JAB Holdings B.V., Amsterdam

JAB Holdings B.V.

Amsterdam

Annual Accounts 2018

JAB Holdings B.V., Amsterdam

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JAB Holdings B.V., Amsterdam

Report of the Board of Directors

Management of JAB Holdings B.V. (the "Company") hereby presents its annual accounts for the financial year ended 31 December 2018.

General information

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

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

Investments

As of 31 December 2018, the Company's portfolio includes participations in Acorn Holdings B.V. and Reckitt Benckiser Group Plc (both through JAB Forest B.V.), Pret Panera Holding Company Group (through Pret Panera I G.P. and Pret Panera III G.P.), Krispy Kreme Group (through KK G.P.), Coty Inc. (through JAB Cosmetics B.V.), and JAB Luxury GmbH (through Labelux Group GmbH).

In 2018, the Company made capital contributions to Beech I G.P. in the amount of €7.7m (2017: €1,450.0m) and acquired further shares in Beech I G.P. for an amount of €228.7m.

In 2018, the Company made capital contributions in cash to JAB Forest B.V. in the amount of €2,905.3m (2017: €15.2m). Thereof €2,877.8m relate to a capital contribution to Acorn Holdings B.V. for the merger of Keurig Green Mountain and Dr Pepper Snapple Group creating Keurig Dr Pepper. The Company also received repayments of share premium in cash of €162.0m (2017: €60.3m) from JAB Forest B.V.

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

- Beech I G.P. was renamed to Pret Panera I G.P. and a new interim holding company Pret Panera III G.P. was established.
- The indirect investment in Peet's Coffee Group (formerly held through Beech I G.P.) was distributed to the Company and subsequently contributed to Acorn Holdings B.V. through JAB Forest B.V.
- The indirect investment in Krispy Kreme Group (formerly held through Beech I G.P.) was distributed to the Company and subsequently contributed to the newly established interim holding company KK G.P.
- The indirect investment in JAB Coffee Holding B.V. / Espresso House Group (formerly held through JAB Forest B.V.) was distributed to the Company and subsequently contributed to Pret Panera Holding Company Group.
- In September 2018 the Company made an investment in Pret A Manger Group in the amount of €160.0m. The investment was contributed to Pret Panera Holding Company Group in December 2018.

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In 2018, 30.9m Reckitt Benckiser Group Plc. shares were sold for an amount of €2,141.5m (2017: 21,2m shares, €1,601.9m). The remaining 5m shares were contributed to JAB Forest B.V. in December 2018 for an amount of €342.1m.

The cash flows from investing activities during 2018 include received dividends (€146.3m; 2017: €133.4m), capital transactions with subsidiaries (€-3,219.6m; 2017: €-1,538.3m), disposal of other investments (€2,141.7m; 2017: €1,601.9m), acquisition of corporate debt securities (€0.0m; 2017: €-852.2m), acquisition of short-term financial investments (€-83.8m; 2017: €0.0m), loan transactions (€-67.9m; 2017: €17.5m) and interests received (€8.3m; 2017: €4.5m).

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

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

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

As of 31 December 2018, the shares in JAB Forest B.V. were valued at €15,388.9m. The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

Acorn Holdings B.V.

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

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

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

- As of 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 31 December 2017, KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM multiples were used for the 2017 valuation of KGM: EBITDA multiple of 15.2x and P/E multiple of 23.8x.
- As of 31 December 2018 and 31 December 2017, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM multiples were used for the valuation of JDE: EBITDA multiple of 14.0x (2017: 15.2x) and P/E multiple of 20.9x (2017: 23.8x).

- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for JDE: EBITDA multiple of 13.8x (2017: 13.8x) and P/E multiple of 19.1x (2017: 21.5x).
- As of 31 December 2018 and 31 December 2017, Peet's Coffee Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Peet's Coffee Group: EBITDA multiple of 15.7x (2017: 16.8x), P/E multiple of 24.6x (2017: 28.3x) and Sales multiple of 3.3x (2017: 4.0x). Peet's Coffee Group was held through Beech I G.P. as of 31 December 2017.
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Peet's Coffee Group: EBITDA multiple of 14.2x (2017: 15.4x), P/E multiple of 22.4x (2017: 24.3x) and Sales multiple of 3.1x (2017: 3.5x).
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

Reckitt Benckiser Group Plc.:

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

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

The Company is invested in Pret Panera Holding Company Group through a 53.5% investment in Pret Panera I G.P. and 15.4% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

As of 31 December 2018, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €3,353.8m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger Group occurred in the second half of 2018. As of 31 December 2018, management assessed the original acquisition cost to be the best fair value estimate.
- As of 31 December 2018, Panera Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The investment in Panera Group occurred in the second half of 2017. As of 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.3x, P/E multiple of 25.0x and Sales multiple of 2.9x.
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Panera: EBITDA multiple of 16.3x, P/E multiple of 23.7x and Sales multiple of 2.7x.

- As of 31 December 2018 and 31 December 2017, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 16.1x (2017: 15.8x), P/E multiple of 25.0x (2017: 28.1x) and Sales multiple of 1.8x (2017: 1.5x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Caribou: EBITDA multiple of 15.6x (2017: 14.1x), P/E multiple of 23.2x (2017: 23.9x) and Sales multiple of 1.6x (2017: 1.3x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.8x (2017: 16.3x), P/E multiple of 25.5x (2017: 25.5x) and Sales multiple of 2.5x (2017: 2.5x). Espresso House Group was held through JAB Forest B.V. as of 31 December 2017.
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Espresso House: EBITDA multiple of 16.8x (2017: 13.8x), P/E multiple of 22.9x (2017: 20.2x) and Sales multiple of 2.2x (2017: 2.3x).
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

KK G.P.:

The Company is invested in Krispy Kreme Group through a 48.8% investment in KK G.P.

As of 31 December 2018, the shares in KK G.P. were valued at €654.8m. KK G.P.'s investment was valued as follows:

- As of 31 December 2018 and 31 December 2017, Krispy Kreme Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- The following LTM multiples were used for the valuation of Krispy Kreme Group's: EBITDA multiple of 16.9x (2017: 16.7x), P/E multiple of 24.4x (2017: 28.3x) and Sales multiple of 3.2x (2017: 3.2x). Krispy Kreme Group was held through Beech I G.P. as of 31 December 2017.
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 16.3x (2017: 15.4x), P/E multiple of 22.4x (2017: 24.3x) and Sales multiple of 3.1x (2017: 3.1x).
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

Labelux Group GmbH:

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 Company has the intention to dispose of its investment in Labelux Group GmbH and therefore classified the shares as assets held for sale.

As of 31 December 2018, the shares in Labelux Group GmbH were valued at €1,194.0m.

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

Corporate debt securities Acorn Holdings B.V.:

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

As of 31 December 2018, the preferred shares were valued at €852.2m (2017: €852.2m).

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

Financing

As of 31 December 2018, the Company has borrowings of in total €5,952.1m (2017: €4,460.0m). The outstanding amount in the current period consists of long-term notes with a carrying value of €5,952.1m (2017: €4,460.0m). Thereof, long-term notes with an aggregate principal amount of €1,500.0m were issued in 2018 (2017: €1,500.0m).

As of 31 December 2018 the Company has unused credit facilities, which reduce liquidity risk. There are no outstanding amounts under the credit facilities as of 31 December 2018 (2017: €0.0m).

The cash flows from financing activities during 2018 include capital transactions with the shareholder (€-45.5m; 2017: €-182.4m), interest and bank fees paid (€-125.5m; 2017: €-95.3m) and the net change in borrowings (€1,493.2m; 2017: €1,510.5m).

In 2018, the Company's equity decreased from €18,183.5m to €17,587.8m, mainly due to the net loss on subsidiaries, other investments and short-term financial investments (€-752.9m).

As of 31 December 2018, cash and cash equivalents amount to €1.093.4m (31 December 2017: €673.8m).

In 2018, the Company recognised net foreign exchange gains of €168.7m (2017: €-116.9m loss).

JAB Holdings B.V., Amsterdam

Financial information

The loss for the period 2018 amounts to €550.1m (2017: profit €906.2m), mainly relating to the net loss on subsidiaries, other investments and short-term financial investments (€752.9m; 2017: gain €974.0m). In 2018, the Company realised a net gain on its subsidiaries JAB Forest B.V. (€1,957.5m; 2017: €-15.0m), Pret Panera I G.P. (€626.4m; 2017: €986.1m) and Pret Panera III G.P. (€44.1m; 2017: €0.0m), whereas a net loss was realised in its subsidiary JAB Cosmetics B.V. (€-3,055.9m; 2017: €-70.3m) and its other investment Reckitt Benckiser Group Plc. (€-316.0m; 2017 €-188.6m). Dividend income amounts to €146.3m (2017: €133.4m). Finance income of €180.1m (2017: €6.0m) mainly includes foreign exchange gain (2017: €0.0m). Finance expenses of €121.9m (2017: €205.9) mainly include interest expenses.

Personnel

The Company had two employees in 2018. No significant changes are expected for 2019.

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.

The exposure of the Company to these risks is described in note 26 to the financial statements in detail.

Other disclosures

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

Remuneration of Directors

The Company has two Directors, who received a remuneration of in total €89k (2017: €78k).

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 2019, the Company has made €120m capital repayments to JAB Investments S.à r.l.

In February 2019, JAB Holding Company S.à r.l. Group (JAB Group) announced commencement of a partial tender offer to acquire up to 150m additional shares of Coty Inc. Class A common stock at a price per share of $11.65 in cash. The offer is subject to certain conditions, including that the independent directors of Coty Inc. approve the offer and recommend that the Coty shareholders accept the offer. The new Coty shares would be held by a newly established subsidiary of JAB Group (Cottage Hold Co B.V., an indirect subsidiary of JAB Holdings B.V.). JAB Group would contribute all existing Coty shares to this entity. The acquisition of new shares is expected to be financed by bank facilities at Cottage Hold Co B.V. with no cash contribution or recourse of JAB Group.

In February 2019, it was announced that JAB Group together with JAB Consumer Fund will acquire Compassion-First Pet Hospitals, a family of well-known and respected specialty, emergency and general practice veterinary hospitals across the United States, based on a total enterprise valuation of approximately $1.2bn. The total equity contribution required to consummate the transaction will be finally allocated to JAB Group, JAB Consumer Fund, other investors and standalone debt. JAB Holdings B.V. is expected to make an equity contribution of not more than €0.3bn.

Amsterdam, 11 March 2019

The Board of Directors:

M. Broers

C. Thun-Hohenstein

JAB Holdings B.V., Amsterdam

Statement of Financial Position as of 31 December 2018
(after appropriation of result)

	note	31 December 2018 in €k	31 December 2018 in €k	31 December 2017 restated* in €k	31 December 2017 restated* in €k	1 January 2017 restated* in €k	1 January 2017 restated* in €k
Non-current assets							
Subsidiaries	4	21,127,840		17,947,823		16,407,053	
Other investments	5	34,934		2,816,312		4,575,915	
Corporate debt securities	6	852,224		852,224		0	
Prepayments	8	3,583		4,809		6,035	
			22,018,581		**21,621,168**		**20,989,003**
Current Assets							
Loans	7	33,965		54,185		89,167	
Derivatives	9	0		1,079		442	
Other receivables	10	1,071		239		527	
Short-term financial investments	11	82,336		0		0	
Cash and cash equivalents	12	1,093,420		673,761		179,506	
Non-current assets held-for-sale	13	1,194,313		1,173,390		0	
			2,405,105		**1,902,654**		**269,642**
			24,423,686		**23,523,822**		**21,258,645**
Shareholder's equity	14						
Issued share capital	14.1	18		18		18	
Share premium	14.2	6,262,889		6,308,399		6,452,510	
Legal reserve	14.3	7,954,356		5,335,371		4,102,428	
Retained earnings	14.4	3,370,569		6,539,693		6,866,444	
			17,587,832		**18,183,481**		**17,421,400**
Non-current liabilities							
Borrowings	15	5,952,105		4,459,990		3,734,278	
			5,952,105		**4,459,990**		**3,734,278**
Current liabilities							
Derivatives	16	38,023		57,135		79,935	
Other current liabilities	17	56,156		39,601		23,032	
Liabilities directly associated with assets held-for-sale	13	789,570		783,615		0	
			883,749		**880,351**		**102,967**
			24,423,686		**23,523,822**		**21,258,645**

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

The notes on pages 14 to 54 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

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

	note	2018 in €k	2017 restated* in €k
Net gain / (loss) on subsidiaries, other investments and short-term financial investments	19	-752,869	973,965
Dividend income	20	146,322	133,397
Finance income	21	180,121	5,955
Finance expenses	21	-121,853	-205,922
General and administrative expenses	22	-1,630	-1,202
Result before income taxes		**-549,909**	**906,193**
Income tax expense	23	-230	0
Result for the period		**-550,139**	**906,193**
Other comprehensive income		**0**	**0**
Total comprehensive result attributable to equity holder		**-550,139**	**906,193**

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

The notes on pages 14 to 54 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

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

	note	Share capital in €k	Share premium in €k	Fair value reserve in €k	Legal reserve in €k	Retained earnings in €k	Total equity in €k
Balance as of 1 January 2017 as previously reported		**18**	**6,452,510**	**8,842,076**	**0**	**2,126,796**	**17,421,400**
Adjustment from adoption of IFRS 9		0	0	-8,842,076	4,102,428	4,739,648	0
Balance as of 1 January 2017 restated*		**18**	**6,452,510**	**0**	**4,102,428**	**6,866,444**	**17,421,400**
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
Result for the period		0	0	0	1,232,943	-326,750	906,193
Total comprehensive result		0	0	0	1,232,943	-326,750	906,193
Balance as of 31 December 2017		**18**	**6,308,399**	**0**	**5,335,371**	**6,539,693**	**18,183,481**
Contributions	14.2	0	180,208	0	0	0	180,208
Repayment of share premium	14.2	0	-225,718	0	0	0	-225,718
Result for the period		0	0	0	2,618,985	-3,169,124	-550,139
Total comprehensive result		0	0	0	2,618,985	-3,169,124	-550,139
Balance as of 31 December 2018		**18**	**6,262,889**	**0**	**7,954,356**	**3,370,569**	**17,587,832**

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

The notes on pages 14 to 54 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

Cash Flow Statement for the year ended 31 December 2018

	note	2018 in €k	2017 restated* in €k
Cash flows from operating activities			
Result for the period		-550,139	906,193
Adjustments for:			
Dividend income	20	-146,322	-133,397
Net (gain) / loss from change in fair value of subsidiaries, other investments and short-term financial investments	19	752,869	-973,965
Tax expense		230	0
Finance income and finance expenses		-58,268	199,967
		-1,630	**-1,202**
Change in other receivables		2	5
Change in other current liabilities		6,149	69
Net foreign exchange gain / (loss)	21	168,280	-103,185
Net cash from / (used in) operating activities		**172,801**	**-104,313**
Cash flows from investing activities			
Dividends received	20	146,322	133,397
Capital repayments from subsidiaries	4	291,006	304,761
Contribution payments to subsidiaries		-3,510,598	-1,843,033
Disposal of other investments	5	2,141,650	1,601,881
Acquisition of corporate debt securities	6	0	-852,224
Change in short term financial investments		-83,811	0
Interest received		8,267	4,493
New loans to subsidiaries	7	-133,953	-180,955
Repayment loans	7	66,067	198,435
Net cash used in investing activities		**-1,075,050**	**-633,245**
Cash flows from financing activities			
Repayment of share premium	14.2	-225,718	-590,167
Contribution shareholders	14.2	180,208	407,781
Interest paid (including settlement of derivatives)		-118,560	-89,096
Bank fees		-6,892	-6,189
New borrowings	15	2,603,198	3,813,007
Repayment borrowings	15	-1,110,000	-2,302,500
Net cash from financing activities		**1,322,236**	**1,232,836**
Movement in cash and cash equivalents		**419,987**	**495,278**
Cash and cash equivalents as of 1 January		673,761	179,506
Effect of exchange rate changes on cash and cash equivalents		-328	-1,023
Cash and cash equivalents as of 31 December	12	**1,093,420**	**673,761**

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

The notes on pages 14 to 54 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.

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

These financial statements were authorised for issue by the Board of Directors on 11 March 2019.

3. Significant accounting policies

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.

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

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

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

3.1 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

A number of new standards issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2018. The adoption of the following standards had a significant impact on the Company's financial statements.

IFRS 9 Financial Instruments

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

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

<u>Financial assets and liabilities</u>

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

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

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

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

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

The main effects resulting from this reclassification are as follows:

Financial assets - 1 January 2018	FVTPL	FVOCI (available-for-sale 2017)	Amortised cost (loans and receivables 2017)
	in €k	in €k	in €k
Closing balance 31 December 2017 - IAS 39	**1,079**	**22,789,508**	**733,235**
Reclassify subsidiaries, other investments and corporate debt securities from available-for-sale to FVTPL	22,789,508	-22,789,508	0
Opening balance 1 January 2018 - IFRS 9	**22,790,587**	**0**	**733,235**

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

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

	31 December 2017 as originally presented	IFRS 9	31 December 2017 restated
	in €k	in €k	in €k
Total assets	**23,523,822**	**0**	**23,523,822**
Fair value reserve	8,435,984	-8,435,984	0
Fair value reserve relating to non-current assets held-for-sale	373,746	-373,746	0
Legal reserve	0	5,335,371	5,335,371
Retained earnings	3,065,334	3,474,359	6,539,693
Others	6,308,417	0	6,308,417
Total shareholder's equity	**18,183,481**	**0**	**18,183,481**
Total liabilities	**5,340,341**	**0**	**5,340,341**

	1 January 2017 as originally presented	IFRS 9	1 January 2017 restated
	in €k	in €k	in €k
Total assets	**21,258,645**	**0**	**21,258,645**
Fair value reserve	8,842,076	-8,842,076	0
Legal reserve	0	4,102,428	4,102,428
Retained earnings	2,126,796	4,739,648	6,866,444
Others	6,452,528		6,452,528
Total shareholder's equity	**17,421,400**	**0**	**17,421,400**
Total liabilities	**3,837,245**	**0**	**3,837,245**

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

	2017 as originally presented	IFRS 9	2017 restated
	in €k	in €k	in €k
Net gain on subsidiaries, other investments and corporate debt securities	0	973,965	973,965
Dividend income	133,397	0	133,397
Finance income	1,012,266	-1,006,311	5,955
Finance expenses	-205,922	0	-205,922
General and administrative expenses	-1,202	0	-1,202
Result before income taxes	**938,539**	**-32,346**	**906,193**
Income tax expense	0	0	0
Result for the period	**938,539**	**-32,346**	**906,193**
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	973,965	-973,965	0
Available-for-sale financial assets - reclassification to profit or loss	-1,006,311	1,006,311	0
Other comprehensive result	**-32,346**	**32,346**	**0**
Total comprehensive result attributable to equity holder	**906,193**	**0**	**906,193**

New standards and interpretations not yet adopted by the Company

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

3.2 Consolidation

For the 2018 financial statements and earlier, the Company has applied the consolidation exemption by article 408, Part 9, Book 2 of the Netherlands Civil Code. As such, the Company is exempted from preparing consolidated financial statements. The financial statements of the Company are included in the consolidated financial statements of its indirect shareholder, JAB Holding Company S.à r.l., Luxembourg, which will be filed with the Chamber of Commerce in Amsterdam.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Euro at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the profit or loss, except for differences arising on a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

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

3.4 Determination of fair value

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

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

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

3.5 Non-current assets and liabilities held-for-sale

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

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

3.6 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 IFRS 9 at FVTPL.

3.7 Associates

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

3.8 Financial instruments

Non-derivative financial instruments

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

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

Accounting for finance income and expenses is discussed in note 3.13.

Financial assets at FVTPL
The Company’s investments in equity securities and certain debt securities are classified as financial assets at FVTPL. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at FVTPL are measured at fair value, and changes therein are recognised in profit or loss.

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

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

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

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

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

Derivative financial instruments

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

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

In the year ended 31 December 2018, the Company did not designate derivates as hedging instruments and therefore did not apply hedge accounting.

3.9 Impairment

Financial assets

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

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

Non-financial assets

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

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

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

3.10 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.

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

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

3.12 Dividend income

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

3.13 Finance income and finance expenses

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

Finance expenses comprise interest expenses on borrowings, bank fees and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

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

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

3.14 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.

3.15 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 period.

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

Dividends paid and 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.

JAB Holdings B.V., Amsterdam

4. Subsidiaries

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

	2018	2017
	%	%
JAB Forest B.V., Netherlands	100.0	100.0
Pret Panera I G.P. (formerly: Beech I G.P.), USA	53.5	56.4
Pret Panera III G.P., USA	15.4	0.0
KK G.P., USA	48.8	0.0
JAB Cosmetics B.V., Netherlands	100.0	100.0

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

	JAB Forest B.V. in €k	Pret Panera I G.P. in €k	Pret Panera III G.P. in €k	KK G.P. in €k	Pret Holding Company Inc. in €k	JAB Cosmetics B.V. in €k	Labelux Group GmbH in €k	**Total** in €k
Balance as of 31 December 2016	10,926,556	0	0	0	0	4,709,690	770,807	16,407,053
Additions	15,175	3,413,337	0	0	0	239,684	0	3,668,196
Repayment share premium	-2,127,577	0	0	0	0	-129,783	0	-2,257,360
Change in fair value	1,060,876	-89,805	0	0	0	-70,330	39,983	940,724
Reclassification to non-current assets held-for-sale	0	0	0	0	0	0	-810,790	-810,790
Balance as of 31 December 2017	**9,875,030**	**3,323,532**	**0**	**0**	**0**	**4,749,261**	**0**	**17,947,823**
Additions	3,247,426	236,435	92,957	0	160,033	165,961	0	3,902,812
Repayment share premium	-161,950	0	0	0	0	-129,056	0	-291,006
Reorganisation	470,943	-1,887,321	917,805	660,804	-162,231	0	0	0
Change in fair value	1,957,466	626,351	44,083	-6,001	2,197	-3,055,885	0	-431,789
Balance as of 31 December 2018	**15,388,915**	**2,298,997**	**1,054,845**	**654,803**	**0**	**1,730,281**	**0**	**21,127,840**

Reorganisation

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

Beech I G.P. was renamed to Pret Panera I G.P. and a new interim holding company Pret Panera III G.P. was established. JAB Holdings B.V. is now investing in Pret Panera Holding Company Group through Pret Panera I G.P. and Pret Panera III G.P.

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

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

The indirect investment in JAB Coffee Holding B.V. (formerly held through JAB Forest B.V.) was distributed to the Company and subsequently contributed to Pret Panera Holding Company Group.

In September 2018, the Company made an investment in Pret A Manger Group (through Pret Holding Company Inc.) in the amount of €160.0m. The investment was contributed to Pret Panera Holding Company Group in December 2018.

JAB Forest B.V.

As of 31 December 2018, JAB Forest B.V. holds 57.0% of Acorn Holdings B.V. (Acorn Holdings B.V. is the direct shareholder of further interim holding companies and their investments in Keurig Dr Pepper Group, Jacobs Douwe Egberts Group and Peet's Coffee Group) and 0.7% of Reckitt Benckiser Group Plc.

In 2018, the Company made capital contributions in cash to JAB Forest B.V. in the amount of €2,905.3m (2017: €15.2m). Thereof €2,877.8m relate to a capital contribution to Acorn Holdings B.V. for the merger of Keurig Dr Pepper Group.

In December 2018, the Company contributed all shares in Reckitt Benckiser Group Plc. to JAB Forest B.V. in the amount of €342.1m.

In 2018, the Company received repayments of share premium in cash of €162.0m (2017: €60.3m) from JAB Forest B.V.

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 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 and the Company received repayments of share premium in cash of €60.3m from JAB Forest B.V.

Pret Panera I G.P. (formerly Beech I G.P.) and Pret Panera III G.P.

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

In 2018, the Company made capital contributions to Beech I G.P. in the amount of €7.7m and acquired further shares in Beech I G.P. for an amount of €228.7m.

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

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.

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

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

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

In 2018, the Company made cash contributions to JAB Cosmetics B.V. amounting to €166.0m (2017: €239.7m) and received repayments of share premium of €129.1m (2017: €129.8m).

<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).

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 FVTPL.

5. Other investments

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

	2018	**2017**
	%	%
Reckitt Benckiser Group Plc., UK	0.0	5.1

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

	Reckitt Benckiser Group Plc. in €k	Others in €k	**Total** in €k
Balance as of 31 December 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**
Disposal	-2,483,667	0	-2,483,667
Additions	0	17,218	17,218
Change in fair value	-315,969	1,040	-314,929
Balance as of 31 December 2018	**0**	**34,934**	**34,934**

Reckitt Benckiser Group Plc. is a listed company (London Stock Exchange). In 2018, 30,900,000 shares were sold for an amount of €2,141.5m. In December 2018, the Company contributed 5,000,000 shares to JAB Forest B.V. at the value of €342.1m. As of 31 December 2018, the Company is not invested directly in Reckitt Benckiser Group Plc. and is an indirect minority investor through JAB Forest B.V. holding 5,000,000 shares with a share of approximately 0.7%.

In 2017, 430,000 shares with a value of €33.2m were contributed to the Company and 21,189,342 shares were sold for an amount of €1,601.9m. As of 31 December 2017, the Company held 35,900,000 shares directly and was a minority shareholder with a share of approximately 5.1%.

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

6. Corporate debt securities

	2018 in €k	**2017** in €k
Acorn Holdings B.V. preferred shares	852,224	852,224
	852,224	**852,224**

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

JAB Holdings B.V., Amsterdam

7. Loans

The movements in the loans can be detailed as follows:

	JAB Management in €k	JAB Holding Company LLC in €k	Pret A Manger Group in €k	Rye Parent Holdings Corp. in €k	Labelux Group GmbH in €k	JAB Luxury GmbH in €k	**Total** in €k
Balance as of 31 December 2016	88,969	0	0	0	198	0	89,167
Additions	3,508	3,192	0	90,915	21	35,000	132,636
Disposals	-31,210	0	0	-87,962	0	0	-119,172
Translation differences	-10,235	-39	0	-2,953	0	0	-13,227
Reclassification to non-current assets held-for-sale	0	0	0	0	-219	-35,000	-35,219
Balance as of 31 December 2017	**51,032**	**3,153**	**0**	**0**	**0**	**0**	**54,185**
Additions	2,414	64	106,858	0	0	0	109,336
Disposals	-40,767	0	-91,300	0	0	0	-132,067
Translation differences	-98	151	2,458	0	0	0	2,511
Balance as of 31 December 2018	**12,581**	**3,368**	**18,016**	**0**	**0**	**0**	**33,965**

The current portion of the loans amounts to €34.0m (2017: €54.2m).

Receivables to JAB Management relate to loans, which were granted to JAB Management or personal holding companies of JAB Management in the course of a management participation plan of JAB Holding Company S.à r.l., a related party to the Company. The additions to the loans in 2018 relate to new loans and to accrued interest relating to the outstanding loans. The disposals of €40.8m relate to repayments of loans in 2018. As of 31 December 2018, short-term loans of $14.4m (€12.6m) (2017: €51.0m) are outstanding, including loans to the Directors in the amount of €0.7m (2017: €0.6m).

In 2018, the Company granted loans in the amount of $124.5m (€106.9m) to Pret A Manger Group. Subsequently, loans in the amount of $103.9m (€91.3m) were contributed to Pret Panera III G.P. together with accrued interest in the amount of €1.7m. As of 31 December 2018, a loan of €18.0m to Pret Parent Holding Inc. is outstanding (2017: €0.0m).

In 2017, JAB Investments contributed a receivable to JAB Holding Company LLC to the Company. As of 31 December 2018, a short-term loan of €3.4m (2017: €3.2m) is outstanding.

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

From January to June 2017, the Company provided additional loans to JAB Luxury GmbH in the amount of €35.0m. 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.

The interest rate for fixed rate receivables was 2.0% p.a. (2017: 2.0%).

8. Prepayments

The prepayments amounting to €3.6m as of 31 December 2018, 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 (2017: €4.8m).

9. Derivatives

	2018 in €k	2017 in €k
Foreign exchange contracts	0	1,079
	0	**1,079**

10. Other receivables

	2018 in €k	2017 in €k
Accrual interest	1,065	231
Others	6	8
	1,071	**239**

11. Short-term financial investments

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

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

Short-term financial instruments relate to corporate debt securities of Coty Inc. (bonds and term loan B).

Short-term financial instruments are measured at FVTPL.

12. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2018 include bank deposits and liquidity funds available on demand (€868.4m, 2017: €573.8m) and deposits with maturity in February 2019 (€200.0m) and April 2019 (€25.0m) (2017: €100.0m with maturity January 2018).

13. Non-current assets held-for-sale

The Company is 100% shareholder in Labelux Group GmbH.

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. In December 2018, liquidation of Labelux Group GmbH was initiated, and its corporate name was changed to Labelux Group GmbH in Liqu.

As of 31 December 2018, the non-current assets held-for-sale comprised assets of €1,194.3m (2017: €1,173.4m) detailed as follows:

	Subsidiary Labelux Group GmbH in €k	Loan Labelux Group GmbH in €k	Loan JAB Luxury 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	219	35,000	846,009
Additions	138,174	22	55,000	193,196
Repayments	0	0	-90,000	-90,000
Change in fair value	224,185	0	0	224,185
Balance as of 31 December 2017	**1,173,149**	**241**	**0**	**1,173,390**
Additions	25,650	44	25,300	50,994
Repayments	0	0	-25,300	-25,300
Change in fair value	-4,771	0	0	-4,771
Balance as of 31 December 2018	**1,194,028**	**285**	**0**	**1,194,313**

As of 31 December 2018, 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**
Additions/Repayments	6,400	-445	5,955
Balance as of 31 December 2018	**789,065**	**505**	**789,570**

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 2017: 363 shares) have been issued and fully paid.

As of 31 December 2018, no shares in the entity are held by the Company or by its subsidiaries or associates.

14.2 Share premium

In 2018, the Company received cash contributions to the share premium in the amount of €180.2m (2017: €407.8m) and contributions in kind in the amount of €0.0m (2017: €38.2m).

In 2018, the Company partly returned the share premium in cash in the amount of €225.7m (2017: €590.2m).

14.3 Legal reserve

On adoption of IFRS 9, the fair value reserve as of 1 January 2017 amounting to €8,842.0m was transferred to the retained earnings in the amount of €4,739.6m and to the legal reserve in the amount of €4,102.4m.

As of 31 December 2018, pursuant to Dutch law (Book 2 Title 9 of the Netherlands Civil Code art. 390), certain limitations exist relating to the distribution of shareholders' equity. The limitations for the company relate to the revaluations of assets without a frequent market listing in the amount of €7,954.4m (2017: €5,335.4m).

14.4 Retained earnings

In 2018, no dividend was paid to the parent company JAB Investments out of retained earnings (2017: €0.0).

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

15. Borrowings

	Long-term notes in €k	Credit Facilities Bank Consortium in €k	**Total** in €k
Balance as of 31 December 2016	2,974,278	760,000	3,734,278
Additions/Repayments	1,480,373	-760,000	720,373
Amortisation disagio and fees	5,339	0	5,339
Balance as of 31 December 2017	**4,459,990**	**0**	**4,459,990**
Additions/Repayments	1,485,585	0	1,485,585
Amortisation disagio and fees	6,530	0	6,530
Balance as of 31 December 2018	**5,952,105**	**0**	**5,952,105**

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 2018, the carrying value of the notes is €747.0m (2017: €746.0m), 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 2018, the carrying value of the notes maturing in April 2025 is €593.4m (2017: €592.5m) and €744.2m (2017: €742.7m) 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 2018, the carrying value of the notes is €897.5m (2017: €897.0m), 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 2018, thereof notes with a carrying value of €743.5m (2017: €742.3m) are maturing in May 2024 and notes with a carrying value of €740.2m (€739.5m) are maturing in May 2028.

In June 2018, the Company issued long-term notes in the aggregate principal amount of €750.0m (DE000A1919G4) and €750.0m (DE000A1919H2). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. As of 31 December 2018, thereof notes with a carrying value of €741.1m are maturing in June 2026 and notes with a carrying value of €745.2m are maturing in June 2029.

As of 31 December 2018, the Company has no outstanding payable under its credit facilities (2017: €0.0m).

Interest rates for fixed rate financial liabilities range from 0.75% to 2.5% p.a (2017: 0.75% to 2.125% p.a.). As of 31 December 2018, 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

	2018 in €k	**2017** in €k
Interest rate contracts	37,261	57,135
Foreign exchange contracts	762	0
	38,023	**57,135**

The fair value of an interest rate swap is the amount that the Company would receive or pay to terminate the swap agreement. The approximate cost to terminate the Company’s swap agreements as of 31 December 2018 would have been €37.3m loss (2017: €57.1m 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

	2018 in €k	**2017** in €k
Accrued interest and other bank fees	55,226	38,650
Other liabilities	930	951
	56,156	**39,601**

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			
		31 Dec 2017	Financing cash flows	Foreign exchange movement	Change in fair value	Other changes	**31 Dec 2018**
	note	in €k	in €k	in €k	in €k	in €k	in €k
Long-term notes	15	4,459,990	1,485,585	0	0	6,530	5,952,105
Loans from related parties	13	783,615	-445	0	0	6,400	789,570
Interest rate contracts	16	57,135	0	0	-19,874	0	37,261
		5,300,740	**1,485,140**	**0**	**-19,874**	**12,930**	**6,778,936**

				Non-cash changes			
		31 Dec 2016	Financing cash flows	Foreign exchange movement	Change in fair value	Other changes	**31 Dec 2017**
	note	in €k	in €k	in €k	in €k	in €k	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	-22,800	0	57,135
		3,814,213	**1,503,988**	**0**	**-22,800**	**5,339**	**5,300,740**

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

	2018 in €k	2017 restated in €k
Net gain / (loss) on subsidiaries at FVTPL		
JAB Forest B.V.	1.957.466	-15.029
Pret Panera I G.P. (formerly: Beech I G.P.)	626.351	986.100
Pret Panera III G.P.	44.083	0
Pret Parent Holding Inc.	2.197	0
KK G.P.	-6.001	0
JAB Cosmetics B.V.	-3.055.885	-70.330
Labelux Group GmbH	-4.771	264.169
Net gain / (loss) on other investments at FVTPL		
Reckitt Benckiser Group Plc.	-315.969	-188.648
Others	1.040	-2.297
Net gain / (loss) on short-term financial investments at FVTPL	-1.380	0
	-752.869	**973.965**

20. Dividend income

In 2018, the Company recognised dividend income from the following investments measured at FVTPL:

	2018 in €k	2017 in €k
Reckitt Benckiser Group Plc.	56,282	106,867
Pret Panera I G.P. (formerly: Beech I G.P.)	25,924	19,675
Pret Panera III G.P.	11,895	0
KK G.P.	6,947	0
Acorn Holdings B.V. preferred dividend	45,274	6,855
	146,322	**133,397**

In 2018, the Company received a total dividend of £48.8m (€56.3m) from Reckitt Benckiser Group Plc. (2017: €106.9m). Translated at the foreign exchange rate at the record date of the dividend, the Company recognised a dividend of €55.9m (2017: €105.2m). The difference to the net dividend is related to results from GBP f/x deals.

21. Finance income and finance expenses

Finance income can be detailed as follows:

	2018 in €k	2017 restated in €k
Net foreign exchange gain	168,657	0
Interest income on bank deposits	8,483	1,150
Interest income on loans and receivables	2,981	4,805
	180,121	**5,955**

Finance expenses can be detailed as follows:

	2018 in €k	2017 in €k
Interest expenses on financial liabilities	-133,609	-104,415
Bank fees	-8,118	-7,415
Valuation of interest rate contracts	19,874	22,800
Net foreign exchange loss	0	-116,892
	-121,853	**-205,922**

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

22. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2018 in €k	2017 in €k
Legal, tax, audit and consultancy fees	-1,258	-835
Salary and personnel related expenses	-186	-298
Office expenses	-11	-13
Others	-175	-56
	-1,630	**-1,202**

Audit fees charged by KPMG Accountants N.V. or the KPMG network for the financial period amounts to €163k (2017: €179k). Non-audit services in the financial period amounts to €50k (2017: €45k).

23. Taxes on income

The Company has a net loss carry-forward amounting to approximately €741.4m (2017: €670.6m). The net loss-carry forward expires between 2018 and 2027. A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

	2018	**2017 restated**
	in €k	in €k
Result before income taxes	-549,909	906,193
Tax exempt (gain) / loss on subsidiaries, other investments and short-term financial investments	751,489	-973,965
Tax exempt dividend income	-101,555	-133,397
Other adjustments	-170,905	-1,888
Taxable loss for the period	**-70,880**	**-203,057**

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 3.14).

	2018	**2017 restated**
	in €k	in €k
Withholding tax on short-term financial investments	-230	0
Income tax expense	**-230**	**0**

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

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

24. 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 4, 5, 6, 7 and 13.

25. Related parties and transactions with related parties

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

25.1 Agnaten SE, Vienna

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

25.2 JAB Holding Company S.à r.l.

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

25.3 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 €5k (2017: €0k).

25.4 Lucresca SE

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

25.5 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.

25.6 JAB Consumer Fund

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

25.7 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.

25.8 JAB Service GmbH

This entity is a subsidiary of Donata Holdings B.V.

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

In the course of JAB Holding Company S.à r.l.´s management participation plan the Company acquired loans to JAB Holding Company S.à r.l.´s management or personal holding companies of JAB Management. The total interest income amounts to €0.5m (2017: €1.5m).

25.10 Subsidiaries and further group companies

The Company is 100% shareholder of JAB Cosmetics B.V. The entity is an interim holding and as of 31 December 2018 holds 40.1% (2017: 38.1%) of Coty Inc. In 2018, the total interest income from Coty Inc. amounts to €0.3m (2017: €0.0m).

The Company is 100% shareholder of JAB Forest B.V. As of 31 December 2018, the entity holds 57.0% of Acorn Holdings B.V. (2017: 57.3%) and 0.7% of Reckitt Benckiser Group Plc. (2017: 5.1% held directly by the Company).

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

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

Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group. In 2018, interest income from loans granted to intermediate holding company Pret Parent Holding Inc. amounts to €1.8m (2017: €0.0m). In 2017 interest income from a loan granted to intermediate holding company Rye Parent Holding Corp amounted to €1.9m.

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

The Company is 100% shareholder of Labelux Group GmbH, Vienna. The entity holds the participation in JAB Luxury GmbH, Caslano. JAB Luxury GmbH is the shareholder of the luxury goods company Bally International AG. The total interest income from JAB Luxury GmbH amounts to €0.3m (2017: €1.4m). The total interest expense from Labelux Group GmbH amounts to €6.0m (2017: €0.5m) and from JAB Luxury GmbH to €0.0m (2017: €0.4m). In 2017, the investment in Labelux Group GmbH was reclassified to non-current assets held-for-sale (see note 13).

26. Financial instruments – Fair Value and Risk Management

26.1 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.

26.2 Financial instruments and fair value hierarchy

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

	31 December 2018			**31 December 2017 restated**		
	Amortised cost	FVTPL	**Total**	Amortised cost	FVTPL	**Total**
	in €k	in €k	in €k	in €k	in €k	in €k
Assets as per statement of financial position						
Subsidiaries	0	21,127,840	21,127,840	0	17,947,823	17,947,823
Other investments	0	34,934	34,934	0	2,816,312	2,816,312
Corporate debt securities	0	852,224	852,224	0	852,224	852,224
Prepayments	3,583	0	3,583	4,809	0	4,809
Loans	33,965	0	33,965	54,185	0	54,185
Derivatives	0	0	0	0	1,079	1,079
Other receivables	304	767	1,071	239	0	239
Short-term financial investments	0	82,336	82,336	0	0	0
Cash and cash equivalents	1,093,420	0	1,093,420	673,761	0	673,761
Non-current assets held-for-sale	285	1,194,028	1,194,313	241	1,173,149	1,173,390
Total	**1,131,557**	**23,292,129**	**24,423,686**	**733,235**	**22,790,587**	**23,523,822**

	31 December 2018			31 December 2017 restated		
	Amortised cost in €k	FVTPL in €k	**Total** in €k	Amortised cost in €k	FVTPL in €k	**Total** in €k
Liabilities as per statement of financial position						
Borrowings	5,952,105	0	5,952,105	4,459,990	0	4,459,990
Derivatives	0	38,023	38,023	0	57,135	57,135
Other current liabilities	56,156	0	56,156	39,601	0	39,601
Liabilities directly associated with assets held-for-sale	789,570	0	789,570	783,615	0	783,615
Total	**6,797,831**	**38,023**	**6,835,854**	**5,283,206**	**57,135**	**5,340,341**

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. As of 31 December 2018 and 31 December 2017, cash and cash equivalents were placed with quality financial institutions and could be withdrawn on short notice. Therefore, the expected credit loss on cash and cash equivalents was immaterial, as well as the identified impairment loss for the other financial assets subject to the expected credit loss model.

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

Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. Financial instruments included in Level 1 comprise shares of JAB Cosmetics B.V. as interim holding company for shares of Coty Inc. that are listed on the New York Stock Exchange (2017: 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, interest rate swaps and short-term financial investments (corporate debt securities in Coty Inc.). Specific valuation techniques used to value these financial instruments include

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

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., Pret Panera I G.P., Pret Panera III G.P, KK G.P., Labelux Group GmbH and corporate debt securities in Acorn Holdings B.V. (2017: JAB Forest B.V., Beech I G.P., Labelux Group GmbH and corporate debt securities in Acorn Holdings B.V.).

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information for financial assets and financial liabilities not measured at fair value. The issued long-term notes have a carrying amount of €5,952.1m (2017: €4,460.0m), the fair value is €6,089.4m (2017: €4,695.0m) 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 2018			
	Level 1 in €k	**Level 2** in €k	**Level 3** in €k	**Total** in €k
Financial assets at FVTPL				
Subsidiaries and other investments				
Listed equity investments	1,730,281	0	0	1,730,281
Unlisted equity investments	0	0	19,432,493	19,432,493
Non-current assets held-for-sale				
Unlisted equity investments	0	0	1,194,028	1,194,028
Corporate debt securities	0	0	852,224	852,224
Other receivables	0	767	0	767
Short-term financial investments	0	82,336	0	82,336
Total assets	**1,730,281**	**83,103**	**21,478,745**	**23,292,129**
Financial liabilities at FVTPL				
Interest rate contracts	0	37,261	0	37,261
Foreign exchange contracts	0	762	0	762
Total liabilities	**0**	**38,023**	**0**	**38,023**

	31 December 2017 restated			
	Level 1 in €k	**Level 2** in €k	**Level 3** in €k	**Total** in €k
Financial assets at FVTPL				
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	0	0	852,224	852,224
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 FVTPL				
Interest rate contracts	0	57,135	0	57,135
Total liabilities	**0**	**57,135**	**0**	**57,135**

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

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	**Other investments**	**Corporate debt securities**	**Non-current assets held-for-sale**
	Unlisted equity investments in €k	Unlisted equity investments in €k	Preferred shares in €k	Unlisted equity investments in €k
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
Change in fair value	1,011,054	-2,298	0	224,185
Balance as of 31 December 2017	**13,198,562**	**16,676**	**852,224**	**1,173,149**
Additions	3,736,851	17,218	0	25,650
Repayment share premium	-161,950	0	0	0
Change in fair value	2,624,096	1,040	0	-4,771
Balance as of 31 December 2018	**19,397,559**	**34,934**	**852,224**	**1,194,028**

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., Pret Panera I G.P., Pret Panera III G.P., KK G.P. 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:

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

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

As of 31 December 2018, the shares in JAB Forest B.V. were valued at €15,388.9m. The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

Acorn Holdings B.V.

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

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

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

- As of 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 31 December 2017, KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM multiples were used for the 2017 valuation of KGM: EBITDA multiple of 15.2x and P/E multiple of 23.8x.
- As of 31 December 2018 and 31 December 2017, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM multiples were used for the valuation of JDE: EBITDA multiple of 14.0x (2017: 15.2x) and P/E multiple of 20.9x (2017: 23.8x).

- As of 31 December 2018 and 31 December 2017, Peet's Coffee Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Peet's Coffee Group: EBITDA multiple of 15.7x (2017: 16.8x), P/E multiple of 24.6x (2017: 28.3x) and Sales multiple of 3.3x (2017: 4.0x). Peet's Coffee Group was held through Beech I G.P. as of 31 December 2017.
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

In 2017, JAB 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 and 31 December 2018. In the event certain subsidiaries of JAB Holdings B.V. are required to purchase the ordinary shares of any such non-controlling shareholder of Acorn Holdings B.V., then JAB Forest B.V. may be obliged to subscribe for ordinary shares. JAB Forest B.V. qualified these contingent payment obligations as financial instruments. As of 31 December 2018 and 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.

Reckitt Benckiser Group Plc.

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

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

The Company is invested in Pret Panera Holding Company Group through a 53.5% investment in Pret Panera I G.P. and 15.4% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

As of 31 December 2018, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €3,353.8m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger occurred in the second half of 2018. As of 31 December 2018, management assessed the original acquisition cost to be the best fair value estimate.
- As of 31 December 2018, Panera Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The investment in Panera Group occurred in the second half of 2017. As of 31 December 2017, management assessed the original acquisition cost to be the best fair value estimate.

- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.3x, P/E multiple of 25.0x and Sales multiple of 2.9x.
- As of 31 December 2018 and 31 December 2017, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 16.1x (2017: 15.8x), P/E multiple of 25.0x (2017: 28.1x) and Sales multiple of 1.8x (2017: 1.5x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.8x (2017: 16.3x), P/E multiple of 25.5x (2017: 25.5x) and Sales multiple of 2.5x (2017: 2.5x). Espresso House Group was held through JAB Forest B.V. as of 31 December 2017.
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

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

The Company is invested in Krispy Kreme Group through a 48.8% investment in KK G.P.

As of 31 December 2018, the shares in KK G.P. were valued at €654.8m. KK G.P.'s investment was valued as follows:

- As of 31 December 2018 and 31 December 2017, Krispy Kreme Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- The following LTM multiples were used for the valuation of Krispy Kreme Group's: EBITDA multiple of 16.9x (2017: 16.7x), P/E multiple of 24.4x (2017: 28.3x) and Sales multiple of 3.2x (2017: 3.2x). Krispy Kreme Group was held through Beech I G.P. as of 31 December 2017.
- The multiples applied to the LTM figures ending December 2018 and 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

Labelux Group GmbH

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

As of 31 December 2018, the shares in Labelux Group GmbH were valued at €1,194.0m.

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

Corporate debt securities Acorn Holdings B.V.

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

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

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 €1,082.2m (2017: €1,337.7m). As of 31 December 2018, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., Pret Panera I G.P., Pret Panera III G.P. and KK G.P. (2017: Acorn Holdings B.V., Beech I G.P. and JAB Coffee Holding B.V.).

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.

26.3 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 investment in debt securities, receivables from counterparties, and also from derivative financial assets, cash and cash equivalents and guarantees.

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

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 2018, there are no significant guarantees or other commitments and contingencies.

Exposure to credit risk

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

	note	Carrying amount **2018** in €k	Carrying amount **2017** in €k
Loans and receivables	7,10	35,322	54,424
Short-term financial investments	11	82,335	0
Cash and cash equivalents	12	1,093,420	673,761
		1,211,077	**728,185**

26.4 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 2018, 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 2017 and 31 December 2018, all covenants were complied with.

26.5 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.

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

	2018 in £k	**2018** in $k	**2017** in £k	**2017** in $k
Loans	0	38,890	0	64,984
Other receivables	0	1,175	0	278
Short-term financial investments	0	90,238	0	0
Cash and cash equivalents	86,496	335,082	6,558	82,430
Other current liabilities	-5	-250	0	0
Gross exposure statement of financial position	**86,491**	**465,135**	**6,558**	**147,691**
Forward exchange contracts	0	-20,600	-20,000	0
Net exposure	**86,491**	**444,535**	**-13,442**	**147,691**

The USD forward exchange contracts expire in March 2019 ($20.6m).

The following significant exchange rates applied during the year:

	Average rate **2018** 1 Euro	Average rate **2017** 1 Euro	Year-end rate **2018** 1 Euro	Year-end rate **2017** 1 Euro
USD	1.18	1.13	1.15	1.20
GBP	0.88	0.88	0.89	0.89

Sensitivity analysis

The sensitivity analyses below have been determined on the Company's exposure to currency risk for both, derivative and non-derivative, financial instruments at the end of the reporting period. A 10% increase or decrease represents management's assessment of the reasonably possible change in foreign exchange rates.

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

	Profit or loss **2018** in €k	Profit or loss **2017** in €k
USD	-38,824	-12,315
GBP	-9,669	1,515

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

Exposure to interest rate risk

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

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings, including exposures from potential transactions is limited. Interest rate risk exposure is managed by the Group by maintaining an appropriate mix between fixed and floating rate financial instruments and, if considered appropriate, by the use of interest rate swap contracts or other interest rate derivatives. Hedging activities are evaluated regularly to align with interest rate views and the Group's investment and risk policies. At the reporting date the Group has interest rate swap agreements with a nominal value of €1,400m (2017: €1,400m).

JAB Holdings B.V., Amsterdam

Profile

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

	Carrying amount **2018** in €k	Carrying amount **2017** in €k
Fixed rate instruments		
Financial assets	1,169,037	727,945
Financial liabilities	-6,741,170	-5,242,655
Floating rate instruments		
Financial assets	40,969	241
Financial liabilities	0	0

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

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

Fair value sensitivity analysis for fixed rate instruments

The Company has fixed rate financial assets (interest rate swaps) at FVTPL. The Company does not designate these derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. A decrease of 50 basis points in the market interest rate at the reporting date would have resulted in an additional loss of approximately €10.6m (2017: €17.8m 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 2018 would have resulted in an additional loss of approximately €0.2m (2017: loss of €0.0m). 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 **2018** in €k	Carrying amount **2017** in €k
Investments		
JAB Cosmetics B.V. (Coty)	1,730,281	4,749,261
Reckitt Benckiser Group Plc.	0	2,799,636
	1,730,281	**7,548,897**

Sensitivity analysis – equity price risk

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

If share prices had been 5% higher/lower, the result for the period ended 31 December 2018 would have increased/decreased by €86.2m as a result of changes in the fair value of the equity investments classified as at FVTPL (2017: €377.4m).

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

27. Employees and remuneration of Directors

The Company has two Directors, who received a remuneration of in total €89k (2017: €78k). The Company had two employees in 2018 (2017: two employees).

The Company has no Supervisory Directors.

28. Subsequent events

In January 2019, the Company has made €120m capital repayments to JAB Investments S.à r.l.

In February 2019, JAB Group announced commencement of a partial tender offer to acquire up to 150m additional shares of Coty Inc. Class A common stock at a price per share of $11.65 in cash. The offer is subject to certain conditions, including that the independent directors of Coty Inc. approve the offer and recommend that the Coty shareholders accept the offer. The new Coty shares would be held by a newly established subsidiary of JAB Group (Cottage Hold Co B.V., an indirect subsidiary of JAB Holdings B.V.). JAB Group would contribute all existing Coty shares to this entity. The acquisition of new shares is expected to be financed by bank facilities at Cottage Hold Co B.V. with no cash contribution or recourse of JAB Group.

In February 2019, it was announced that JAB Group together with JAB Consumer Fund will acquire Compassion-First Pet Hospitals, a family of well-known and respected specialty, emergency and general practice veterinary hospitals across the United States, based on a total enterprise valuation of approximately $1.2bn. The total equity contribution required to consummate the transaction will be finally allocated to JAB Group, JAB Consumer Fund, other investors and standalone debt. JAB Holdings B.V. is expected to make an equity contribution of not more than €0.3bn.

Amsterdam, 11 March 2019

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 2018 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 2018 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 2018 of JAB Holdings B.V. (the 'The Company') based in Amsterdam.

The financial statements comprise:

1 the statement of financial position as at 31 December 2018;

2 the following statements for 2018: the statement of profit or loss and other comprehensive income, changes in equity and cash flows; 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
— 4.0% of shareholders' equity

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

Opinion
— Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 700 million (2017: EUR 700 million). The materiality is determined with reference to shareholders' equity (4,0%), 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.

Audit scope in relation to fraud and laws and regulations

In accordance with the Dutch Standards on Auditing we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. In determining the audit procedures we will make use of the evaluation of management in relation to fraud risk management (prevention, detection and response), including ethical standards to create a culture of honesty.

In our process of identifying fraud risks we assessed fraud risk factors, which we discussed with the Board of Directors. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. We also assessed factors related to the risk of non-compliance with laws and regulations which could have a direct or indirect impact on the financial statements but our assessment did not result into a specific risk.

Based on the auditing standards we addressed the following presumed fraud risk that were relevant to our audit:

— Fraud risk in relation to management override of controls.

Our audit procedures included substantive audit procedures, including detailed testing of journal entries in non-routine transactions which included verification of source documentation.

We identified non-routine transactions based on, amongst others, balances which include significant management estimates, transactions identified based on specific characteristics such as high value journal entries without a clearly evident business purpose or processed by an unexpected official. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address the fraud risk did not result in findings to be included in this audit report.

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

Fair value measurement of unlisted equity investments and related disclosures

Description

The Company invests in various equity investments, which are carried at fair value in the statement of financial position. Of these assets, 45% is related to unlisted equity investments for which no published prices in active markets are available. Valuation techniques for these unlisted equity investments can be subjective in nature and involve various assumptions. The use of different valuation techniques and assumptions could produce significant different estimates of fair value. The 'Financial instruments - Fair Value and Risk Management' disclosure (Note 26) is complex and dependent on high quality data. Specific area of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which unobservable inputs are used.

Our response

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

- We assessed the appropriateness of the methodology and valuation models and inputs used by management to value unlisted equity investments based on IFRS 9, including the transitional impact per January 1, 2017, which has been adopted by the Company in 2018;
- We assessed and tested the controls over valuation of unlisted equity investments;
- We verified the ownership percentages in the investments based on the shareholders registers and legal documentation;
- We involved KPMG valuation specialists to re-perform the fair value calculation, verification of multiples used based on publicly available information, and independent verification of the market multiples derived from quoted prices of comparable public companies;
- We verified the accuracy of other inputs used in the valuation, such as the revenue/EBITDA/net income and normalisation adjustments by reconciling with underlying supporting source documentation and performing back testing to verify appropriateness of estimates used;

- We assessed and tested whether the Company's related disclosures including the disclosure of 'Financial instruments - Fair Value and Risk Management' in note 26 of the financial statements in relation to valuation sensitivity and fair value hierarchy are compliant with the relevant accounting standards.

Our observation

The results of our procedures performed for valuation of unlisted equity investments were satisfactory. The related disclosure (Note 26) is in accordance with EU-IFRS including the transitioning guidance for IFRS 9.

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; and

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

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

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is 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 re-engaged by the General Meeting of Shareholders as auditor of the 2018 financial statements of JAB Holdings B.V. on 26 June 2018 and are auditor as of the year 2008.

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, 11 March 2019

KPMG Accountants N.V.

L.A. Ekkels RA

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

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

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud 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.