JAB Holding Company S.à r.l.

Luxembourg

Consolidated Financial Statements

for the financial year ended 31 December 2014
(with the report of the Réviseur d'Enterprises agréé thereon)

5, rue Goethe, 1637 Luxembourg
B 164.586

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

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

Following our appointment by the Board of Managers, we have audited the accompanying consolidated financial statements of JAB Holding Company S.à r.l., which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of JAB Holding Company S.à r.l. as of December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

We draw your attention to the fact that the consolidated balance sheet as at 31 December 2013 and as at 31 December 2012, the consolidated comprehensive income, changes in equity and cash flows for the years then ended, or any of the related notes to the consolidated financial statements, have not been audited and, that we consequently do not express an opinion on them.

Luxembourg, March 13, 2015

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Frauke Oddone

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

Consolidated Balance Sheet as of 31 December 2014

	Note	2014/12/31	Not Audited 2013/12/31	Not Audited 2013/01/01
		in €m	in €m	in €m
ASSETS				
Subsidiaries	3.1	8,276.5	28.6	212.4
Other investments	3.2	5,274.7	6,432.4	4,973.8
Loans	3.3	1,258.0	1,038.4	919.5
Other assets	3.4	32.4	21.4	11.3
Cash and cash equivalents	3.5	77.3	12.2	321.6
Total assets		**14,918.9**	**7,533.0**	**6,438.6**
EQUITY AND LIABILITIES				
Total equity	3.6	**12,013.3**	**5,640.7**	**5,200.4**
Attributable to owners of the parent		12,013.3	5,640.7	5,200.4
Borrowings	3.9	1,493.1	860.0	500.0
Redeemable shares	3.7	684.9	564.6	458.7
Other liabilities	3.8, 3.10	727.6	467.7	279.6
Total liabilities		**2,905.6**	**1,892.3**	**1,238.2**
Total equity and liabilities		**14,918.9**	**7,533.0**	**6,438.6**

The notes on pages 9 to 52 are an integral part of these consolidated financial statements

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

	Note	2014 in €m	Not Audited 2013 in €m
Net gain / (loss) on subsidiaries and other investments	3.11	3,097.8	650.1
Dividend income	3.12	194.8	129.1
Finance income	3.13	56.8	52.1
Finance expenses	3.13	-217.6	-113.5
General and administrative expenses	3.14	-158.3	-242.1
Result before tax		**2,973.5**	**475.7**
Taxes on income	3.15	-0.8	0.0
Result for the period		**2,972.7**	**475.7**
Attributable to owners of the parent		2,972.7	475.7
Currency translation differences		-140.5	39.6
Other comprehensive income		**-140.5**	**39.6**
Total comprehensive income		**2,832.2**	**515.3**
Attributable to owners of the parent		2,832.2	515.3

The notes on pages 9 to 52 are an integral part of these consolidated financial statements

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

	Note	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
		in €m	in €m	in €m	in €m	in €m
Balance as of 1 January 2013 - not audited		**4.1**	**4,314.8**	**16.4**	**865.1**	**5,200.4**
Total income and expense recognised directly in equity		0.0	0.0	39.6	0.0	39.6
Result for the year		0.0	0.0	0.0	475.7	475.7
Total recognised income and expense		0.0	0.0	39.6	475.7	515.3
Repayment of share premium	3.6.1	0.0	-75.0	0.0	0.0	-75.0
Balance as of 31 December 2013 - not audited		**4.1**	**4,239.8**	**56.0**	**1,340.8**	**5,640.7**
Issue of share capital	3.6.1	2.5	3,782.5	0.0	0.0	3,785.0
Total income and expense recognised directly in equity		0.0	0.0	-140.5	0.0	-140.5
Result for the year		0.0	0.0	0.0	2,972.7	2,972.7
Total recognised income and expense		0.0	0.0	-140.5	2,972.7	2,832.2
Repayment of share premium	3.6.1	0.0	-244.6	0.0	0.0	-244.6
Balance as of 31 December 2014		**6.6**	**7,777.7**	**-84.5**	**4,313.5**	**12,013.3**

The notes on pages 9 to 52 are an integral part of these consolidated financial statements

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

Consolidated Cash Flow Statement for the year ended 31 December 2014

	Note	2014 in €m	not audited 2013 in €m
Cash flows from operating activities			
Result before tax		2,973.5	475.7
Finance expenses	3.13	217.6	113.5
(Net gain) / loss from change in fair value and sale of subsidiaries and other investments	3.11	-3,097.8	-650.1
Payments on acquisition of subsidiaries and other investments	3.1	-165.0	-915.0
Proceeds from sale of subsidiaries and other investments	3.1, 3.2	370.8	290.3
Adjustment for share-based payment transactions		134.6	226.6
Changes in other assets and liabilities from operating activities			
(Net increase) / decrease in loans	3.3	-218.9	-118.9
(Net increase) / decrease in other assets	3.4	-19.1	36.1
Net increase / (decrease) in other liabilities	3.10	3.1	-5.0
Other non-cash expenses / (income)		3.0	-0.2
Income taxes paid	3.15	-0.8	0.0
Net cash from / (used in) operating activities		**201.0**	**-547.0**
Cash flows from financing activities			
Contribution owners of the parent		87.0	0.0
Repayment of share premium to owners of the parent	3.6.1	-244.6	-75.0
Changes in borrowings	3.9	137.0	360.0
Financial expenses paid		-113.4	-59.2
Proceeds from issue of redeemable shares	3.7	7.9	19.2
Capital repayments on redeemable shares	3.7	-14.8	-7.6
Net cash from / (used in) financing activities		**-140.9**	**237.4**
Cash and cash equivalents at beginning of the year	3.5	**12.2**	**321.6**
Net cash from / (used in) operating activities		201.0	-547.0
Net cash from / (used in) financing activities		-140.9	237.4
Effect of exchange rate fluctuations on cash and cash equivalents		5.0	0.2
Cash and cash equivalents at end of the year	3.5	**77.3**	**12.2**

The notes on pages 9 to 52 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General information

JAB Holding Company S.à r.l. (formerly Joh. A. Benckiser S.à r.l.; the "Company") is a Company domiciled in Luxembourg. The address of the Company's registered office is 5, rue Goethe, 1637 Luxembourg. The Company's object is to act as a holding company and therefore the acquisition of participations. The Company is focused on generating superior returns from long-term investments in companies with premium brands and strong growth and margin dynamics.

The Company is formed for an unlimited period. As of 31 December 2014, the Company's main shareholder is Agnaten SE (formerly Parentes Holding SE), which is domiciled in Rooseveltplatz 4-5, 1090 Vienna, Austria.

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

The Group holds a number of strategic investments in controlled and non-controlled entities with the purpose to invest funds solely for returns from capital appreciation, investment income, or both. As of 31 December 2014 the Group is invested in the following significant subsidiaries and other investments:

Coty Inc., USA
Acorn Holdings B.V., the Netherlands
JAB Beech Inc., USA
JAB Luxury GmbH, Switzerland
Reckitt Benckiser Group Plc., UK
Indivior Plc., UK.

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

2. Accounting policies

2.1 Statement of compliance

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

These consolidated financial statements were authorised for issue by the board of directors on 12 March 2015.

2.2 Transition to IFRS

The Group has prepared its consolidated financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 *First-time adoption of International Financial Reporting Standards*. The date of transition is 1 January 2013.

The Group did not prepare consolidated financial statements for previous periods in accordance with other GAAP. IFRS 1 grants certain exemptions from the full requirements of IFRS in the transition period. The Group did not make use of any exemptions under IFRS 1.

2.3 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for the following material items:

- derivative financial instruments at fair value through profit or loss
- non-derivative financial instruments at fair value through profit or loss.

2.4 Contribution and merger of JAB Holdings II B.V.

In December 2011, the Company entered into a comprehensive agreement with Agnaten SE, Lucresca SE (formerly Donata Holding SE), an Advisory Committee and further investors. The agreement envisages a long-term support for Agnaten SE and Lucresca SE by the Advisory Committee to further develop the Group’s business. In January 2012, Agnaten SE contributed its JAB Holdings B.V. participation to the Company. The agreement provides for a service agreement and a long-term incentive plan for the Advisory Committee as well as capital contributions of the Advisory Committee and other investors.

In January 2014, Donata Holdings B.V. contributed its whole participation in JAB Holdings II B.V. to the Company in return for 3,461,551 of the ordinary shares in the Company. Subsequently, the Company contributed the JAB Holdings II B.V. participation via JAB Investments S.à r.l. to JAB Holdings B.V. and JAB Holdings II B.V. was merged into JAB Holdings B.V. The merger entered into effect on 21 January 2014 one day after the execution of the deed of the legal merger and JAB Holdings II B.V. was deregistered on 21 January 2014.

The contribution of the participation in JAB Holdings II B.V. was recognised at its fair value in the share premium. The assets and liabilities transferred to the Group upon the contribution were initially recognised at the fair value at the time of the contribution.

The transaction resulted in a significant increase of the asset base and equity of JAB Holdings B.V. Under IFRS the contribution of the JAB Holdings II B.V. participation and the subsequent merger were treated as an asset acquisition.

The valuation was in accordance with the fair value of the participation in JAB Holdings II B.V. at the time of the contribution and the fair value of the preferred shares of JAB Holdings II B.V. Upon completion of the merger, JAB Holdings II B.V. ceased to exist. All preferred shares of JAB Holdings II B.V. held by JAB Holdings B.V. were cancelled. The merger entered into effect on 21 January 2014 one day after the execution of the deed of the legal merger and JAB Holdings II B.V. was deregistered on 21 January 2014. The investment in the preferred shares was de-recognised.

2.5 Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

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

2.6 Consolidation

JAB Holding Company S.à r.l. is an investments entity in accordance with IFRS 10.27 and is required to apply the exception of consolidation and instead accounts for its investments in a subsidiary at fair value through profit and loss.

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

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

Company	**registered**	**shareholding in %**
JAB Holding Company S.à r.l.	Luxemburg	parent company
JAB Investments S.à r.l	Luxemburg	100.0%
JAB Holdings B.V.	the Netherlands	100.0%
JAB Cosmetics B.V.	the Netherlands	100.0%
JAB Forest B.V.	the Netherlands	100.0%
LABELUX Group GmbH	Austria	100.0%

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

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

Company	registered	shareholding in %
Coty Inc.	USA	75.8%
Acorn Holdings B.V.	the Netherlands	64.4%
JAB Beech Inc.	USA	77.1%
JAB Luxury GmbH	Switzerland	100.0%

The stated shareholding reflects the portion of shares held directly or indirectly by the Company in its consolidated and non-consolidated subsidiaries. It further reflects the Group's voting power in these subsidiaries with the exception of Coty Inc., where the proportion of voting rights amounts to approximately 96.9%. The investments' direct or indirect subsidiaries are included in the investments' consolidated financial statements.

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss. The parent's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

2.7 Foreign currency transactions

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

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

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

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

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

2.8 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. 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 Group.

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

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

2.9 Financial instruments

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognised in the balance sheet and measured in accordance with their assigned categories.

Financial assets and financial liabilities are recognised when a group becomes a party to the contractual provisions.

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

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

The Group meets the definition of an Investment Entity according to IFRS 10 and is required not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss and to measure substantially all of its other investments at fair value. Investment Entities do not need to measure its non-investment assets or its liabilities at fair value.

The Group therefore classifies substantially all of its investments in equity instruments and derivative instruments at fair value through profit or loss. These financial assets or financial liabilities (in the case of derivative instruments) are either held for trading or designated at fair value through profit and loss. Loans are carried at amortised cost as long as this is a reasonable approximate of fair values.

Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Purchases and sales of financial assets are accounted for at the settlement date.

Financial assets at fair value through profit or loss
Financial assets designated at fair value through profit or loss are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy. The Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group´s documented risk management and investment strategy on a fair value basis together with other relevant financial information.

Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are recognised in profit or loss.

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

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

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

The Group does not hold financial assets classified as available-for-sale or held-to-maturity.

Accounting for finance income and expenses is discussed in note 2.13.

Derivative financial instruments

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

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the measurement are recognised in profit and loss. The Group does not apply hedge accounting.

2.10 Impairment

Financial assets

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

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

Non-financial assets

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

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

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

2.11 Provisions

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

2.12 Dividend income

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

2.13 Finance income and expense

Finance income comprises interest income on funds invested, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bank fees, unwinding of the discount on provisions, dividends on redeemable shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, changes in the redemption amount of redeemable shares classified as liabilities, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Finance income and expenses includes foreign currency gains and losses which are reported on a net basis.

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

2.14 Corporate income tax

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

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

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

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

2.15 Share-based payment transactions

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

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

2.16 Balance Sheet

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

2.17 Preparation of the cash flow statement

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

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

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

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

2.18 Accounting policies and disclosures

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

New standards and interpretations not yet adopted by the Group

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments* (2014), which becomes mandatory for the Group's 2018 consolidated financial statements. IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, includes new requirements for hedge accounting and changes the current rules for impairment of financial assets. The Group does not plan to adopt these standards early and is currently assessing the impact of IFRS 9. The standard has yet to be endorsed by the EU.

3. Notes to the Consolidated Financial Statements

3.1 Subsidiaries

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

Subsidiaries	2014 %	2013 %	Result for the period	Equity	Consolidated financial statements as of
Coty Inc., USA	75.8	0.0	-64.2m$	843.8m$	30 June 2014 (US-GAAP)
Acorn Holdings B.V., Netherlands	64.4	0.0	-22.5m€	3,631.7m€	31 December 2013 (IFRS)
JAB Beech Inc., USA	77.1	0.0	-71.6m$	901.3m$	29 December 2013 (US-GAAP)
JAB Luxury GmbH, Switzerland	100.0	100.0	-137.0m€	-178.6m€	31 January 2014 (IFRS)

The movements in subsidiaries can be detailed as follows:

Subsidiaries	Coty Inc. in €m	Acorn Holdings B.V. in €m	JAB Beech Inc. in €m	JAB Luxury GmbH in €m	Total in €m
Balance as of 1 January 2013	0.0	0.0	0.0	212.4	212.4
Change in fair value	0.0	0.0	0.0	-183.8	-183.8
Balance as of 31 December 2013	**0.0**	**0.0**	**0.0**	**28.6**	**28.6**
Reclassification from other investments	0.0	915.0	0.0	0.0	915.0
Acquisition upon merger	2,940.0	1,775.5	592.9	0.0	5,308.4
Contributions and additions	0.0	3.0	0.0	162.0	165.0
Disposals	0.0	-320.8	-50.0	0.0	-370.8
Change in fair value	1,548.2	343.1	395.3	-56.2	2,230.3
Balance as of 31 December 2014	**4,488.2**	**2,715.8**	**938.1**	**134.4**	**8,276.5**

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

Coty Inc.
In January 2014, the Group acquired a majority shareholding in Coty Inc. upon the contribution of JAB Holdings II B.V. and the following merger of JAB Holdings II B.V. into JAB Holdings B.V.

Coty Inc. is a leading global beauty company and has a portfolio of well-known brands that compete in the three segments in which they operate: Fragrances, Color Cosmetics and Skin & Body Care. Coty Inc. is a listed company (New York Stock Exchange). As of 31 December 2014 the Group held 263,752,817 shares in Coty Inc. (2013: 0) with a fair value of €4,488.2m.

Acorn Holdings B.V.
In September 2013, the Group acquired shares in Acorn Holdings B.V. for an amount of €915m. Acorn Holdings B.V. is an indirect 100% shareholder of DE Master Blenders 1753 B.V., an international coffee and tea company. As of 31 December 2013 the Company held 24.8% of Acorn Holdings B.V.

In January 2014, the Group acquired further shares in Acorn Holdings B.V. upon the contribution of JAB Holdings II B.V. and the following merger of JAB Holdings II B.V. into JAB Holdings B.V. In the reporting period, the Group acquired further shares in Acorn Holdings B.V. for an amount of €3.0m and sold shares in Acorn Holdings B.V. for an amount of €300.0m to JAB Consumer Fund SICAR and for an amount of €20.8m to non-executive directors and management of Acorn Holdings B.V. Group. As of 31 December 2014 the Group holds approximately 64.4% in Acorn Holdings B.V. with a fair value of €2,715.8m.

JAB Beech Inc.
In January 2014, the Group acquired a majority shareholding in JAB Beech Inc. upon the contribution of JAB Holdings II B.V. and the following merger of JAB Holdings II B.V. into JAB Holdings B.V.

JAB Beech Inc. wholly owns Peet’s Coffee & Tea, Inc., which holds 94.97% in Peet’s Operating Company Inc., a specialty coffee roaster and marketer of fresh roasted whole bean coffee and tea. Furthermore, Peet’s Coffee & Tea, Inc. holds 95.16% of Caribou Coffee Company Inc., a leading branded coffee company in the United States. In August 2014, Peet’s Operating Company Inc. acquired a major stake in Mighty Leaf Tea, a high quality tea producer and marketer. In November 2014, Beech Leaf LLC, a 100% subsidiary of JAB Beech Inc., acquired all of the outstanding shares of common stock for Einstein Noah Restaurant Group Inc. Einstein Noah Restaurant Group Inc. is a leading company in the quick-casual segment of the restaurant industry.

In August 2014, the Group sold JAB Beech Inc. shares for an amount of €50.0m to JAB Consumer Fund SICAR. As of 31 December 2014 the Group holds approximately 77.1% in JAB Beech Inc. with a fair value of €938.1m.

JAB Luxury GmbH
The Group holds a 100% share in JAB Luxury GmbH. JAB Luxury GmbH operates in the luxury market with its brands Bally, Jimmy Choo, Belstaff and Zagliani. In 2014, the Group made contributions in cash to JAB Luxury GmbH in the amount of €162.0m. The fair value decreased by €56.2m compared to 2013.

All acquisitions were measured at fair value at the time of acquisition or contribution. After initial measurement all subsidiaries, investments in associates and other investments are subsequently measured at fair value through profit or loss.

3.2 Other investments

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

	2014	2013
Other investments	%	%
Reckitt Benckiser Group Plc., UK	10.7	10.7
Indivior Plc., UK	10.7	0.0
JAB Holdings II B.V., the Netherlands	0.0	22.3
Acorn Holdings B.V., the Netherlands	0.0	24.8

The movements in other investments can be detailed as follows:

Other investments	Reckitt Benckiser Group Plc.	Indivior Plc.	JAB Holdings II B.V.	Acorn Holdings B.V.	3G Fund II LP	Total
	in €m	in €m	in €m	in €m	in €m	in €m
Balance as of 1 January 2013	3,643.7	0.0	1,009.5	0.0	320.6	4,973.8
Aquisitions	0.0	0.0	0.0	915.0	0.0	915.0
Disposals	0.0	0.0	0.0	0.0	-290.3	-290.3
Change in fair value	763.5	0.0	100.7	0.0	-30.3	833.9
Balance as of 31 December 2013	**4,407.2**	**0.0**	**1,110.2**	**915.0**	**0.0**	**6,432.4**
Reclassification to subsidiaries	0.0	0.0	0.0	-915.0	0.0	-915.0
Cancellation upon merger	0.0	0.0	-1,110.2	0.0	0.0	-1,110.2
Demerger	-129.1	129.1	0.0	0.0	0.0	0.0
Change in fair value	849.6	17.9	0.0	0.0	0.0	867.5
Balance as of 31 December 2014	**5,127.7**	**147.0**	**0.0**	**0.0**	**0.0**	**5,274.7**

Reckitt Benckiser Group Plc.

The Group is a minority investor in Reckitt Benckiser Group Plc. with a share of approximately 10.7%. Reckitt Benckiser Group Plc. is a world leading manufacturer and marketer of branded products in health and personal care products and household cleaning. Reckitt Benckiser Group Plc. is a listed company (London Stock Exchange). The Group held 76,659,342 shares in Reckitt Benckiser Group Plc. (2013: 76,659,342). In 2013 and 2014 the number of shares held by the Group remained unchanged.

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

As of 31 December 2014 the fair value of Reckitt Benckiser Group Plc. amounts to €5,127.7m (2013: €4,407.2m) with a value per share of €66.89 (£52.10).

Indivior Plc.
In December 2014, Reckitt Benckiser Group Plc. completed the demerger of its specialty pharmaceuticals business Indivior Plc., with shares in the separate company trading on the London Stock Exchange. Reckitt Benckiser Group Plc. shareholders received one Indivior Plc. ordinary share for each Reckitt Benckiser Group Plc. ordinary share held.

As of 31 December 2014 the Group is a minority investor in Indivior Plc. with a share of approximately 10.7% and holds 76,659,342 shares in Indivior Plc. As of 31 December 2014 the fair value of Indivior Plc. amounts to €147.0m with a value per share of €1.91 (£1.49).

JAB Holdings II B.V.
In 2012, the Group subscribed 2.9 million preferred shares of the investment holding JAB Holdings II B.V. for an amount of €1,006.8m. Its portfolio included direct or indirect participations in Coty Inc., Acorn Holdings B.V. (DE Master Blenders 1753 B.V.) and JAB Beech Inc. (Peet's Coffee & Tea Inc. and Caribou Coffee Company Inc.). As of 31 December 2013 the Company held 22.3% of JAB Holdings II B.V.'s nominal capital with a fair value of €1,110.2m.

In 2014 Donata Holdings B.V. contributed 100% of JAB Holdings II B.V.'s ordinary shares to the Group. Following the contribution, JAB Holdings II B.V. was merged into JAB Holdings B.V. The preferred shares were cancelled upon the merger in January 2014 and the participation in JAB Holdings II B.V. was de-recognised.

3G Fund II LP
3G Fund II LP is an investment company that invests in US equities. In December 2013 the Group sold all shares in 3G Fund II LP for an amount of € 290.3m.

All acquisitions were measured at fair value at the time of acquisition. After initial measurement all subsidiaries, investments in associates and other investments are subsequently measured at fair value through profit or loss.

3.3 Loans

The movements in the loans were as follows:

	Beech Leaf LLC	JAB Beech Inc.	JAB Luxury GmbH (CH)	JAB Management	JAB Partners S.à r.l.	JAB Holding Company, LLC	JAB Holdings II B.V.	Agnaten SE	**Total**
	in €m	in €m	in €m	in €m	in €m	in €m	in €m	in €m	in €m
Balance as of 1 January 2013	0.0	0.0	868.0	13.5	0.0	0.0	2.1	36.0	919.5
Additions	0.0	0.0	129.7	36.8	1.5	0.0	235.3	-36.0	367.3
Repayments / disposals	0.0	0.0	-10.0	0.0	0.0	0.0	-237.4	0.0	-247.4
Translation Differences	0.0	0.0	0.0	-1.1	0.0	0.0	0.0	0.0	-1.1
Balance as of 31 December 2013	**0.0**	**0.0**	**987.7**	**49.2**	**1.5**	**0.0**	**0.0**	**0.0**	**1,038.4**
Additions	384.5	0.1	143.2	17.3	0.5	1.2	0.0	0.0	546.8
Repayments / disposals	0.0	0.0	-346.3	0.0	-0.3	0.0	0.0	0.0	-346.6
Loan offset against dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Translation Differences	12.1	0.0	0.0	7.3	0.0	0.0	0.0	0.0	19.4
Balance as of 31 December 2014	**396.6**	**0.1**	**784.5**	**73.8**	**1.7**	**1.2**	**0.0**	**0.0**	**1,258.0**

The current portion of the loans amounts to €473.4m (2013: €50.7m). The non-current portion amounts to €784.5m (2013: €987.7m).

In November 2014, the Group granted a short-term loan of $481.5m (€384.5m) to Beech Leaf LLC with a maturity in February 2015. As of 31 December 2014, outstanding loan receivable amounts to €396.6m (2013: €0m).

From 2010 to 2013 JAB Holdings B.V. granted a number of long-term loans to JAB Luxury GmbH, Caslano (former Labelux Group GmbH), a 100% subsidiary of Labelux Group GmbH, Vienna. As of 31 December 2013 the Group had outstanding loan receivables of €987.7m. All loans to JAB Luxury GmbH have been prolonged by a new loan agreement in 2014. In 2014 JAB Holdings B.V. provided additional loans to JAB Luxury GmbH in the amount of €143.2m. JAB Luxury GmbH paid back loans in the amount of €346.3m. The outstanding loans are not expected to be realised within twelve months and therefore are classified as non-current assets.

In 2012 and 2013, the Group’s management were granted loans in the course of a management participation plan with a volume of $68.5m (€49.2m) outstanding as of 31 December 2013. In July and September 2014, further loans with a total volume of $20.0m (€17.3m) were granted. As of 31 December 2014 short-term loans with a volume of $89.8m (€73.8m) were outstanding, including loans to directors in the amount of €17.1m (2013: €14.8m).

The Group granted short-term loans to JAB Partners S.à r.l., a related party to the Group. As of 31 December 2014 an amount of €1.7m (2013: €1.5m) is outstanding.

In October 2014, the Group granted a short-term loan to JAB Holding Company LLC, a related party to the Group. As of 31 December 2014 an amount of €1.2m (2013: €0m) is outstanding.

Interest rates for fixed rate receivables range from 2.0% to 5.2% (2013: 2.0% to 5.2%). Interest rates for variable rate receivables are based on Euribor plus a margin of 2.5% to 4.75% (2013: 4.65% to 4.75%).

3.4 Other assets

	31 December 2014 in €m	31 December 2013 in €m
Accrued interest	21.4	2.0
Prepayments	8.8	17.1
JAB Holding Company LLC	1.1	1.1
Other	1.1	1.2
Total	**32.4**	**21.4**

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

Other receivables JAB Holding Company LLC as of 31 December 2014 mainly relate to a service agreement with JAB Holding Company LLC.

The other receivables are classified as Loans and Receivables under IAS 39. The carrying value approximates the fair value. The other receivables are short-term. The receivables with JAB Holding Company LLC are typically settled quarterly throughout the year.

3.5 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2014 in the amount of €77.3m (2013: €12.2m) only include bank deposits available on demand.

3.6 Shareholder's equity

3.6.1 Share capital and share premium

The Company was formed by Agnaten SE with a share capital of $100,000 by the issue of 100,000 ordinary shares of $1.00 each. These shares were cancelled and upon further contributions a total of 5,342,200 Class A shares of nominal value of $1.00 and a share premium of $999.00 each were issued to Agnaten SE.

In January 2014, Donata Holdings B.V. contributed its whole participation in JAB Holdings II B.V. to the Company in return for Class A shares in the Company. Class A shares were increased to 8,800,200.

As of 31 December 2014 the Company's share capital and share premium recognised in equity consist of 8,800,200 Class A shares with a total nominal value of $8.8m (€6.7m, 2013: $5.3m, €4.1m) and a share premium of $10,038.2m (€7,777.7m; 2013: $5,235.5m, €4,239.8m).

At year-end issued capital comprises:

	31 December 2014		31 December 2013	
	Number	Nominal Value in $m	Number	Nominal Value in $m
Ordinary Class A shares	8,800,200	8.8	5,342,200	5.3
Ordinary Class B shares	398,292	0.4	394,963	0.4
Special Class S shares	682,310	0.7	666,665	0.7
Issued share capital	**9,880,802**	**9.9**	**6,403,828**	**6.4**

Class A Shares are recognised as equity, Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control. The redeemable shares have been classified as liabilities (see note 3.7).

In 2014 no dividend was paid to the Class A shareholders (2013: $0). Capital repayments out of the share premium in the amount of $332.9m (€244.6m; 2013: $101.3m, €75.0m) were made to shareholders of Class A shares.

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

3.6.2. Translation reserve

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

3.7 Redeemable shares

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

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

The redemption amount is determined based on valuation rules that have been contractually agreed with the shareholders. As of 31 December 2014 the redemption amount is calculated on the basis of the Company's direct and indirect investments. For prior reporting periods, the redemption amount was determined on the basis of a virtual pool including the Company's direct and indirect investments as well as the direct and indirect investments of JAB Holdings II B.V. In January 2014, JAB Holdings II B.V. was contributed to the Company and subsequently merged into the Company's indirect subsidiary JAB Holdings B.V. Therefore, substantially the calculation base remained comparable and the redemption amount has been determined consistently with prior years.

The redeemable shares are carried at €684.9m (2013: €564.6m), including shares held by the management in the amount of €584.2m (2013: €480.4m).

Shares with a redemption amount of €100.7m (2013: €84.2m) are redeemable from January 2017 on and presented as non-current liabilities. Shares with a redemption amount of €584.2m (2013: €480.4m) are redeemable in short-term, if specific criteria are met and presented as current liabilities. However, the Company does not expect that such criteria will be met in the short-term.

The right to put the shares will be suspended if the redemption would lead to a default under the financing agreements of JAB Holdings B.V.

In 2014, 3,329 redeemable ordinary shares (2013: 49,260 redeemable ordinary shares) of different classes and 15,645 redeemable special shares (2013: 0 redeemable special shares) (five special shares matching one ordinary share) with a nominal value of $1.0 each and fully contributed share premium of $10.4m (€7.9m; 2013: $73.5m, €62.6m) were issued. Additionally, outstanding share premiums of $0.0m were contributed in 2014 (2013: $9.7m; €7.3m).

In 2014, no dividend was paid to Class B and special Class S shareholders out of retained earnings (2013: €0). Capital repayments to these shareholders in the amount of €14.8m were made during 2014 (2013: €8.7m).

3.8 Share-based payments

3.8.1 Share Purchase Agreements

The Company has share purchase agreements with the members of the Advisory Committee as well as with members of its management team and executives and senior managers of the Company and its affiliates. The shares contain put features to sell shares back to the Company for cash. As such the shares are recorded as a liability at potential redemption amount (see note 3.7).

During the year 3,329 ordinary shares (2013: 35,963 ordinary shares) and 15,645 special shares (five special shares matching one ordinary share) (2013: 0 special shares) with a nominal value of $1.0 each and a total share premium of $10.4m (2013: $53.5m), thereof contributed $10.4m (2013: $53.5m) and outstanding $0.0m (2013: $0.0m) were issued under these share purchase agreements. Additionally, outstanding share premiums of $0.0m were contributed in 2014 (2013: $9.7m). The average issue price (for one ordinary share or five special shares) was $1,598 (2013: $1,488).

Members of the Company's management team and executives and senior managers of the Company and its affiliates were granted boni for the subscription of shares in the Company. The boni were paid by set-off against the obligation to pay a corresponding number of 9,387 (2013: 8,553) shares subscribed. The Company qualified this transaction as share-based-payment under IFRS 2. It's fair value corresponds to the value of the share of $1,598 per share (2013: $1,501 per share). The bonus shares are without performance conditions and have a cliff vesting after 5 years with the compensation expense recognised during the vesting year. The shares contain put features to sell shares back to the Company for cash. As such the vested shares are recorded as a liability at the potential redemption price as of 31 December 2014.

The expense recognised arising from share-purchase agreements during the year was $3.0m (€2.3m; 2013: $2.9m, €2.2m).

3.8.2 Share-option schemes

The Company has share option schemes for the members of the Advisory Committee as well as members of its management team and executives and senior managers of the Company and its affiliates. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The exercise of an option will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V.

All options related to share based compensation plans were granted at the redemption amount of the underlying shares (see note 3.7).

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

Options granted	Number of Options	Vesting Conditions	Contractual Life of Options
2012	1,160,000	Graded vesting over vesting period of five service years (annual installments) from grant date	10 years
2012	82,110	Vesting after 5 years' service from grant date	10 years
2013	40,000	Graded vesting over vesting period of five service years (annual installments) from grant date	10 years
2013	67,890	Vesting after 5 years' service from grant date	10 years
2014	19,374	Vesting after 5 years' service from grant date	10 years
Total number of Options	1,369,374		

The carrying amount of the liability relating to the share option schemes as of 31 December 2014 is $746.0m (€614.4m; 2013: $568.8m, €412.4m). No options had vested as of 31 December 2014 (2013: 0). The expense recognised for the period arising from the share-option schemes during the year was $177.2m (€133.4m; 2013: $298.0m, €224.4m).

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, and market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural assumptions regarding beneficiaries. The expected life of the options is based on management's assumptions and is below the contractual life. The expected volatility is based on a peer group analysis using historical information, which may also not necessarily be the actual outcome.

The share-option schemes are denominated in $. The following table lists the weighted average inputs to the model used for the share option schemes granted for the year ended 31 December 2014:

	2014	2013
Dividend yield (%)	0.70 %	0.70 %
Expected volatility (%)	30.00 %	30.00 %
Risk-free interest rate (%)	2.28 %	2.49 %
Expected life of options (years)	7.50 years	7.50 years
Exercise price ($)	1,598	1,488
Share price ($)	1,598	1,488

The weighted average fair value of options granted during the year was $544 (2013: $537).

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

	Number of options 2014	Weighted average exercise price 2014 in $	Number of options 2013	Weighted average exercise price 2013 in $
Balance at beginning of year (outstanding)	1,350,000	1,050	1,242,110	1,012
Granted during the year	19,374	1,598	107,890	1,488
Forfeited during the year	0	0	0	0
Exercised during the year	0	0	0	0
Balance at end of year (outstanding)	1,369,374	1,058	1,350,000	1,050
Exercisable at end of year	0	0	0	0

No share options were exercised during the year. There have been no cancellations or modifications to any share option schemes during the year.

The range of exercise prices for options outstanding at the end of the year was $1,000.00 to $1,598.00 (2013: $1,000.00 to $1,501.00). The weighted average remaining contractual life was 7.20 years (2013: 8.17 years).

3.9 Borrowings

	Credit Facilities Bank Consortium in €m	Term loans in €m	Notes in €m	**Total** in €m
Balance as of 1 January 2013	0.0	500.0	0.0	500.0
Additions / Repayments	360.0	0.0	0.0	360.0
Balance as of 31 December 2013	**360.0**	**500.0**	**0.0**	**860.0**
Additions upon merger	0.0	500.0	0.0	500.0
Additions / Repayments	-360.0	-250.0	743.1	133.1
Amortisation disagio and fees	0.0	0.0	0.1	0.1
Balance as of 31 December 2014	**0.0**	**750.0**	**743.1**	**1,493.1**
thereof current liability	0.0	0.0	0.0	0.0
thereof non-current liability	0.0	750.0	743.1	1,493.1

As of 31 December 2013, the Group had outstanding long term loans in the amount of €500.0m and outstanding credit facilities from a bank consortium in the amount of €360.0m.

As of 31 December 2014, the outstanding term loans amount to €750.0m. Thereof €500.0m have a maturity in November 2016 and €250.0m in November 2018. As of 31 December 2014, the Group has no outstanding amounts under its credit facilities.

In November 2014, the Group issued long term notes in the aggregate principal amount of €750.0m. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. As of 31 December 2014, the carrying value of the notes is €743.1m, with a maturity in November 2021.

The Group enters into interest swap agreements to manage its interest rate risk exposures, including exposures from potential transactions. The swap agreements do not qualify for hedge accounting.

In July 2011, the Group entered into interest rate swap agreements having total notional amounts of €400.0m with a maturity in June 2018. In December 2014, JAB Holdings B.V. closed-out these agreements.

In August 2010 and September 2010, JAB Holdings B.V. entered into additional interest rate swap agreements having total nominal amounts of €83.5m, of which €68.0m matured on 16 June 2014, and €15.5m had a maturity in 16 June 2016. In December 2014, JAB Holdings B.V. closed-out these agreements.

In July 2013, August 2013 and September 2013, JAB Holdings B.V. entered into interest rate swap agreements having total nominal amounts of €1,400.0m, with a maturity in June 2020. These agreements fix the interest rate exposure at approximately between 1.4 % and 1.8 % plus applicable borrowing margins.

The fair value of an interest rate swap is the amount that the Group would receive or pay to terminate the swap agreement. The approximate cost to terminate the Group's swap agreements at 31 December 2014 would have been €89.1m loss (2013: €34.8m loss). The agreements were not held for trading purposes and the Group had no current intention to terminate any swap agreements prior to maturity.

Interest rates for fixed rate financial liabilities range from 1.5% to 1.75% p.a (2013: 1.75% p.a.). Interest rates for floating rate financial liabilities are based on Euribor plus a margin of 1.75% to 2.00% (2013: Euribor plus a margin of 2.0% to 2.5%).

3.10 Other liabilities

	31 December 2014 in €m	31 December 2013 in €m
Share-based transactions	614.4	412.4
Derivatives	107.6	37.2
Liability bank fees	0.0	12.8
Trade and other payables	5.6	5.3
Total	**727.6**	**467.7**
Thereof current	113.2	55.3
Thereof non-current	614.4	412.4

An analysis of share-based transaction accrual and share-option schemes is provided in note 3.8.2.

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

The liability for bank fees at 31 December 2013 related to fees for bank facilities and has been paid in January 2014.

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

3.11 Net gain / (loss) on subsidiaries and other investments

	2014 in €m	2013 in €m
Net gain / (loss) on subsidiaries (at fair value through profit and loss)		
Coty Inc.	1,548.2	0.0
Acorn Holdings B.V.	343.1	0.0
JAB Beech Inc.	395.3	0.0
JAB Luxury GmbH	-56.2	-183.8
Net gain / (loss) on other investments (at fair value through profit and loss)		
Reckitt Benckiser Group Plc.	849.6	763.5
Indivior Plc.	17.9	0.0
3G Fund II LP	0.0	-30.3
JAB Holdings II B.V.	0.0	100.7
Total	**3,097.8**	**650.1**

3.12 Dividend income

In 2014 the Group received dividend income from the following investments, designated at fair value through profit or loss:

	2014 in €m	2013 in €m
Coty Inc.	41.6	0.0
JAB Beech Inc.	28.4	0.0
Reckitt Benckiser Group Plc.	124.3	125.8
3G Fund II LP	0.5	3.3
Total	**194.8**	**129.1**

3.13 Finance income and expense

Finance income can be specified as follows:

	2014 in €m	2013 in €m
Interest income	50.9	48.6
Net foreign exchange gain	5.4	3.1
Other	0.5	0.4
Total	**56.8**	**52.1**

Finance expenses can be specified as follows:

	2014 in €m	2013 in €m
Interest expense on financial liabilities	-62.2	-37.8
Change in redemption amount of redeemable shares	-45.9	-79.0
Bank fees	-14.9	-13.1
Valuation of derivatives	-94.6	16.4
Total	**-217.6**	**-113.5**

3.14 General and administrative expenses

General and administrative expenses can be detailed as follows:

	2014 in €m	2013 in €m
Salary and personnel related expenses	-1.4	-1.5
Service fees	-150.9	-236.8
Legal, tax, audit and consultancy fees	-4.3	-2.7
Others	-1.7	-1.1
Total	**-158.3**	**-242.1**

The Group's audit fees for the financial period amount to €102k.

Service and other fees include expenses for share-based payment transactions in the amount of €135.6m (2013: €226.5m).

3.15 Taxes on income

The Group has a net loss carry-forward amounting to approximately €328.1m (2013: €209.9m). A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

Taxes on income in the amount of €0.8m (2013: €0) relate to withholding taxes.

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

	Note	2014 in €m	2013 in €m
Accounting profit / (loss) for the period		2.972,7	475,7
Dividend income		-194,8	-129,1
Tax exempt capital gains from investments		-3.154,3	-833,9
Non-deductible capital losses from investments		56,5	183,8
Other adjustments		216,2	237,4
Taxable profit / (loss) for the period		**-103,7**	**-66,1**
Tax losses carry-forward as of 1 January		-209,9	-152,5
Adjustment due to contribution of JAB Holdings II B.V. and translation differences		-14,5	8,7
Tax losses carry-forward as of 31 December		**-328,1**	**-209,9**

Other adjustments mainly include changes in the value of redeemable shares in the amount of €46m and accrual for options in the amount of €133m.

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

3.16 Related parties

3.16.1 Agnaten SE

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

3.16.2 Donata Holdings B.V.

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

3.16.3 Lucresca SE and affiliated companies

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

3.16.4 JAB Consumer Fund SICAR

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

3.16.5 Benckiser Stiftung Zukunft

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

3.16.6 Benckiser Besitz und Service GmbH

This entity is a subsidiary of Benckiser Stiftung Zukunft.

3.16.7 Management

The Group and its investments are managed by an Advisory Committee and further management including executives and senior managers of the Company and its affiliates. The Company’s agreements with management comprise agreements on base remunerations, share-based payments as well as management’s investment in the Company. Expenses for management’s compensation amount to €144.3m (2013: €235.0m), thereof €135.6m (2013: €226.5m) with regard to share-based payment transactions.

3.16.8 Non-consolidated subsidiaries

The Group holds 75.77% of Coty Inc, a leading global beauty company with a portfolio of well-known brands that compete in the three segments in which they operate: Fragrances, Color Cosmetics and Skin & Body Care. Coty Inc. is a listed company (New York Stock Exchange).

The Group holds 64.35% of Acorn Holdings B.V. This entity is 100% shareholder of a further interim holding company (Acorn B.V.) with an 100% investment in DE Master Blenders 1753 B.V.

The Group holds 77.05% of JAB Beech Inc. This entity is direct shareholder of further interim holding companies (Peet's Coffee & Tea, Inc. and Beech Leaf LLC) and their investments (Caribou Coffee Company Inc., Peet's Operating Company Inc., Einstein Noah Restaurant Group Inc.). The total interest income from a loan that was provided to Beech Leaf LLC amounts to €2.3m (2013: €0.0m).

The Group is 100% shareholder of JAB Luxury GmbH, Caslano. JAB Luxury GmbH is a holding company and manages a portfolio of luxury brands. The total interest income from JAB Luxury GmbH amounts to €47.4m (2013: €45.6m).

3.16.9 Employees

During the year the Company had two Managing Directors who received salaries of in total €0.4m (2013: €0.4m). The Group had on average seven employees in 2014 (2013: seven employees).

3.17 Contingent liabilities

As of 31 December 2014 the Group provides no guarantees for third parties.

4. Financial instruments – Fair Value and Risk Management

4.1 Capital Management

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

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

As of 31 December 2014 equity amounts to €12,013.3m (2013: €5,640.7m) and liabilities amount to €2,905.6m (2013: €1,892.3m).

The Group is not subject to externally imposed capital requirements.

4.2 Financial instruments and fair value hierarchy

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

	31 December 2014			31 December 2013		
	Loans and Receivables in €m	Financial assets at fair value through profit and loss in €m	Total in €m	Loans and Receivables in €m	Financial assets at fair value through profit and loss in €m	Total in €m
Assets as per balance sheet						
Subsidiaries	0.0	8,276.5	8,276.5	0.0	28.6	28.6
Other investments	0.0	5,274.7	5,274.7	0.0	6,432.4	6,432.4
Loans	1,258.0	0.0	1,258.0	1,038.4	0.0	1,038.4
Other Receivables	32.4	0.0	32.4	21.4	0.0	21.4
Cash and cash equivalents	77.3	0.0	77.3	12.2	0.0	12.2
Total	**1,367.7**	**13,551.2**	**14,918.9**	**1,072.2**	**6,461.0**	**7,533.0**

	31 December 2014				31 December 2013			
	Financial liabilities at amortised cost in €m	Financial liabilities at fair value through profit and loss in €m	Redeemable shares in €m	Total in €m	Financial liabilities at amortised cost in €m	Financial liabilities at fair value through profit and loss in €m	Redeemable shares in €m	Total in €m
Liabilities as per balance sheet								
Borrowings	1,493.1	0.0	0.0	1,493.1	860.0	0.0	0.0	860.0
Redeemable shares	0.0	0.0	684.9	684.9	0.0	0.0	564.6	564.6
Other liabilities	5.5	107.6	0.0	113.1	18.1	37.2	0.0	55.3
Total	**1,498.6**	**107.6**	**684.9**	**2,291.1**	**878.1**	**37.2**	**564.6**	**1,479.9**

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

Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

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

The following table analyses financial instruments carried at fair value by valuation technique. It does not include fair value information of financial assets and liabilities not measured at fair value. The issued long term notes have a carrying amount of €743.1m, the fair value is approximated by its nominal value of €750.0m. For all other financial assets and liabilities the carrying amounts are a reasonable approximate of fair values.

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	in €m	in €m	in €m	in €m
Financial assets at fair value through profit or loss				
Subsidiaries and other investments				
Listed equity investments	9,762.9	0.0	0.0	9,762.9
Unlisted equity investments	0.0	0.0	3,788.3	3,788.3
Total financial assets	**9,762.9**	**0.0**	**3,788.3**	**13,551.2**
Redeemable shares				
Redeemable shares	0.0	0.0	684.9	684.9
Financial Liabilities at fair value through profit or loss				
Interest rate contracts	0.0	89.1	0.0	89.1
Foreign exchange contracts	0.0	18.5	0.0	18.5
Total financial liabilities	**0.0**	**107.6**	**684.9**	**792.5**

	31 December 2013 Level 1 in €m	Level 2 in €m	Level 3 in €m	Total in €m
Financial assets at fair value through profit or loss				
Subsidiaries and other investments				
Listed equity investments	4,407.2	0.0	0.0	4,407.2
Unlisted equity investments	0.0	0.0	2,053.8	2,053.8
Total financial assets	**4,407.2**	**0.0**	**2,053.8**	**6,461.0**
Redeemable shares				
Redeemable shares	0.0	0.0	564.6	564.6
Financial Liabilities at fair value through profit or loss				
Interest rate contracts	0.0	34.8	0.0	34.8
Foreign exchange contracts	0.0	2.4	0.0	2.4
Total financial liabilities	**0.0**	**37.2**	**564.6**	**601.8**

There were no transfers between level 1 and 2 during the year.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

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

	Subsidiaries Unlisted equity investments 2014 in €m	2013 in €m	Other investments Unlisted equity investments 2014 in €m	2013 in €m
Balance as of 1 January	28.6	212.4	2,025.2	1,009.5
Reclassification	915.0	0.0	-915.0	0.0
Acquisition	3.0	0.0	0.0	915.0
Contributions	162.0	0.0	0.0	0.0
Disposals	-370.8	0.0	0.0	0.0
Cancellation upon merger	0.0	0.0	-1,110.2	0.0
Acquisition upon merger	2,368.4	0.0	0.0	0.0
Fair value adjustment	682.2	-183.8	0.0	100.7
Balance as of 31 December	**3,788.3**	**28.6**	**0.0**	**2,025.2**

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

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

Subsidiaries categorised in Level 3

The Group's investments include equity participations in Acorn Holdings B.V., JAB Beech Inc., and JAB Luxury GmbH, which are not quoted in active markets. The Group 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 estimates were, if appropriate, adjusted for the effects of illiquidity of the equity investments.

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

Acorn Holdings B.V.

The Group holds 64.35% of Acorn Holdings B.V., Netherlands. This entity is a holding company and 100% shareholder of a further interim holding company (Acorn B.V.) with a 100% investment in DE Master Blenders 1753 B.V. DE Master Blenders 1753 B.V. is an international coffee and tea company.

As of 31 December 2014 the shares in Acorn Holdings B.V. were valued at €2,715.8m. A fair value adjustment of €343.1m was recognised in profit and loss.

The investments' fair value was calculated applying the following multiples:
- EBITDA multiple of 14.4 (based on expected EBITDA 2014) with a weight of 50%;
- net income multiple of 23.7 (based on expected net income 2014) with a weight of 50%.

The multiples were derived from selected publicly listed companies. Adjustments between the enterprise value and the equity value included financial debt and preferred instruments of Acorn Holdings B.V.

As of 31 December 2013 the Group held 24.8% of the shares of Acorn Holdings B.V. for an amount of €915.0m. The acquisition took place in September 2013 and Management assessed the original acquisition cost to be the best fair value estimate for Acorn Holdings B.V., as of 31 December 2013.

JAB Beech Inc.

The Group holds 77.05% of JAB Beech Inc. This entity is a direct shareholder of further interim holding companies (Peet's Coffee & Tea, Inc. and Beech Leaf LLC) and their investments (Caribou Coffee Company Inc., Peet's Operating Company Inc., Einstein Noah Restaurant Group Inc.).

As of 31 December 2014 the shares in JAB Beech Inc. were valued at €938.1m. A fair value adjustment of €395.3m was recognised in profit and loss.

The investments' fair value was calculated applying the following multiples:

- EBITDA multiples ranged from 16.4 to 17.4 with a weight of 40%;
- net income multiples ranged from 31.1 to 32.5 with a weight of 40%;
- sales multiples ranged from 4.0 to 4.1 with a weight of 20%.

The calculation was based on the figures for the last twelve months ending December 2014. The multiples were derived from selected publicly listed companies and weighted equally. Adjustments between the enterprise value and the equity value were made for financial debt. Illiquidity discount was estimated at 5%. Einstein Noah Restaurant Group Inc., which was acquired in November 2014, was not valued applying a valuation technique, instead Management assessed the original acquisition cost to be the best fair value estimate as of 31 December 2014.

JAB Luxury GmbH

The Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a holding company and manages a portfolio of luxury brands. The company holds and administers the shares in its subsidiaries which mainly manufacture and sell luxury footwear, ready to wear men's and women's fashion.

As of 31 December 2014 the subsidiary was valued at €134.4m. A fair value adjustment of €-56.2m (2013: €-183.8m) was recognised in profit and loss.

The investment's fair value was calculated as the net asset value of JAB Luxury GmbH's different businesses and considering JAB Luxury GmbH's financial debt. In the reporting period one of JAB Luxury GmbH's subsidiaries (Jimmy Choo Plc.) became publicly traded in an active stock market and therefore valuation method for this subsidiary changed to its market valuation. Valuation models based on multiples were applied for the rest of JAB Luxury GmbH. Management reassesses the appropriate multiples regularly. As of 31 December 2014 valuation was based on revenue multiples. Revenue multiples ranged from 0.90 to 1.03 based on the expected revenues 2014. Illiquidity discount was estimated at 5%.

Valuation models were changed in comparison to the previous period. The unobservable inputs cannot be compared with the valuation as of 31 December 2013, since the valuation model also included Jimmy Choo Plc., which is not part of the multiple valuation as of 31 December 2014.

As of 31 December 2013 different multiples, including EBITDA multiples and revenue multiples, were used for valuation. As of 31 December 2013 revenue multiples ranged from 2.6 to 3.2 based on the expected revenues for 2013 and from 2.4 to 2.9 based on the expected revenues for 2014. EBITDA multiples ranged from 9.2 to 18.5 based on the expected EBITDA for 2013 and from 8.6 to 16.0 based on the expected EBITDA for 2014. Illiquidity discount was estimated at 15%.

Sensitivity 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 €491.5m.

Other investments categorised in Level 3

As of 31 December 2014 the Group does not hold other investments categorised in Level 3. As of 31 December 2013 the Group held 22.3% of JAB Holdings II B.V.'s nominal capital. JAB Holdings II B.V. was merged into JAB Holdings B.V. in the reporting period. The entity was an investment and financing company with a diversified investment portfolio. JAB Holdings II B.V.'s investments included direct or indirect participations in Coty Inc., DE Masters Blender 1753 N.V. and further companies. As of 31 December 2013 the fair value was determined by using valuation techniques and adjusted for preferred shares' conditions. The valuation accounted for JAB Holdings II B.V.'s objective to act as a holding and finance company and was based on its investments, other assets and liabilities. JAB Holdings II B.V.'s fair value was estimated as its net asset value and was calculated as the total fair value of its assets and liabilities. JAB Holdings II B.V.'s portfolio included assets that were traded on a securities exchange (level 1) as well as assets that were valued by valuation techniques (level 2 and level 3).

Redeemable shares

The following table shows the movements of redeemable shares.

	Other liabilities - Redeemable shares	
	2014	2013
	in €m	in €m
Balance as of 1 January	564,6	458,7
Capital Increase	9,1	60,4
Capital Repayment	-14,8	-8,7
Change in Fair Value	45,9	79,0
Exchange rate differences	80,1	-24,8
Balance as of 31 December	**684,9**	**564,6**

The Company recorded its own shares containing put features as liability at the potential redemption amount, which is based on valuation rules that have been contractually agreed with the shareholders.

4.3 Overview of financial risk factors

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

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

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

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

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

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

4.4 Concentration risk

As of 31 December 2014 the Group's holding in Coty Inc., Acorn Holdings B.V. and Reckitt Benckiser Group Plc. represented 82.7% of the gross asset value of the Group's assets. Other assets such as JAB Beech Inc., JAB Luxury GmbH, including loans to these investments, and Indivior Plc. represented 17.3% of the gross asset value of the Group's assets. Hence, there is a concentration risk within the portfolio whereby a loss affecting a single investment may have a significant negative impact on the overall performance of the Group.

4.5 Credit risk

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

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

Cash at bank
The Group's cash is 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 Group.

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The table below contains the carrying amounts and their due dates as of 31 December 2014 and 31 December 2013.

		Carrying amount			
		Due	**Less than 1 year**	**1 to 5 years**	**Total**
31 December 2014	Note	in €m	in €m	in €m	in €m
Loans	3.3	0.0	1,258.0	0.0	**1,258.0**
Other assets	3.4	0.0	26.4	6.0	**32.4**
Cash and cash equivalents	3.5	77.3	0.0	0.0	**77.3**
		77.3	**1,284.4**	**6.0**	**1,367.7**

		Carrying amount			
		Due	**Less than 1 year**	**1 to 5 years**	**Total**
31 December 2013	Note	in €m	in €m	in €m	in €m
Loans	3.3	0.0	1,038.4	0.0	**1,038.4**
Other assets	3.4	0.0	8.6	12.8	**21.4**
Cash and cash equivalents	3.5	12.2	0.0	0.0	**12.2**
		12.2	**1,047.0**	**12.8**	**1,072.0**

In respect of the financial assets shown, no impairments were recognised and no financial assets were past due as of 31 December 2013 and 2014. Outstanding loans to JAB Luxury GmbH in the amount of €784.5m with a maturity of less than one year are not expected to be realised within twelve months.

4.6 Liquidity risk

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

The Group's strategy as well as the management's approach in managing liquidity risk is to ensure sufficient cash on demand, including cash from related parties. The management monitors the planning of liquidity reserves and cash flows and coordinates the due dates of financial assets and liabilities. As of 31 December 2014 the Group has unused term loans and credit facilities, which reduce liquidity risk.

The Group'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 2013 and 31 December 2014 all covenants were complied with.

The table below contains the due dates of the carrying amounts as of 31 December 2014 and 31 December 2013.

31 December 2014	Note	due in €m	Less than 1 year in €m	1 to 5 years in €m	More than 5 years in €m	Total carrying amount in €m
Non-derivative liabilities						
Borrowings	3.9	0.0	0.0	750.0	743.1	**1,493.1**
Redeemable shares	3.7	0.0	584.2	100.7	0.0	**684.9**
Other liabilities	3.10	0.0	5.5	0.0	0.0	**5.5**
		0.0	**589.7**	**850.7**	**743.1**	**2,183.5**
Derivatives	3.10	**0.0**	**107.6**	**0.0**	**0.0**	**107.6**

31 December 2013		due in €m	Less than 1 year in €m	1 to 5 years in €m	More than 5 years in €m	Total carrying amount in €m
Non-derivative liabilities						
Borrowings	3.9	0.0	0.0	860.0	0.0	**860.0**
Redeemable shares	3.7	0.0	480.4	84.2	0.0	**564.6**
Other liabilities	3.10	0.0	18.1	0.0	0.0	**18.1**
		0.0	**498.5**	**944.2**	**0.0**	**1,442.7**
Derivatives	3.10	**0.0**	**37.2**	**0.0**	**0.0**	**37.2**

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

4.7 Market risk

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

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

Foreign exchange risks

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

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

In November 2014, the Group entered into forward currency sales of $370.0m (€304.8m) with a maturity in January 2015 to reduce the foreign currency risk regarding the short-term USD loan to Beech Leaf LLC. Further the Group entered into GBP forward exchange contracts with regard to its investment in Reckitt Benckiser Group Plc. The GBP forward exchange contracts expire in 2015 (€106.0m) and 2016 (€10.0m). These forward currency sales do not qualify for hedge accounting.

The Group’s exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2014		31 December 2013	
	in £m	in $m	in £m	in $m
Loans	0.0	571.3	0.0	67.9
Other receivables	0.0	3.3	0.0	0.7
Cash and cash equivalents	0.0	60.8	0.0	13.1
Gross balance sheet exposure	0.0	635.3	0.0	81.7
Forward exchange contracts	-116.0	-370.0	-165.3	0.0
Net exposure	**-116.0**	**265.3**	**-165.3**	**81.7**

The following significant exchange rates applied during the year:

	Average Rate		Year-end rate	
	2014	**2013**	**2014**	**2013**
	1 Euro	1 Euro	1 Euro	1 Euro
USD	1.33	1.33	1.21	1.38
GBP	0.81	0.85	0.78	0.83

Sensitivity analysis

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

A 10 % strengthening (weakening) of the Euro against the USD at 31 December would have decreased (increased) profit or loss by €21.9m (2013: €5.9m). A strengthening (weakening) of the Euro against the USD at reporting date would not have affected other comprehensive income.

A 10 % strengthening (weakening) of the Euro against the GBP at 31 December would have increased (decreased) profit or loss by €14.9m (2013: €19.9m). A strengthening (weakening) of the Euro against the GBP at reporting date would not have affected other comprehensive income.

Exposure to interest rate risk

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

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings, including exposures from potential transactions is limited. Interest rate risk exposure is managed by 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 notional value of €1,400.0m (2013: €1,883.5m).

Profile

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

	31 December 2014 in €m	31 December 2013 in €m
Fixed rate instruments		
Financial assets	748.3	324.2
Borrowings	-743.1	0.0
Floating rate instruments		
Financial assets	587.0	726.3
Borrowings	-750.0	-860.0

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

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial assets or borrowings at fair value through profit or loss, and the Group does not hedge any fixed rate instruments. Therefore a change in interest rate at reporting date would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

An increase of 50 basis points in the market interest rate during 2014 would have resulted in an additional loss of approximately €0.8m (2013: loss €0.7m) with regard to floating rate instruments. An increase of 50 basis points in the market interest rate during 2014 would have resulted in an additional gain of approximately €39.6m (2013: gain €52.3m) with regard to interest rate swaps. 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 Group's exposure to changes in share prices of its investments was as follows:

	Carrying amount	
	31 December 2014	**31 December 2013**
	in €m	in €m
Investments		
Coty Inc.	4,488.2	0.0
Reckitt Benckiser Group Plc.	5,127.7	4,407.2
Indivior Plc.	147.0	0.0
Total	**9,762.9**	**4,407.2**

Sensitivity analysis – equity price risk

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

If share prices had been 5% higher/lower, profit for the year ended 31 December 2014 would have increased/decreased by €488.1m as a result of changes in the fair value of these investments (2013: €220.4m). Other comprehensive income for the year ended 31 December 2014 would have been unaffected.

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

5. Subsequent Events

In January 2015 JAB Holding Company S.à r.l. has made $75m distributions to its shareholders and further redeemable shares have been issued for an amount of $5m.

In February 2015 JAB Holdings B.V.'s bank facilities and term loans have been amended and extended.

In February 2015 the Group has agreed to make capital contributions to JAB Luxury Group in February and March 2015 amounting to €807m in total. The capital contributions will be fully used by JAB Luxury Group to repay outstanding debt to JAB Holdings B.V.

Luxembourg, 12 March 2015

Managing Directors:

M. Hopmann

J. Creus