	0
Change in fair value	3,644,772	672	0	-141,538
Balance as of 31 December 2019	**24,868,400**	**35,606**	**852,224**	**299,781**

Investments in subsidiaries and other investments categorised in Level 3

The Company's investments include significant direct equity participations or debt securities in JAB Forest B.V., JAB Cosmetics B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., Petcare G.P. and Labelux Group GmbH in Liqu., which are not quoted in an active market (2018: JAB Forest B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P. and Labelux Group GmbH in Liqu.). The Company uses a market-based valuation technique based on market multiples applied on LTM figures for these investments.

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

JAB Holdings B.V., Amsterdam

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

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

The Company is 100% shareholder of JAB Forest B.V. The entity holds 57.0% of Acorn Holdings B.V.

As of 31 December 2019, the shares in JAB Forest B.V. were valued at €16,848.1m. The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

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), 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.

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.

JAB Holdings B.V., Amsterdam

In 2017, JAB Forest B.V. 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 the Company 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 Forest B.V. may be obliged to subscribe for ordinary shares. JAB Forest B.V. qualified these contingent payment obligations as financial instruments. As of 31 December 2019 and 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.

The Company 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 to be still 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, the JAB Holding Company S.à r.l. Group (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.

<u>KK G.P.:</u>

The Company 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.

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

The Company is 100% shareholder of JAB Cosmetics B.V. JAB Cosmetics B.V. was direct shareholder of an investment in Coty Inc. as of 31 December 2018. In March 2019, JAB Cosmetics B.V. founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. to the newly established 100% owned holding company.

As of 31 December 2019, the shares in JAB Cosmetics B.V. were valued at €3,044.5m. JAB Cosmetics B.V.'s investment in Cottage Holdco B.V. 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. In 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.

Petcare G.P.:

The Company 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-FirstGroup 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 to be still the best estimate of fair value.

Labelux Group GmbH in Liqu.:

The Company is the sole owner of Labelux Group GmbH in Liqul., Switzerland. The Company 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 Labelux Group GmbH in Liqu. were valued at €299.8m.

Corporate debt securities Acorn Holdings B.V.:

The Company holds preferred shares in Acorn Holdings B.V.

As of 31 December 2019, the preferred shares were valued at €852.2m (2018: €852.2m).

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) (2018: €1,082.2m increase/decrease). As of 31 December 2019 and 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.

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 Directors 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.

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. It arises principally from the Company's investment in debt securities, receivables from counterparties, and also from derivative financial assets, cash and cash equivalents and guarantees.

Debt securities
The Company 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.

Loans and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Risk is limited by the Company’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
The Company's cash and cash equivalents are placed with quality financial institutions, such that management does not expect these institutions to fail to meet repayments of amounts held in the name of the Company.

Derivative financial instruments
The credit risk on derivative financial instruments is limited, because the counterparties are quality financial institutions.

Guarantees and commitments
The Company's policy generally is to avoid providing financial guarantees. As of 31 December 2019, there are no significant guarantees or other commitments and contingencies.

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 **2019** in €k	Carrying amount **2018** in €k
Loans and receivables	7	195,317	35,322
Short-term financial investments	9	0	82,336
Cash and cash equivalents	10	2,583,130	1,093,420
		2,778,447	**1,211,078**

25.3 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’s policy and the management’s approach to managing liquidity is to maintain adequate reserves, banking facilities and reserve borrowing facilities, also with related parties, by ongoing monitoring forecast and cash flows, and by matching the maturity profiles of its financial assets and liabilities. As of 31 December 2019, the Company has unused term loans and credit facilities, which reduce liquidity risk.

25.4 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.

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

Exposure to currency risk

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

Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

JAB Holdings B.V., Amsterdam

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2019 in £k	2019 in $k	2018 in £k	2018 in $k
Loans	0	211,656	0	38,890
Other receivables	0	5,038	0	1,175
Short-term financial investments	0	0	0	90,238
Cash and cash equivalents	703	1,381,398	86,496	335,082
Other current liabilities	-5	-416	-5	-250
Gross exposure statement of financial position	**698**	**1,597,676**	**86,491**	**465,135**
Forward exchange contracts	0	-25,000	0	-20,600
Net exposure	**698**	**1,572,676**	**86,491**	**444,535**

The USD forward exchange contracts expire in March 2020 (with a nominal amount of $25.0m).

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 the Company'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.

A 10% strengthening of the Euro against the following currencies as of 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss **2019** in €k	Profit or loss **2018** in €k
USD	-139,993	-38,824
GBP	-82	-9,669

A 10% weakening of the Euro against the above currencies as of 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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.

The Company 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 the 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 the Group’s investment and risk policies. At the reporting date the Group has interest rate swap agreements with a nominal value of €1,400.0m (2018: €1,400.0m).

Profile

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

	Carrying amount **2019** in €k	Carrying amount **2018** in €k
Fixed rate instruments		
Financial assets	2,771,537	1,169,037
Financial liabilities	-6,799,539	-6,741,170
Floating rate instruments		
Financial assets	330	40,969
Financial liabilities	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 the Company’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

The Company has fixed rate financial assets (interest rate swaps) at FVTPL. The Company 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 currency 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 of €0.2m). 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.

The Company's exposure to changes in share prices was as follows:

	Carrying amount **2019** in €k	Carrying amount **2018** in €k
Investments		
JAB Cosmetics B.V. (Coty Inc.)	0	1,730,281
	0	**1,730,281**

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, the result for the period ended 31 December 2019 would have increased/decreased by €0.0m as a result of changes in the fair value of the equity investments classified as at FVTPL (2018: €86.2m). 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, the Company has indirect exposure to market risks through changes to the valuation of its investments caused by market price fluctuations.

26. Contingent liabilities

The Company is a defendant in stockholder class action and derivative lawsuit along with three other JAB Group Companies (JAB Holding Company S.à r.l., JAB Cosmetics B.V., Cottage Holdco B.V.), 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 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.

27. Employees and remuneration of Directors

The Company has two Directors, who received a remuneration of in total €1,024k (2018: €89k). The Company had eight employees in 2019 (2018: two employees). As of 31 December 2019, loans to the Board of Directors in the amount of €7.0m are outstanding.

Since July 2019, the Company has two Supervisory Directors, who received a remuneration of in total €200k (2018: €0.0m).

28. Subsequent events

In January 2020, JAB Holdings B.V. has made €174m distributions to its shareholders.

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

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

In February 2020, the acquisition of National Veterinary Associates was closed. JAB Holdings B.V. has made a total equity contribution of $1.6bn (incl. $0.2bn that were already provided to Petcare G.P. Group 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 Holdings B.V. at 31 December 2019. For the redemption JAB Holdings B.V. has received Acorn Holdings B.V. ordinary shares.

In March 2020, JAB Holdings B.V. has purchased Keurig Dr Pepper shares for an amount of $0.2bn.

JAB Holdings B.V., Amsterdam

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.

Amsterdam, 10 March 2020

The Board of Directors:

J. Creus	F. Simon

The Supervisory Board:

P. Harf	O. Goudet

JAB Holdings B.V., Amsterdam

Other information

Independent Auditor's report

The independent auditor's report is presented on the next page.

Provisions in the Articles of Association governing the appropriation of profit

According to article 24 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of JAB Holdings B.V.

Report on the audit of the financial statements for the year 2019 included in the annual accounts

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of JAB Holdings B.V. as of 31 December 2019 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements for the year 2019 of JAB Holdings B.V. ('the Company') based in Amsterdam.

The financial statements comprise:

1 the statement of financial position as of 31 December 2019;

2 the following statements for 2019: the statement of profit or loss and other comprehensive income, changes in equity and cash flow; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of JAB Holdings B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 400 million — 1.8% of shareholders' equity

Key audit matters
— Fair value measurement of unlisted equity investments and related disclosures

Opinion
— Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 400 million (2018: EUR 700 million). The materiality is determined with reference to shareholders' equity (1,8%), as we consider the invested amount by shareholders (equity) most relevant for an intermediate holding company with investments at fair value. Total assets and profit before tax are inherently volatile due to acquisitions and disposals and therefore less suited as benchmark for determining materiality.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors and the Supervisory Board that misstatements in excess of EUR 20 million which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit.

In accordance with the auditing standard we evaluated the fraud risks that are relevant to our audit:

— management override of controls (a presumed risk).

Our audit procedures included an evaluation of the design and implementation of internal controls relevant to mitigate these fraud risks and supplementary substantive audit procedures, including inquiries of Board of Directors, detailed testing of high risk journal entries and an evaluation of key estimates and judgement by Board of Directors.

In determining the audit procedures we made use of the Company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

We communicated our risk assessment and audit response to Board of Directors and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risk related did not result in a key audit matter.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the Company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant Board of Directors and those charged with governance, and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably:

- the Company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting standards (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items; and
- the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

Based on the Company's nature of operations and their geographical spread, the area's that we identified as those most likely having such an indirect effect include laws and regulations regarding non-compliance within subsidiaries from a governance role perspective.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant Board of Directors and inspection of board minutes and regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance. We considered the effect of actual or suspected non-compliance as part of our procedures on provisions and disclosures of contingent liabilities.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that Board of Directors is responsible for such internal control as Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or errors, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify such instances.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Directors and the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter is addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Fair value measurement of unlisted equity investments and related disclosures

Description

The Company invests in various equity investments, which are carried at fair value in the statement of financial position. Of these assets, 45% is related to unlisted equity investments for which no published prices in active markets are available. Valuation techniques for these unlisted equity investments can be subjective in nature and involve various assumptions. The use of different valuation techniques and assumptions could produce significant different estimates of fair value. The 'Financial instruments - Fair Value and Risk Management' disclosure (Note 25) is complex and dependent on high quality data. Specific area of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which unobservable inputs are used.

Our response

Our audit procedures consisted of, among others, the following:

- we assessed the appropriateness of the methodology and valuation models and inputs used by management to value unlisted equity investments based on IFRS 9;
- we assessed and tested the controls over valuation of unlisted equity investments;
- we verified the ownership percentages in the investments based on the shareholders registers and legal documentation;
- we involved KPMG valuation specialists to re-perform the fair value calculation, verification of multiples used based on publicly available information, and independent verification of the market multiples derived from quoted prices of comparable public companies;
- we verified the accuracy of other inputs used in the valuation, such as the revenue/EBITDA/net income and normalisation adjustments by reconciling with

underlying supporting source documentation and performing back testing to verify appropriateness of estimates used;

- we assessed and tested whether the Company's related disclosures including the disclosure of 'Financial instruments - Fair Value and Risk Management' in note 25 of the financial statements in relation to valuation sensitivity and fair value hierarchy are compliant with the relevant accounting standards.

Our observation

The results of our procedures performed for valuation of unlisted equity investments were satisfactory. The related disclosure (Note 25) is in accordance with EU-IFRS.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were re-engaged by the General Meeting of Shareholders as auditor of the 2019 financial statements of JAB Holdings B.V. on 3 July 2019 and have operated as statutory auditor since the year 2008.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 10 March 2020

KPMG Accountants N.V.

L.A. Ekkels RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 or non-compliance is higher than the risk resulting from error, as fraud or non-compliance may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the Board of Directors' 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 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 auditor's report 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.