JAB Holdings B.V.

Amsterdam

Annual Accounts 2017

JAB Holdings B.V., Amsterdam

Index

Index	Page
Report of the Board of Directors	**3**
Financial statements for the year 2017	**9**
Statement of Financial Position as of 31 December 2017	9
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017	10
Statement of Changes in Equity for the year ended 31 December 2017	11
Cash Flow Statement for the year ended 31 December 2017	12
Notes to the financial statements	13
Other information	**49**
Independent Auditor's report	49
Appropriation of the result	49

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 2017.

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 generating returns from long-term investments in companies with premium brands and strong growth and margin dynamics. The Board of Directors monitors the return on capital and the value enhancement of the Company's investment portfolio.

Investments

As of 31 December 2017, the Company's portfolio includes participations in Reckitt Benckiser Group Plc., Coty Inc. (through JAB Cosmetics B.V.), Acorn Holdings B.V. and JAB Coffee Holding B.V. (both through JAB Forest B.V.), Beech I G.P., JAB Luxury GmbH (through Labelux Group GmbH).

In 2017, 0.4m Reckitt Benckiser Group Plc. shares were contributed to the Company and the Company has sold 21.2m shares for €1,601.9m.

In July 2017, the Company made a capital contribution in cash amounting to €1,450.0m to the newly established investment in Beech I G.P., which has subsequently been used by Beech I G.P. as part of their acquisition of Panera Bread Company.

In October 2017, JAB Forest B.V. distributed its investment in JAB Beech Inc. at a value of €1,952.6m to the Company and subsequently the JAB Beech Inc. investment was contributed by the Company to Beech I G.P. at the same value.

In the fourth quarter of 2017, the Company acquired preferred shares in Acorn Holdings B.V. for an amount of €852.2m.

In addition to these transactions the Company made capital contributions to subsidiaries amounting to €265.6m and has received share premium repayments amounting to €304.8m.

As at 30 June 2017 the investment in Labelux Group GmbH was classified as non-current asset held for sale due to the management's intention to dispose this investment. In the second half of 2017 the underlying assets of Labelux Group GmbH were partly sold. The proceeds were distributed to the Company by Labelux Group GmbH providing a short-term loan to the Company (outstanding amount of €782.7m as at 31 December 2017), that was classified as liabilities directly associated with assets held-for–sale.

The cash flows from investing activities include received dividends (€133.4m), capital transactions with subsidiaries (€-1,538.3m), disposal of other investments (€1,601.9m), acquisition of corporate debt securities (€-852.2m) and loan transactions (€17.5m).

JAB Holdings B.V., Amsterdam

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

JAB Forest B.V.:

The Company is 100% shareholder of JAB Forest B.V. The entity holds 57.3% of Acorn Holdings B.V. and a 51.9% participation in JAB Coffee Holding B.V.

As of 31 December 2017 the shares in JAB Forest B.V. were valued at €9,875.0m. A positive fair value adjustment of €1,060.9m was recognised in other comprehensive income.

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 Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

As of 31 December 2017 and 31 December 2016, the JDE and KGM fair value were calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting.

As of 31 December 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of June 2017. The multiples applied to the LTM figures ending December 2017 are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 15.2x (2016: 15.6x) and P/E multiple of 23.8x (2016: 23.3x).

For further information, we also include the related next twelve month (NTM) multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 13.8x (2016: 14.5x) and P/E multiple of 21.5x (2016: 20.1x).

JAB Coffee Holding B.V.:

JAB Coffee Holding B.V is the direct shareholder of further interim holding companies and their investment in Espresso House Holding AB ("Espresso House").

As of 31 December 2017 and 31 December 2016 Espresso House 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 multiples applied to the LTM figures ending December 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of Espresso House: Sales multiples of 2.5x (2016: 2.4x), EBITDA multiple of 16.3x (2016: 14.5x) and P/E multiple of 25.5x (2016: 27.4x).

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Sales multiple of 2.3x (2016: 2.1x), EBITDA multiple of 13.8x (2016: 12.9x) and P/E multiple of 20.2x (2016: 20.8x).

Beech I G.P.:

The Company is 56.4% shareholder of Beech I G.P. Beech I G.P. is direct shareholder of further interim holding companies and their investments in Peet's Operating Company Inc. ("Peet's), Caribou Coffee Company Inc. ("Caribou") Krispy Kreme Holdings Inc. ("Krispy Kreme") and Panera Bread Company ("Panera").

As of 31 December 2017 the shares in Beech I G.P. were valued at €3,323.5m. A fair value adjustment of €-89.8m was recognised in other comprehensive income.

For 31 December 2017 Peet's, Caribou's and Krispy Kreme'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.

Beech I G.P's investment in Panera Bread Company occurred in the second half of 2017. As of 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.

The multiples applied to the LTM figures ending December 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

For Peet's the following LTM multiples were used for the valuation: EBITDA multiple of 16.8x (2016: 15.7x), P/E multiple of 28.3x (2016: 31.1x) and sales multiple of 4.0x (2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.8x (2016: 15.5x) , P/E multiple of 28.1x (2016: 31.2x) and sales multiple of 1.5x (2016: 1.9x).

For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 16.7x, P/E multiple of 28.3x and sales multiple of 3.2x.

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies:

Peet's NTM multiples: EBITDA multiple of 15.4x (2016: 14.7x), P/E multiple of 24.3x (2016: 26.1x) and Sales multiple of 3.5x (2016: 3.6x).

Caribou NTM multiples: EBITDA multiple of 14.1x (2016: 14.6x), P/E multiple of 23.9x (2016: 25.9x) and Sales multiple of 1.3x (2016: 1.7x).

Krispy Kreme NTM multiples: EBITDA multiple of 15.4x, P/E multiple of 24.3x and Sales multiple of 3.1x.

Labelux Group GmbH

The Company is the sole owner of Labelux Group GmbH, Austria. This entity is a direct shareholder of further interim holding companies and their investment in the luxury goods company Bally International AG (Bally). The Company has the intention to dispose of its investment in Labelux Group GmbH and therefore classified the shares as assets held for sale.

In the second half of 2017, the former indirect investments of Labelux Group GmbH in Jimmy Choo Plc. and Belstaff Group SA were sold. The proceeds from the sale were subsequently used by Labelux Group GmbH to grant a loan to the Company with an outstanding amount of €782.7m as of 31 December 2017. Consequently, Labelux Group GmbH's value as of 31 December 2017 mainly consists of the shares in Bally and the loan receivable to the Company.

As of 31 December 2017 the shares in Labelux Group GmbH were valued at €1,173.1m. A fair value adjustment of €264.2m was recognised in other comprehensive income.

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

As of 31 December 2016, the fair value of Bally International AG was calculated applying sales multiples that were derived from selected publicly listed companies (0.95x). The multiple applied to the LTM figures ending December 2016 was 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.

Corporate debt securities Acorn Holdings B.V.

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

As of 31 December 2017 the preferred shares were valued at €852.2m.

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

Financing

As of 31 December 2017 the Company has borrowings of in total €4,460.0m (2016: €3,734.3m). The outstanding amount in the current period consists of long-term notes with a carrying value of €4,460.0m (2016: €2,974.3m). Long-term notes with an aggregate principal amount of €1,500.0m were issued in 2017.

As of 31 December 2017 the Company has unused credit facilities, which reduce liquidity risk. There are no outstanding amounts under the credit facilities as of 31 December 2017 (2016: €760.0m).

The cash flows from financing activities include capital transactions with the shareholder (€-182.4m), interest and bank fees paid (€-95.3m) and the net change in borrowings (€1,510.5m).

Financial information

The result for the year 2017 amounts to €938.5m, mainly relating to the dividends received from Reckitt Benckiser Group Plc. (€106.9m), Beech I G.P. (€19.7m) and Acorn Holdings B.V. (€6.9m) and the income from the sale of shares in Reckitt Benckiser Group Plc. in the amount of €1,006.3m. Finance expenses of €205.9m include €104.4m interest expense and €116.9m net foreign exchange loss.

Personnel

The Company had 2 employees in 2017. No significant changes are expected for 2018.

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

The exposure of the Company to these risks is described in the notes to the financial statements in detail.

Other disclosures

Due to the activities of JAB Holdings B.V. disclosures for R&D, social aspects and code of conduct are not relevant.

Remuneration of Directors

The Company has two Directors, who received a remuneration of in total €78k (2016: €51k).

JAB Holdings B.V., Amsterdam

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 2018, the Company has made €111m capital repayments to JAB Investments S.à r.l..

In January 2018, it was announced that Keurig Green Mountain Inc. (an indirect subsidiary of Acorn Holdings B.V.) and Dr Pepper Snapple Group Inc. have entered into a definitive agreement to create Keurig Dr Pepper, a new beverage company of scale with a portfolio of iconic consumer brands and unrivalled distribution capability to reach virtually every point-of-sale in North America. JAB Group, JAB Consumer Fund and other equity partners will together make an equity investment of $9bn as part of the financing of the transaction that was committed by JAB Group at signing of the transaction and will be finally allocated to JAB Group, JAB Consumer Fund and the other investors at or after closing of the transaction. The transaction is expected to close in the second calendar quarter of 2018, subject to the approval of Dr Pepper Snapple shareholders and the satisfaction of customary closing conditions, including receipt of regulatory approvals.

In February 2018, the signing of definitive agreements for the acquisition of a controlling stake in Bally International A.G. (an subsidiary of JAB Luxury GmbH) by Shandong Ruyi Investment Holding was announced. Under the terms of the agreements, JAB Luxury GmbH will retain a minority interest in the company. The transaction remains subject to closing conditions including customary regulatory approvals.

In February 2018, the Company has made €69m contributions to JAB Cosmetics B.V. share premium for the acquisition of Coty Inc. shares.

Amsterdam, 13 March 2018

The Board of Directors:

M. Broers

C. Thun-Hohenstein

JAB Holdings B.V., Amsterdam

Statement of Financial Position as of 31 December 2017
(after appropriation of result)

	Note	31 December 2017 in €k	31 December 2017 in €k	31 December 2016 in €k	31 December 2016 in €k
Non-current assets					
Subsidiaries	5	17,947,823		16,407,053	
Other investments	6	2,816,312		4,575,915	
Corporate debt securities	7	852,224		0	
Prepayments	9	4,809		6,035	
			21,621,168		20,989,003
Current Assets					
Loans	8	54,185		89,167	
Derivatives	10	1,079		442	
Other receivables	11	239		527	
Cash and cash equivalents	12	673,761		179,506	
Non-current assets held-for-sale	13	1,173,390		0	
			1,902,654		269,642
			23,523,822		21,258,645
Shareholder's equity	14				
Issued share capital		18		18	
Share premium		6,308,399		6,452,510	
Fair value reserve		8,435,984		8,842,076	
Fair value reserve relating to non-current assets held-for-sale		373,746		0	
Retained earnings		3,065,334		2,126,796	
			18,183,481		17,421,400
Non-current liabilities					
Borrowings	15	4,459,990		3,734,278	
			4,459,990		3,734,278
Current liabilities					
Derivatives	16	57,135		79,935	
Other current liabilities	17	39,601		23,032	
Liabilities directly associated with assets held-for-sale	13	783,615		0	
			880,351		102,967
			23,523,822		21,258,645

The notes on pages 13 to 48 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	Note	2017 in €k	2016 in €k
Dividend income	19	**133,397**	**106,185**
Finance income	20	**1,012,266**	**915,813**
Finance expenses	20	**-205,922**	**-413,159**
General and administrative expenses	21	**-1,202**	**-1,639**
Result before income taxes		**938,539**	**607,200**
Income tax expense	22	**0**	**0**
Result for the year		**938,539**	**607,200**
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	5,6,13	**973,965**	**1,133,667**
Available-for-sale financial assets - reclassification to profit or loss	14,20	**-1,006,311**	**-907,836**
Other comprehensive income		**-32,346**	**225,831**
Total comprehensive income attributable to equity holder		**906,193**	**833,031**

The notes on pages 13 to 48 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

Statement of changes in Equity for the year ended 31 December 2017

	Note	Share Capital in €k	Share premium in €k	Fair value Reserve in €k	Fair value reserve relating to non-current assets held-for-sale in €k	Retained Earnings in €k	Total equity in €k
Balance as of 31 December 2015		**18**	**6,458,906**	**8,616,245**	**0**	**1,519,596**	**16,594,765**
Net change in the fair value of available-for-sale financial assets		0	0	225,831	0	0	225,831
Total income and expense recognised directly in equity		0	0	225,831	0	0	225,831
Result for the year		0	0	0	0	607,200	607,200
Total recognised income and expense		0	0	225,831	0	607,200	833,031
Contributions	14.2	0	100,227	0	0	0	100,227
Repayment of share premium	14.2	0	-106,623	0	0	0	-106,623
Balance as of 31 December 2016		**18**	**6,452,510**	**8,842,076**	**0**	**2,126,796**	**17,421,400**
Net change in the fair value of available-for-sale financial assets		0	0	-256,531	224,185	0	-32,346
Assets held-for-sale		0	0	-149,561	149,561	0	0
Total income and expense recognised directly in equity		0	0	-406,092	373,746	0	-32,346
Result for the year		0	0	0	0	938,539	938,539
Total recognised income and expense		0	0	-406,092	373,746	938,539	906,193
Contributions	14.2	0	446,056	0	0	0	446,056
Repayment of share premium	14.2	0	-590,167	0	0	0	-590,167
Balance as of 31 December 2017		**18**	**6,308,399**	**8,435,984**	**373,746**	**3,065,334**	**18,183,481**

The notes on pages 13 to 48 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

Cash Flow Statement for the year ended 31 December 2017

	Note	2017 in €k	2016 in €k
Cash flows from operating activities			
Result for the period		**938,539**	607,200
Adjustments for:			
Dividend income	19	**-133,397**	-106,185
Realised gain on investments	20	**-1,006,311**	-910,501
Finance income and expenses		**199,967**	407,847
		-1,202	-1,639
Change in other receivables		**5**	-12
Change in other current liabilities		**69**	200
Net foreign exchange loss/gain		**-103,185**	-87,101
Net cash from / (used in) operating activities		**-104,313**	-88,552
Cash flows from investing activities			
Dividends received		**133,397**	106,185
Capital repayments from subsidiaries		**304,761**	316,456
Contribution payments to subsidiaries		**-1,843,033**	-3,633,828
Disposal of other investments		**1,601,881**	1,400,099
Acquisition of corporate debt securities	7	**-852,224**	0
Interest received		**4,493**	2,993
New loans to subsidiaries	8	**-180,955**	-312,643
Repayment loans	8	**198,435**	263,589
Net cash from / (used in) investing activities		**-633,245**	-1,857,149
Cash flows from financing activities			
Repayment of share premium	14.2	**-590,167**	-106,623
Contribution shareholders	14.2	**407,781**	0
Interest paid (including settlement of derivatives)		**-89,096**	-74,274
Bank fees		**-6,189**	-15,317
New borrowings	15	**3,813,007**	3,987,687
Repayment borrowings	15	**-2,302,500**	-2,330,000
Net cash from / (used in) financing activities		**1,232,836**	1,461,473
Movement in cash and cash equivalents		**495,278**	-484,228
Cash and cash equivalents as of 1 January		**179,506**	656,184
Effect of exchange rate changes on cash and cash equivalents		**-1,023**	7,550
Cash and cash equivalents as of 31 December	12	**673,761**	179,506

The notes on pages 13 to 48 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 Oosterdoksstraat 80, 1011 DK Amsterdam. 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 13 March 2018.

3. Basis of preparation

The financial statements are presented in thousands of Euro's (EUR), which is the functional currency of the Company. They are prepared on the historical cost basis except for the following material items:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value.

The separate 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.

4. Significant accounting policies

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

4.1 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

A number of amended standards issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2017.

These include Amendments to IAS 7 - *Disclosure Initiative* and Amendments to IAS 12 – *Recognition of Deferred Tax assets for Unrealised Losses*. IAS 7 led to additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adaption of IAS 12 has not had any significant impact on the financial statements of the Company but may impact the accounting for future transactions or arrangements.

New standards and interpretations not yet adopted by the Company

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has been endorsed by the EU and is effective for annual periods beginning on or after 1 January 2018. The Company will adopt the new rules retrospectively from 1 January 2018.

The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its financial statements.

<u>Financial assets</u>

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

On adoption of IFRS 9, the Company's investments will be designated as measured at fair value through profit or loss (FVTPL). Consequently, equity investments currently classified as available for sale will be reclassified to financial assets at fair value through profit or loss (FVTPL). Related fair value changes will have to be transferred from the fair value reserve to retained earnings on 1 January 2018. Accordingly, as of 1 January 2018 changes in fair value will be recognised in profit or loss instead of other comprehensive income, no impairment losses will be recognised in profit or loss and and no gains or losses will be reclassified to profit or loss on disposal.

		Estimated impact of adoption of IFRS 9	
in €k	**As reported at 31 December 2017**	**Estimated adjustments due to adoption of IFRS 9**	**Estimated adjusted opening balance at 1 January 2018**
Fair value reserve	8,435,984	-8,435,984	0
Retained earnings	3,065,334	8,809,730	11,875,064
Reserve relating to non-current assets held-for-sale	373,746	-373,746	0

The Company does not believe that the new classification will have material impact on its accounting for other financial assets which will continue to be measured at amortised cost.

The Company estimated that application of IFRS 9's impairment requirements at 1 January 2018 will not result in any significant differences over the impairment recognised under IAS 39.

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Company's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of adoption of the new standard.

4.2 Consolidation

For the 2017 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.

4.3 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 the retranslation of available-for-sale equity instruments, 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.

4.4 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.

4.5 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 IAS 39 at fair value as available-for-sale financial assets (in line with IFRS 5).

4.6 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 IAS 39 at fair value as available-for-sale financial assets.

4.7 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 IAS 39 at fair value as available-for-sale financial assets. Associates are classified as “other investments” in the statement of financial position.

4.8 Financial instruments

Non-derivative financial instruments

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

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

Accounting for finance income and expenses is discussed in note 4.12.

Held-to-maturity investments
If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. As of 31 December 2017 the Company does not hold any held-to-maturity investments.

Available-for-sale financial assets
The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein (when these can be measured reliably), other than impairment losses (see note 4.9.), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to profit or loss. When fair value cannot be measured reliably, the investment is carried at cost less impairment losses.

Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. As of 31 December 2017 the Company does not hold any financial assets at fair value through profit or loss.

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

Derivative financial instruments

The Company uses derivative financial instruments to manage its foreign currency and interest rate risk exposures, including exposures from forecast transactions. Embedded derivatives are separated from the host contract and accounted for separately, if certain criteria are met.

When hedge accounting is applied, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the nature of the risk being hedged. This documentation includes a description of the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments is highly effective in offsetting the exposure to changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

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 unless the derivative is designated and effective as a cash flow hedging instrument or for hedging the foreign exchange risk of an available-for-sale financial asset. The effective portion of changes in these derivatives is recognised in other comprehensive income and reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss. In the year ended 31 December 2017, the Company did not apply hedge accounting.

4.9 Impairment

Financial assets

Financial assets, other than those at fair value through profit or loss are assessed for objective evidence of impairment at each reporting date. Evidence of impairment may include indications that the debtors of the Company are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows. For an investment in an equity instrument objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss; increases in their fair value are recognised in other comprehensive income.

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.

4.10 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.

4.11 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.

4.12 Finance income and expense

Finance income comprises interest income on loans and receivables and available-for-sale financial assets, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, 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 expense on borrowings, bank fees, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

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 fair value through profit or loss.

4.13 Corporate income tax

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

Current tax liability is calculated in accordance with the tax regulations of the state of residence of the Company and is based on the income or loss reported under local accounting regulations, adjusted for appropriate permanent and temporary differences from taxable income. The Company is the head of a fiscal unity with the Dutch Group companies JAB Forest B.V. and JAB Cosmetics 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.

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.

4.14 Preparation of the cash flow statement

The cash flow statement is presented using the indirect method. Net cash flows from operating activities are reconciled from result for the year.

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 share premium repayments to ordinary shareholders are included in financing activities. Dividends and interest received are classified as investing activities. Interest paid is included in financing activities.

5. Subsidiaries

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

	2017 %	2016 %
JAB Cosmetics B.V., Netherlands	100.0	100.0
JAB Forest B.V., Netherlands	100.0	100.0
Labelux Group GmbH, Austria	100.0	100.0
Beech I G.P., USA	56.4	-

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

	JAB Cosmetics B.V. in €k	JAB Forest B.V. in €k	Beech I G.P. in €k	Labelux Group GmbH in €k	Total in €k
Balance as of 31 December 2015	6,321,235	4,573,518	0	892,621	11,787,373
Additions	26,889	3,625,091	0	40,000	3,691,980
Repayment share premium	-57,784	-258,672	0	0	-316,456
Change in fair value	-1,580,649	2,986,618	0	109,577	1,515,546
Impairment	0	0	0	-271,391	-271,391
Balance as of 31 December 2016	**4,709,690**	**10,926,556**	**0**	**770,807**	**16,407,053**
Additions	239,684	15,175	3,413,337	0	3,668,196
Repayment share premium	-129,783	-2,127,577	0	0	-2,257,360
Change in fair value	-70,330	1,060,876	-89,805	39,983	940,724
Reclassification to non-current assets held-for-sale	0	0	0	-810,790	-810,790
Balance as of 31 December 2017	**4,749,261**	**9,875,030**	**3,323,532**	**0**	**17,947,823**

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

In 2017 the Company made cash contributions to JAB Cosmetics B.V. amounting to €239.7m (2016: €26.9m) and received repayments of share premium of €129.8m (2016: €57.8m).

<u>JAB Forest B.V. and Beech I G.P.:</u>

In July 2017, the Company made a capital contribution in cash amounting to €1,450.0m to the newly established investment in Beech I G.P., which has subsequently been used by Beech I G.P. for their acquisition of Panera Bread Company.

In October 2017, JAB Forest B.V. distributed its investment in JAB Beech Inc. at a book value of €1,952.6m to JAB Holdings B.V. and subsequently the JAB Beech Inc. investment was contributed by JAB Holdings B.V. to Beech I G.P. at the same value.

In 2017, the Company had granted a loan to Rye Parent Holding Corp. (a subsidiary of Beech I G.P.). A portion of the loan (€10.7m) was converted to Beech I G.P. equity (see also note 8).

In December 2017, the Company received a repayment of share premium in kind from JAB Forest B.V. amounting to €114.7m (distribution of payment claim from sale of Acorn Holdings B.V. shares).

In 2017, the Company also made capital contributions in cash to JAB Forest B.V. in the amount of €15.2m (2016: €3,625.1m; thereof an amount of €3,201.2m was used by JAB Forest B.V. for a capital contribution to Acorn Holdings B.V. for the acquisition of Keurig Green Mountain Inc.). In 2017, the Company received repayments of share premium in cash of €60.3m (2016: €258.7m) from JAB Forest B.V.

In 2016, loans granted to Krispy Kreme Holdings, Inc. (an indirect investment of JAB Forest B.V.) were contributed to JAB Forest B.V. amounting to €57.5m (see also note 8).

<u>Labelux Group GmbH:</u>

As of 30 June 2017, the investment in Labelux Group GmbH was classified as non-current asset held-for-sale due to the management's intention to dispose of this investment (see also note 13).

In 2016 the Company made cash contributions in the amount of €40.0m to JAB Luxury GmbH, Caslano, a subsidiary of Labelux Group GmbH. These were subsequently used by JAB Luxury GmbH to repay loans to JAB Holdings B.V. Impairment losses in respect of the investment in Labelux Group GmbH were recognised for the six months period ended 30 June 2016. An increase in fair value in the second half of the 2016 was recognised in other comprehensive income.

All acquisitions and contributions were measured at the fair value at the time of acquisition or contribution. After initial measurement the subsidiaries are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and impairment losses recognised through profit or loss.

6. Other investments

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

	2017	**2016**
	%	%
Reckitt Benckiser Group Plc., UK	5.1	8.1

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

	Reckitt Benckiser Group Plc.	Others	Total
	in €k	in €k	in €k
Balance as of 31 December 2015	6,332,233	0	6,332,233
Disposal	-1,393,589	0	-1,393,589
Additions	0	19,150	19,150
Change in fair value	-381,703	-176	-381,879
Balance as of 31 December 2016	**4,556,941**	**18,974**	**4,575,915**
Disposal	-1,601,881	0	-1,601,881
Additions	33,224	0	33,224
Change in fair value	-188,648	-2,298	-190,946
Balance as of 31 December 2017	**2,799,636**	**16,676**	**2,816,312**

The Company is a minority investor in Reckitt Benckiser Group Plc. with a share of approximately 5.1% as of 31 December 2017 (2016: 8.1%). Reckitt Benckiser Group Plc. is a listed company (London Stock Exchange). In 2017, 430,000 shares were contributed to the Company (2016: 0 shares) and 21,189,342 Reckitt Benckiser Group Plc. shares were sold for an amount of €1,601.9m (2016: 17,334,327 shares; €1,393.6m). As of 31 December 2017, 35,900,000 shares were held by the Company (2016: 56,659,342). As of 31 December 2017 the value per share amounts to €77.98 (£69.19; 2016: €80.43; £68.86).

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 fair value with unrealised gains or losses recognised as other comprehensive income and impairment losses recognised through profit or loss.

7. Corporate debt securities

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 been classified as available-for-sale financial assets and have stated interest rates of 5.5 to 6.0%.

8. Loans

The movements in the loans were as follows:

	JAB Management	JAB Holding Company LLC	Labelux Group GmbH	JAB Luxury GmbH	Rye Parent Holdings Corp.	Krispy Kreme Holdings Inc.	Total Loans
	in €k	in €k	in €k	in €k	in €k	in €k	in €k
Balance as of 31 December 2015	84,002	0	155	0	0	0	84,157
Additions	2,143	0	43	41,046	0	271,557	314,789
Disposals	0	0	0	-41,046	0	-280,090	-321,136
Translation Differences	2,824	0	0	0	0	8,533	11,357
Balance as of 31 December 2016	**88,969**	**0**	**198**	**0**	**0**	**0**	**89,167**
Additions	3,508	3,192	21	35,000	90,915	0	132,636
Disposals	-31,210	0	0	0	-87,962	0	-119,172
Translation Differences	-10,235	-39	0	0	-2,953	0	-13,227
Reclassification to non-current assets held-for-sale	0	0	-219	-35,000	0	0	-35,219
Balance as of 31 December 2017	**51,032**	**3,153**	**0**	**0**	**0**	**0**	**54,185**

The current portion of the loans amounts to €54.2m (2016: €89.2m).

From 2012 to 2017 JAB Investments contributed several receivables to JAB Management, the management of the parent entity (see note 24.9), or personal holding companies of JAB Management which were granted 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 2017 relates to new loans that were contributed and to accrued interest relating to the outstanding loans. The disposals of €31.2m relate to repayments of loans in 2017. As of 31 December 2017 short-term loans of $61.2m (€51.0m) (2016: €89.0m) are outstanding, including loans to the Directors in the amount of €0.6m (2016: €20.6m).

In 2017, JAB Investments contributed a receivable to JAB Holding Company LLC to the Company. As of 31 December 2017 a short-term loan of €3.2m (2016: €0.0m) is outstanding.

From January to June 2017, the Company provided additional loans to JAB Luxury GmbH in the amount of €35.0m (2016: €41.0m; fully repaid in November 2016). In June 2017, the loans to JAB Luxury GmbH were classified as non-current asset held-for-sale due to the management's intention to dispose of this investment.

In 2017, the Company granted a short-term loan of €90.9m to Rye Parent Holdings Corp. (a subsidiary of Beech I G.P.). The loan was repaid in the amount of €77.2m and contributed to Beech I G.P. equity in the amount of €10.7m (see also note 6).

In 2016, the Company granted short-term loans of €271.6m to Krispy Kreme Holdings, Inc., an indirect investment of JAB Forest B.V. The loans were repaid in the amount of €222.5m and contributed to JAB Forest B.V. as share premium in the amount of €57.5m.

The interest rate for fixed rate receivables was 2.0% p.a. (2016: 2.0%).

9. Prepayments

The prepayments amounting to €4.8m as at 31 December 2017 relate to prepaid bank fees, which are amortised over the period of the terms of the underlying credit facilities, or expensed at early termination of such facilities (2016: €6.0m).

10. Derivatives

As of 31 December 2017 the Company holds foreign exchange contracts with a fair value of €1.1m (2016: €0.4m).

11. Other receivables

	2017 in €k	**2016** in €k
Accrual interest	231	515
Others	8	12
	239	**527**

12. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2017 include bank deposits and liquidity funds available on demand (€573.8m, 2016: €179.5m) and deposits with maturity in January 2018 (€100.0m; 2016: €0.0m).

13. Non-current assets held-for-sale

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

As of 31 December 2017, the non-current assets held-for-sale comprised assets of €1,173.4m (2016: €0.0m) detailed as follows:

	Subsidiary Labelux Group GmbH in €k	Loan JAB Luxury GmbH in €k	Loan Labelux Group GmbH in €k	Total in €k
Balance as of 31 December 2016	0	0	0	0
Reclassification to non-current assets held-for-sale	810,790	35,000	219	846,009
Additions	138,174	55,000	22	193,196
Repayments	0	-90,000	0	-90,000
Change in fair value	224,185	0	0	224,185
Balance as of 31 December 2017	**1,173,149**	**0**	**241**	**1,173,390**

As of 31 December 2017, liabilities directly associated with the non-current assets held-for-sale detailed as follows:

	Loan Labelux Group GmbH in €k	Accrued interest loan Labelux Group GmbH in €k	Total in €k
Balance as of 31 December 2016	0	0	0
Additions	782,664	950	783,615
Balance as of 31 December 2017	**782,664**	**950**	**783,615**

As of 31 December 2017, the fair value reserve relating to non-current assets held-for-sale amounts to €373.7m.

14. Shareholder's equity

14.1 Share capital

The authorised share capital amounts to €90,000 (1,800 shares), of which 363 shares of €50 each (31 December 2016: 363) have been issued and fully paid.

As of 31 December 2017 no shares in the entity are held by the Company or by its subsidiaries or associates.

14.2 Share premium

The Company received contributions in cash of €407.8m (2016: €0.0m) and contributions in kind of €38.2m (2016: €20.1m).

In 2017, the Company partly returned the share premium in cash in the amount of €590.2m (2016: €106.6m) to JAB Investments S.à r.l..

14.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired. As of 31 December 2017, the fair value reserve amounts to €8,436.0m (2016: €8,842.1m). The change in the fair value reserve in 2017 comprises the increase in the fair value of available-for-sale financial assets of €974.0m (2016: increase €1,133.7m), a reclassification to profit or loss due to disposals of €-1,006.3m (2016: €-907.8m) and a reclassification to a reserve relating to non-current assets held-for-sale of €-373.7m (2016: €0m).

14.4 Retained earnings

In 2017, no dividend was paid to the parent company JAB Investments out of retained earnings (2016: €0.0).

In respect of the current year, the Board of Directors propose to bring forward the profit 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.

15. Borrowings

	Long-term Notes	Credit Facilities Bank Consortium	JAB Investments S.à r.l.	Total
	in €k	in €k	in €k	in €k
Balance as of 31 December 2015	2,074,487	0	83,970	2,158,457
Additions/Repayments	896,221	760,000	0	1,656,221
Reclassification to share premium	0	0	-80,170	-80,170
Amortisation disagio and fees	3,570	0	0	3,570
Translation differences	0	0	-3,800	-3,800
Balance as of 31 December 2016	**2,974,278**	**760,000**	**0**	**3,734,278**
Additions/Repayments	1,480,373	-760,000	0	720,373
Amortisation disagio and fees	5,339	0	0	5,339
Balance as of 31 December 2017	**4,459,990**	**0**	**0**	**4,459,990**

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. As of 31 December 2017 the carrying value of the notes is €746.0m (2016: €745.0m), with a maturity in November 2021.

In April and September 2015, the Company issued further long-term notes in the aggregate principal amount of €600.0m (DE000A1Z0TA4) and €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. As of 31 December 2017 the carrying value of the notes maturing in April 2025 is €592.5m (2016: €591.5m) and €742.7m (2016: €741.2m) for those maturing 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. As of 31 December 2017 the carrying value of the notes is €897.0m (2016: €896.5m), with a maturity in May 2023.

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 2017, thereof notes with a carrying value of €742.3m are maturing in May 2024 and notes with a carrying value of €739.5m are maturing in May 2028.

As of 31 December 2017, the Company has no outstanding payable under its credit facilities (2016: €760.0m).

Interest rates for fixed rate financial liabilities range from 0.75% to 2.125% p.a (2016: 1.5% to 2.125% p.a.). As of 31 December 2017, the Company had no outstanding floating rate financial liabilities.

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.

16. Derivatives

	2017 in €k	**2016** in €k
Interest rate contracts	57,135	79,935
	57,135	**79,935**

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 at 31 December 2017 would have been €57.1m loss (2016: €79.9m loss). The agreements were not held for trading purposes and the Company has no current intention to terminate any swap agreements prior to maturity.

17. Other current liabilities

	2017 in €k	**2016** in €k
Accrued interest and other bank fees	38,650	22,150
Other liabilities	951	882
	39,601	**23,032**

18. 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			
	Note	**31 December 2016** in €k	Financing cash flows in €k	Foreign exchange movement in €k	Fair value changes in €k	Other changes in €k	**31 December 2017** in €k
Credit facilities	15	760,000	-760,000	0	0	0	0
Long-term notes	15	2,974,278	1,480,373	0	0	5,339	4,459,990
Loans from related parties	13	0	783,615	0	0	0	783,615
Interest rate contracts	16	79,935	0	0	0	-22,800	57,135
		3,814,213	**1,503,989**	**0**	**0**	**-17,461**	**5,300,741**

19. Dividend income

Dividend income can be specified as follows:

	2017 in €k	**2016** in €k
Reckitt Benckiser	106,867	106,185
Beech I G.P.	19,675	0
Acorn Holdings B.V. preferred dividend	6,855	0
	133,397	**106,185**

During 2017, the Company received a total dividend of £91.6m (€106.9m) from Reckitt Benckiser Group Plc. (2016: €106.2m). Translated at the foreign exchange rate at the record date of the dividend, the Company recognised a dividend of €105.2m (2016: €101.3m). The difference to the net dividend is related to results from GBP f/x deals.

In December 2017, the Company received a dividend of $23.3m (€19.7m) from Beech I G.P. (2016: €0.0m).

20. Finance income and expense

Finance income can be specified as follows:

	2017 in €k	2016 in €k
Income from disposal of investments	1,006,311	910,501
Interest income on loans and receivables	4,805	3,301
Interest income on bank deposits	1,150	2,011
	1,012,266	**915,813**

The income in 2017 from disposal of investments results from the sale of 21,189,342 Reckitt Benckiser shares (2016: 17,334,327) following a reclassification from the fair value reserve (see note 6).

Finance expenses can be specified as follows:

	2017 in €k	2016 in €k
Net foreign exchange loss	-116,892	-37,430
Interest expense on financial liabilities	-104,415	-86,485
Bank fees	-7,415	-20,093
Valuation of interest rate contracts	22,800	2,240
Impairment on investment	0	-271,391
	-205,922	**-413,159**

The impairment on investment in 2016 relates to Labelux Group GmbH, Austria. The underlying assumptions are presented in note 5.

21. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2017 in €k	2016 in €k
Legal, tax, audit and consultancy fees	-835	-1,251
Salary and personnel related expenses	-298	-94
Office expenses	-13	-4
Others	-56	-290
	-1,202	**-1,639**

Audit fees charged by KPMG Accountants N.V. or the KPMG network for the financial period amounts to €179k (2016: €179k). Non-audit services in the financial period amounts to €45k (2016: €86k).

22. Taxation

The Company has a net loss carry-forward amounting to approximately €670.6m (2016: €467.5m). The net loss-carry forward expires between 2018 and 2026. A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

	2017 in €k	2016 in €k
Accounting profit for the period	938,539	607,200
Tax exempt capital gains from investments	-1,006,311	-910,501
Tax exempt dividend income	-133,397	-106,185
Non-deductible impairment expenses	0	271,391
Other adjustments	-1,888	-65,254
Taxable profit / (loss) for the period	**-203,057**	**-203,349**

Together with its subsidiaries JAB Forest B.V. and JAB Cosmetics B.V., the Company forms a fiscal unity for corporate income tax purposes (see also note 4.13).

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.

JAB Holdings B.V., Amsterdam

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 5, 6, 7 and 8.

24. Related parties and transactions with related parties

Related parties of the Company are, next to key management personnel (note 26), the following companies:

24.1 Agnaten SE, Vienna

The entity is the majority shareholder of JAB Holding Company S.à r.l.

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 €0.0m (2016: €0.5m).

24.4 Lucresca SE

The entity is controlled by close members of the family of the shareholders of Agnaten SE.

24.5 Donata Holdings B.V.

The entity is a subsidiary of Lucresca SE. Donata Holdings B.V. is a minority 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 Donata Holdings 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 €1.5m (2016: €1.7m).

24.10 Subsidiaries and further group companies

The Company is 5.1% shareholder of Reckitt Benckiser Group Plc. (2016: 8.1%).

The Company is 100% shareholder of JAB Cosmetics B.V. The entity is an interim holding and as of 31 December 2017 holds 38.1% (2016: 36.3%) of Coty Inc.

The Company is 100% shareholder of JAB Forest B.V. The entity holds as of 31 December 2017 57.3% of Acorn Holdings B.V. (2016: 58.0%) and 51.9% of JAB Coffee Holding B.V. (2016: 51.9%).

Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts B.V. and Keurig Green Mountain Inc.

JAB Coffee Holding B.V. is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB.

The Company is a 56.4% shareholder of Beech I G.P. Beech I G.P. is direct shareholder of further interim holding companies and their investments (Caribou Coffee Company Inc., Peet’s Operating Company Inc., Krispy Kreme Doughnuts, Inc., Panera Bread Comp.). Interest income from a loan granted to Krispy Kreme Holdings Inc. amounts to €0.0m (2016: €0.6m). Interest income from a loan granted to Rye Parent Holding Corp amounts to €1.9m (2016: €0.0m).

The Company is 100% shareholder of Labelux Group GmbH, Vienna. The entity holds the participation in JAB Luxury GmbH, Caslano. JAB Luxury GmbH is a holding company and manages a portfolio of luxury brands. The total interest income from JAB Luxury GmbH amounts to €1.4m (2016: €1.0m). The total interest expense from Labelux Group GmbH amounts to €0.5m (2016: €0.0m) and from JAB Luxury GmbH to €0.4m (2016: €0.0m). The investment in Labelux Group GmbH was reclassified to non-current assets held-for-sale (see note 5).

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 2017				31 December 2016			
	Loans and Receivables in €k	Available for sale in €k	Financial assets at fair value through profit or loss in €k	Total in €k	Loans and Receivables in €k	Available for sale in €k	Financial assets at fair value through profit or loss in €k	Total in €k
Assets as per statement of financial position								
Subsidiaries	0	17,947,823	0	17,947,823	0	16,407,053	0	16,407,053
Other investments	0	2,816,312	0	2,816,312	0	4,575,915	0	4,575,915
Corporate debt securities	0	852,224	0	852,224	0	0	0	0
Loans	54,185	0	0	54,185	89,167	0	0	89,167
Prepayments	4,809	0	0	4,809	6,035	0	0	6,035
Derivatives	0	0	1,079	1,079	0	0	442	442
Other receivables	239	0	0	239	527	0	0	527
Cash and cash equivalents	673,761	0	0	673,761	179,506	0	0	179,506
Non-current assets held-for-sale	241	1,173,149	0	1,173,390	0	0	0	0
Total	**733,235**	**22,789,508**	**1,079**	**23,523,822**	**275,235**	**20,982,968**	**442**	**21,258,645**

	31 December 2017			31 December 2016		
	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit and loss in € k	Total in € k	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit and loss in € k	Total in € k
Liabilities as per statement of financial position						
Borrowings	4,459,990	0	4,459,990	3,734,278	0	3,734,278
Derivatives	0	57,135	57,135	0	79,935	79,935
Other current liabilities	39,601	0	39,601	23,032	0	23,032
Liabilities directly associated with assets held-for-sale	783,615	0	783,615	0	0	0
Total	**5,283,206**	**57,135**	**5,340,341**	**3,757,310**	**79,935**	**3,837,245**

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. Financial instruments included in Level 1 comprise shares of Reckitt Benckiser Group Plc. that is listed on the London Stock Exchange and 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. 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., Beech I G.P., Labelux Group GmbH and corporate debt securities in Acorn Holdings B.V. (2016: JAB Forest B.V. and Labelux Group GmbH).

JAB Holdings B.V., Amsterdam

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 €4,460.0m (2016: €2,974.3m), the fair value is €4,695.0m (2016: €3,123.3m) 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 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	in €k	in €k	in €k	in €k
Available for sale financial assets				
Subsidiaries and other investments				
Listed equity investments	7,548,897	0	0	7,548,897
Unlisted equity investments	0	0	13,215,238	13,215,238
Non-current assets held-for-sale				
Unlisted equity investments	0	0	1,173,149	1,173,149
Corporate debt securities				
Preferred shares	0	0	852,224	852,224
Financial Assets at fair value through profit or loss				
Foreign exchange contracts	0	1,079	0	1,079
Total assets	**7,548,897**	**1,079**	**15,240,611**	**22,790,587**
Financial Liabilities at fair value through profit or loss				
Interest rate contracts	0	57,135	0	57,135
Total liabilities	**0**	**57,135**	**0**	**57,135**

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	in €k	in €k	in €k	in €k
Available for sale financial assets				
Subsidiaries and other investments				
Listed equity investments	9,266,632	0	0	9,266,632
Unlisted equity investments	0	0	11,716,336	11,716,336
Financial Assets at fair value through profit or loss				
Foreign exchange contracts	0	442	0	442
Total assets	**9,266,632**	**442**	**11,716,336**	**20,983,409**
Financial Liabilities at fair value through profit or loss				
Interest rate contracts	0	79,935	0	79,935
Total liabilities	**0**	**79,935**	**0**	**79,935**

There were no transfers between the levels for the years ended 31 December 2017 and 31 December 2016.

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.

	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 1 January 2016	5,466,138	0	0	0
Additions	3,665,091	19,150	0	0
Repayment share premium	-258,672	0	0	0
Impairment	-271,391	0	0	0
Disposal	0	0	0	0
Fair value adjustment	3,096,196	-176	0	0
Balance as of 31 December 2016	**11,697,362**	**18,974**	**0**	**0**
Additions	3,428,512	0	852,224	138,174
Repayment share premium	-2,127,577	0	0	0
Reclassification to non-current assets held-for-sale	-810,790	0	0	810,790
Fair value adjustment	1,011,054	-2,298	0	224,185
Balance as of 31 December 2017	**13,198,562**	**16,676**	**852,223**	**1,173,149**

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., Beech I G.P., Acorn Holdings B.V. and Labelux Group GmbH, which are not quoted in an active market. The Company uses a market based valuation technique 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.

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:

JAB Forest B.V.

The Company is 100% shareholder of JAB Forest B.V. The entity holds 57.3% of Acorn Holdings B.V. and a 51.9% participation in JAB Coffee Holding B.V.

As of 31 December 2017 the shares in JAB Forest B.V. were valued at €9,875.0m. A fair value adjustment of €1,060.9m was recognised in other comprehensive income.

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 direct shareholder of further interim holding companies and their investments in Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

As of 31 December 2017 and 31 December 2016, the JDE and KGM fair value were calculated applying multiples that were derived from selected publicly listed companies with 50 % EBITDA and 50 % P/E multiple weighting.

As of 31 December 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of December 2016. The multiples applied to the LTM figures ending December 2017 are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 15.2x (2016: 15.6x) and P/E multiple of 23.8x (2016: 23.3x).

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 2017. 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 additional ordinary shares and, under certain circumstances, to make additional payments upon repurchase of certain financial instruments. JAB Forest B.V. qualified these contingent payment obligations as financial instruments. As of 31 December 2017, 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.

JAB Coffee Holding B.V.:

JAB Coffee Holding B.V is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB (“Espresso House”).

As of 31 December 2017 and 31 December 2016 Espresso House 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 multiples applied to the LTM figures ending December 2017 are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of Espresso House: Sales multiples of 2.5x (2016: 2.4x), EBITDA multiple of 16.3x (2016: 14.5x) and P/E multiple of 25.5x (2016: 27.4x).

Beech I G.P.

The Company is 56.4% shareholder of Beech I G.P. Beech I G.P. is direct shareholder of further interim holding companies and their investments in Peet’s Operating Company Inc. (“Peet’s), Caribou Coffee Company Inc. (“Caribou”) Krispy Kreme Holdings Inc. (“Krispy Kreme”) and Panera Bread Company (“Panera”).

As of 31 December 2017 the shares in Beech I G.P. were valued at €3,323.5m. A fair value adjustment of €-89.8m was recognised in other comprehensive income.

For 31 December 2017 Peet’s, Caribou’s and Krispy Kreme’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.

Beech I G.P’s investment in Panera Bread Company occurred in the second half of 2017. As of 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.

The multiples applied to the LTM figures ending December 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

For Peet’s the following LTM multiples were used for the valuation: EBITDA multiple of 16.8x (2016: 15.7x), P/E multiple of 28.3x (2016: 31.1x) and sales multiple of 4.0x (2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.8x (2016: 15.5x), P/E multiple of 28.1x (2016: 31.2x) and sales multiple of 1.5x (2016: 1.9x).

For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 16.7x, P/E multiple of 28.3x and sales multiple of 3.2x.

JAB Holdings B.V., Amsterdam

In 2017, JAB Holdings B.V. entered into an agreement with Beech I GP, JAB Beech Inc. and certain other persons that hold direct or indirect non-controlling interests in JAB Beech Inc. Under this agreement, certain of these non-controlling shareholders can request an IPO of JAB Beech Inc. after April 1st, 2023. Upon such request, JAB Beech 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 month, JAB Holdings B.V. 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 Holdings B.V. 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.

Labelux Group GmbH

The Company is the sole owner of Labelux Group GmbH, Switzerland. This entity is a direct shareholder of further interim holding companies and their investment in the luxury goods company Bally International AG (Bally). The investment in Labelux Group GmbH with a carrying amount of €810.8m was reclassified to non-current assets held-for-sale (see note 5).

In the second half of 2017, the investments in Jimmy Choo Plc. and Belstaff Group SA were sold. The proceeds from the sale were subsequently used by Labelux Group GmbH to grant a loan to the Company. Consequently, Labelux Group GmbH's value as of 31 December 2017 consists of the shares in Bally (€389.8m) and the loan receivable (€783.4m).

As of 31 December 2017 the shares in Labelux Group GmbH were valued at €1,173.1m. A fair value adjustment of €264.2m was recognised in other comprehensive income (see also note 5 and note 13).

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

As of 31 December 2016, the fair value of Bally International AG was calculated applying sales multiples that were derived from selected publicly listed companies (0.95x). The multiple applied to the LTM figures ending December 2016 was the median of the last twelve months (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.

Corporate debt securities Acorn Holdings B.V.

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

As of 31 December 2017 the preferred shares were valued at €852.2m.

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

Sensitivity analysis to unobservable inputs

Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The most significant unobservable inputs are the applied multiples. The estimated fair value would increase (decrease) if the adjusted market multiples were higher (lower). A change of the applied multiples by 10% would change the fair value estimate in the amount of €1,337.7m (2016: €1,114.5m). As of 31 December 2017, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., Beech I G.P. and JAB Coffee Holding B.V. (2016: Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V. and Labelux Group GmbH).

Overview 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.

25.3 Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. It arises principally from the Company's receivables from counterparties, and also from derivative financial assets, cash and cash equivalents and guarantees.

Receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. 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 2017, the Company has an outstanding commitment to invest further $20.0m (€16.7) in its other investment. As of 31 December 2017 there are no other 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	
		2017	**2016**
		in €k	in €k
Loans and receivables	8,11	54,424	89,694
Cash and cash equivalents	12	673,761	179,506
		728,185	**269,200**

25.4 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 2017 the Company has unused term loans and credit facilities, which reduce liquidity risk.

The Company's borrowing agreements with banks are subject to financial covenants. The covenants are monitored regularly and reported to the management to ensure compliance with the agreements. As of 31 December 2016 and 31 December 2017 all covenants were complied with.

25.5 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.

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.

A significant transaction of the Company in GBP is the dividend income from Reckitt Benckiser Group Plc. The Company uses forward exchange contracts to hedge future dividend income.

In respect of the other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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

	2017		2016	
	in £k	in $k	in £k	in $k
Loans	0	64,984	0	93,783
Other receivables	0	278	0	543
Cash and cash equivalents	6,558	82,430	4	178,928
Gross exposure statement of financial positio	**6,558**	**147,691**	**4**	**273,254**
Forward exchange contracts	-20,000	0	-73,000	0
Net exposure	**-13,442**	**147,691**	**-72,996**	**273,254**

The GBP forward exchange contracts expire in May 2018 (£20.0m). In 2016 the GBP forward exchange contracts expired in May 2017 (£53.0m) and in September 2017 (£20.0m).

JAB Holdings B.V., Amsterdam

The following significant exchange rates applied during the year:

	Average Rate		Year-end rate	
	2017	**2016**	**2017**	**2016**
	1 Euro	1 Euro	1 Euro	1 Euro
USD	1.13	1.11	1.20	1.05
GBP	0.88	0.82	0.89	0.86

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 at 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.

	Other comprehensive income	Profit or loss	Other comprehensive income	Profit or loss
	2017	**2017**	**2016**	**2016**
	in €k	in €k	in €k	in €k
USD	0	-12,315	0	-25,923
GBP	2,254	739	8,526	0

A 10% weakening of the Euro against the above currencies as of 31 December 2017 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 €1,400m (2016: €1,400m).

Profile

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

	Carrying amount	
	2017	**2016**
	in €k	in €k
Fixed rate instruments		
Financial assets	727,945	268,476
Financial liabilities	5,242,655	2,974,278
Floating rate instruments		
Financial assets	241	197
Financial liabilities	0	760,000

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 fair value through profit or loss. 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 €17.8m (2016: €28.3m 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 during 2017 would have resulted in an additional loss of approximately €0.0m (2016: loss of €3.8m). 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	
	2017	**2016**
	in €k	in €k
Investments		
Reckitt Benckiser Group Plc.	2,799,636	4,556,942
JAB Cosmetics B.V. (Coty)	4,749,261	4,709,690
	7,548,897	**9,266,632**

Sensitivity analysis - equity price risk

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

If share prices had been 5% higher/lower:

- profit for the year ended 31 December 2017 would have been unaffected as the equity investments are classified as available-for-sale and no investments were impaired;
- other comprehensive income for the year ended 31 December 2017 would have increased/decreased by €377.4m as a result of changes in the fair value of these available-for-sale-investments (2016: €463.3m).

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

26. Employees and remuneration of Directors

The Company has two Directors, who received a remuneration of in total €78k (2016: €51k). The Company had two employees in 2017 (2016: two employees).

The Company has no Supervisory Directors.

JAB Holdings B.V., Amsterdam

27. Subsequent events

In January 2018, the Company has made €111m capital repayments to JAB Investments S.à r.l..

In January 2018, it was announced that Keurig Green Mountain Inc. (an indirect subsidiary of Acorn Holdings B.V.) and Dr Pepper Snapple Group Inc. have entered into a definitive agreement to create Keurig Dr Pepper, a new beverage company of scale with a portfolio of iconic consumer brands and unrivalled distribution capability to reach virtually every point-of-sale in North America. JAB Group, JAB Consumer Fund and other equity partners will together make an equity investment of $9bn as part of the financing of the transaction that was committed by JAB Group at signing of the transaction and will be finally allocated to JAB Group, JAB Consumer Fund and the other investors at or after closing of the transaction. The transaction is expected to close in the second calendar quarter of 2018, subject to the approval of Dr Pepper Snapple shareholders and the satisfaction of customary closing conditions, including receipt of regulatory approvals.

In February 2018, the signing of definitive agreements for the acquisition of a controlling stake in Bally International A.G. (an subsidiary of JAB Luxury GmbH) by Shandong Ruyi Investment Holding was announced. Under the terms of the agreements, JAB Luxury GmbH will retain a minority interest in the company. The transaction remains subject to closing conditions including customary regulatory approvals.

In February 2018, the Company has made €69m contributions to JAB Cosmetics B.V. share premium for the acquisition of Coty Inc. shares.

Amsterdam, 13 March 2018

The Board of Directors:

M. Broers

C. Thun-Hohenstein

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 of JAB Holdings B.V.

Report on the audit of the financial statements 2017 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 at 31 December 2017 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 2017 of JAB Holdings B.V. (the 'Company'), based in Amsterdam.

The financial statements comprise:

1 the statement of financial position as at 31 December 2017;
2 the following statements for 2017: 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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 700 million
- 3.8% of shareholders' equity

KEY AUDIT MATTER
- Fair value measurement of unlisted equity investments and related disclosures

UNQUALIFIED OPINION

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 700 million. The materiality is determined with reference to shareholders' equity (3.8%), 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 that misstatements in excess of EUR 28 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.

Our key audit matter

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. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was 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 available for sale investments, which are carried at fair value in the statement of financial position. Of these assets, 66% is related to unlisted equity investments (level 3) 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 significantly different estimates of fair value. The 'Financial instruments - Fair Value and Risk Management' disclosure 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;
- 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 multiple 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

Our procedures related to management's valuation of the investments were satisfactory and we consider the related disclosure (Note 25) as being proportionate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— the report of the Board of Directors;

— the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

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

— 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 substantially 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 report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of JAB Holdings B.V. on 6 March 2017, as of the audit for the year 2017.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors 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 management 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.

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, 13 March 2018

KPMG Accountants N.V.

L.A. Ekkels RA

Appendix: Description of our responsibilities for the audit of the annual accounts

Appendix

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 is higher than the risk resulting from error, as fraud 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 Board of Directors 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 Board of Directors 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 Board of Directors, 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.