

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

JAB Holding Company S.à r.l.

Luxembourg

Interim Condensed
Consolidated Financial Statements

As at and for the six months period ended 30 June 2017

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

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To the Board of Managers of
JAB Holding Company S.à r.l.
4, Rue Jean Monnet,
2180 - Luxembourg

Report of the Réviseur d'Entreprises agréé on the review of the interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of JAB Holding Company S.à r.l. ("the Company") as at 30 June 2017, the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flow statement for the six month period then ended, and notes to the interim condensed consolidated financial information ("the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 15 September 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Frauke Oddone

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

Consolidated Management Report

Management of JAB Holding Company S.à r.l. (the "Company") hereby presents its consolidated financial statements for the six months period ended on 30 June 2017.

General information

JAB Holding Company is a privately held group focused on long term investments in companies with premium brands, attractive growth and strong margin dynamics.

The investments are overseen by three senior partners: Peter Harf, Bart Becht and Olivier Goudet, together with 8 other partners who are focused on business development, finance, legal, tax and human resources. JAB Holding Company is assessed to be an Investment Entity in accordance with IFRS 10.27 and is required to apply the exception to consolidate and instead accounts for its investments in a subsidiary at fair value through profit and loss.

Investments

As of 30 June 2017 the Group's portfolio includes participations in Coty Inc., Reckitt Benckiser Group Plc., Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V. and JAB Luxury GmbH.

Coty Inc. is a global leader in the world of beauty. Coty Inc. is listed on the New York Stock Exchange. As of 30 June 2017 the investment was valued at €4,524.1m. In the six months period ended 30 June 2017, the value of the shares decreased by €256.8m and the Group received dividend income of €63.1m. In the six months period ended 30 June 2017 the Group acquired further 4 million shares in Coty for an amount of €71.5m.

Reckitt Benckiser Group Plc. is a global leader in household and healthcare products. Reckitt Benckiser Group Plc. is listed on the London Stock Exchange. As of 30 June 2017 the investment was valued at €5,015.6m. In the six months period ended 30 June 2017 the value of the shares increased by €458.7m and the Group received dividend income of €63.1m.

Acorn Holdings B.V. is the holding company of JDE, a global leader in Coffee, and Keurig Green Mountain Inc., a leader in specialty coffee and coffee brewers in the United States and Canada. As of 30 June 2017 the investment was valued at €8,952.9m. The value of the shares increased by €354.6m. In the six months period ended 30 June 2017 the Group received a capital repayment of €30.7m from Acorn Holdings B.V.

JAB Beech Inc. is the holding company of leading premium retail coffee brands in the US, namely Peet's Coffee and Tea, Caribou Coffee and Einstein Noah, and a leading international premium retailer of sweet treats, namely Krispy Kreme. As of 30 June 2017 the investment was valued at €2,022.1m. The value of the shares decreased by €125.8m and the Group received dividend income of €21.1m.

JAB Coffee Holding B.V. is the holding company of leading premium retail coffee brands in the Nordics namely Espresso House and Baresso. As of 30 June 2017 the investment was valued at €151.2m. The value of the shares increased by €1.8m.

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JAB Luxury GmbH is the holding company of luxury goods companies, namely Jimmy Choo, listed on the London Stock Exchange, and Bally and Belstaff. As of 30 June 2017 the investment was valued at €811.0m. The value of the shares increased by €40.0m. The Group has the intention to dispose of its investment in JAB Luxury GmbH and therefore classified the shares as assets held-for-sale.

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

Acorn Holdings B.V.:

The Group holds 58.0% of Acorn Holdings B.V.. Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investments in Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

As of 31 December 2016 and 30 June 2017, the JDE and KGM fair value were calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50 % P/E multiple weighting.

As of 30 June 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of December 2016. The multiples applied to the LTM figures ending 2017 are the median of the last twelve months (LTM) multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 16.0x (31 December 2016: 15.6x) and P/E multiple of 24.1x (31 December 2016: 23.3x).

For further information, we also include the related next twelve month (NTM) multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 14.3x (31 December 2016: 14.5x) and P/E multiple of 22.2x (31 December 2016: 20.1x).

JAB Beech Inc.:

The Group holds 58.0% of JAB Beech Inc. JAB Beech Inc. is direct shareholder of further interim holding companies and their investments in Peet's Coffee, Inc. (formerly "Peet's Operating Company Inc."; "Peet's"), Caribou Coffee Company Inc. ("Caribou") and Krispy Kreme Holdings Inc. ("Krispy Kreme").

For 31 December 2016 and 30 June 2017 Peet's and Caribou fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

JAB Beech Inc.'s investment in Krispy Kreme Holdings Inc, occurred in the second half of 2016 and was used to acquire Krispy Kreme Doughnuts Inc. and Krispy Kreme Holding UK Ltd. As of 31 December 2016 management assessed the original acquisition cost to be the best fair value estimate.

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For 30 June 2017 Krispy Kreme fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

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

For Peet's the following LTM multiples were used for the valuation: EBITDA multiple of 16.5x (31 December 2016: 15.7x), P/E multiple of 28.3x (31 December 2016: 31.1x) and sales multiple of 4.1x (31 December 2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.9x (31 December 2016: 15.5x), P/E multiple of 30.2x (31 December 2016: 31.2x) and sales multiple of 1.4x (31 December 2016: 1.9x).

For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 17.0x, P/E multiple of 28.9x and sales multiple of 3.4x.

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

Peet's NTM multiples: EBITDA multiple of 14.3x (31 December 2016: 14.7x), P/E multiple of 23.6x (31 December 2016: 26.1x) and Sales multiple of 3.7x (31 December 2016: 3.6x).

Caribou NTM multiples: EBITDA multiple of 14.7x (31 December 2016: 14.6x), P/E multiple of 24.9x (31 December 2016: 25.9x) and Sales multiple of 1.1x (31 December 2016: 1.7x).

Krispy Kreme NTM multiples: EBITDA multiple of 15.4x, P/E multiple of 24.9x and Sales multiple of 3.4x.

JAB Coffee Holding B.V.:

The Group holds 51.9% of JAB Coffee Holding B.V. ("JCH"). JAB Coffee Holding B.V. is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB ("Espresso House").

As of 30 June 2017 and 31 December 2016 Espresso House fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% sales multiple weighting.

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

The following LTM multiples were used for the valuation of Espresso House: Sales multiples of 2.8x (31 December 2016: 2.4x), EBITDA multiple of 16.2x (31 December 2016: 14.5x) and P/E multiple of 25.7x (31 December 2016: 27.4x).

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For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Sales multiple of 2.2x (31 December 2016: 2.1x), EBITDA multiple of 11.8x (31 December 2016: 12.9x) and P/E multiple of 18.5x (31 December 2016: 20.8x).

JAB Luxury GmbH:

The Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of Jimmy Choo Plc., Bally International AG and Belstaff Group SA.

Jimmy Choo PLC. is publicly traded in an active stock market and, therefore, the valuation method for this subsidiary is based on its market valuation.

The fair value of Bally International AG (Bally) and Belstaff Group SA (Belstaff) was calculated applying sales multiples that were derived from selected publicly listed companies.

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

The following LTM multiples were used for the valuation: Bally sales multiple of 0.90x (31 December 2016: 0.95x) and Belstaff sales multiple of 0.56x (31 December 2016: 0.76x).

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Bally sales multiple of 0.84x (31 December 2016: 0.86x) and Belstaff sales multiple of 0.55x (31 December 2016: 0.73x).

Financing

As of 30 June 2017, the Group's capital comprises 8,800,200 Class A shares, 570,996 Class B shares and 1,173,554 Class S shares. Class B shares and Class S shares are redeemable under certain conditions that are out of the Group's control and therefore classified as liabilities. The redeemable shares are carried at the redemption amount (€1,574.4m; 31 December 2016: €810.2m).

The Group operates share option schemes for members of the Advisory Committee as well as members of the management team and executives and senior managers of the Company and its affiliates with a carrying amount of €527.1m as of 30 June 2017 (31 December 2016: €745.8m). The change in the carrying amount is mainly due to the exercise of 800,000 options in the six months period ended 30 June 2017. Options were exercised for new shares or settled in cash. The cash proceeds were materially reinvested in new shares.

As of 30 June 2017 the Group has borrowings of in total €4,456.7m (31 December 2016: €3,734.3m). The outstanding amount in the current period consists of long-term notes with a carrying value of €4,456.7m (31 December 2016: €2,974.3m). Thereof, long-term notes with an aggregate principal amount of €1,500.0m were issued in the six months period ended 30 June 2017.

The cash flows from financing activities include share premium repayments to the shareholders (€61.0m), capital repayments on redeemable shares (€0.8m), proceeds from issue of redeemable shares (€303.5m), financial expenses paid (€55.4m) and the net change in borrowings (€727.8m).

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In the six months period ended 30 June 2017, the Group's equity decreased from €15,872.3m to €15,715.6m, mainly due to the expenses resulting from the change in redemption amount of redeemable shares and share-option scheme.

Financial information

The result for the six months period ended 30 June 2017 amounts to €-251.6m, mainly relating to the net gain/loss on subsidiaries and other investments (€470.9m), dividends received (€147.4m), expenses from the revaluation of redeemable shares (€-227.8m) and expense from the share-option scheme (€-505.4m).

Future developments and outlook

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

In July 2017 JAB Group has made a capital contribution amounting to \$1,655m to the newly established investment Beech I G.P. for the acquisition of Panera Bread Company. In addition JAB Group has provided a loan for the acquisition amounting to \$104m that is expected to be repaid in short-term. The acquisition of Panera Bread Company was closed on 18 July 2017.

It is planned to contribute the existing participation in JAB Beech Inc. to Beech I G.P. to integrate Panera Bread Company into JAB Beech Group.

In July 2017 it was announced that Michael Kors Holdings Limited and JAB Luxury GmbH subsidiary Jimmy Choo PLC have reached agreement on the terms of a recommended cash acquisition by which the entire issued and to be issued ordinary share capital of Jimmy Choo PLC will be acquired by a wholly-owned subsidiary of Michael Kors Holdings Limited for GBP 2.30 per share.

In August 2017 JAB Group has acquired 2.6 million Coty Inc. shares for an amount of \$42m.

On 14 September 2017 JAB Group has notified that 0.8m Reckitt Benckiser Group plc shares were sold after the balance sheet date until 12 September 2017.

Luxembourg, September 15, 2017

Managing Directors:

M. Hopmann

J. Creus

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Interim Condensed Consolidated Balance Sheet as of 30 June 2017

	Note	2017/06/30 in €m	2016/12/31 in €m
ASSETS			
Subsidiaries	3.1	11,126.1	11,697.2
Other investments	3.2	9,557.2	9,285.3
Loans	3.3	87.3	92.5
Other assets	3.4	16.0	13.0
Cash and cash equivalents	3.5	798.3	180.8
Non-current assets held-for-sale	3.6	846.0	0.0
Total assets		22,430.9	21,268.8
EQUITY AND LIABILITIES			
Total equity	3.7	15,715.6	15,872.3
Attributable to owners of the parent		15,715.6	15,872.3
Borrowings	3.10	4,456.7	3,734.3
Redeemable shares	3.9	1,574.4	810.2
Other liabilities	3.9, 3.11	684.2	852.0
Total liabilities		6,715.3	5,396.5
Total equity and liabilities		22,430.9	21,268.8

The notes on pages 13 to 33 are an integral part of these interim condensed consolidated financial statements.

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Interim Condensed Consolidated Statement of Comprehensive Income for the six months period ended 30 June 2017

	Note	For the six months ended 30 June 2017 in €m	For the six months ended 30 June 2016 in €m
Net gain / (loss) on subsidiaries and other investments	3.12	470.9	146.1
Dividend income	3.13	147.4	93.0
Finance income	3.14	1.9	40.2
Finance expenses	3.14	-343.9	-105.9
Other income	3.15	0.0	85.1
General and administrative expenses	3.16	-523.7	-22.5
Result before tax		-247.4	236.0
Taxes on income	3.17	-4.2	0.0
Result for the period		-251.6	236.0
Attributable to owners of the parent		-251.6	236.0
Items that may be reclassified subsequently to profit and loss			
Currency translation differences		155.9	36.6
Other comprehensive income		155.9	36.6
Total comprehensive income		-95.7	272.6
Attributable to owners of the parent		-95.7	272.6

The notes on pages 13 to 33 are an integral part of these interim condensed consolidated financial statements.

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Interim Condensed Consolidated Statement of Changes in Equity for the six months period ended 30 June 2017

	Note	Issued share capital in €m	Share premium in €m	Foreign currency translation reserve in €m	Retained earnings in €m	Total equity in €m
Balance as of 1 January 2016		6.6	7,716.7	-236.5	7,102.8	14,589.6
Issue of share capital	3.7.1	0.0	0.0	0.0	0.0	0.0
Total income and expense recognised directly in equity		0.0	0.0	36.6	0.0	36.6
Result for the period		0.0	0.0	0.0	236.0	236.0
Total recognised income and expense		0.0	0.0	36.6	236.0	272.6
Repayment of share premium	3.7.1	0.0	-61.0	0.0	0.0	-61.0
Balance as of 30 June 2016		6.6	7,655.7	-199.9	7,338.8	14,801.2
Balance as of 1 January 2017		6.6	7,655.7	-279.2	8,489.2	15,872.3
Issue of share capital	3.7.1	0.0	0.0	0.0	0.0	0.0
Total income and expense recognised directly in equity		0.0	0.0	155.9	0.0	155.9
Result for the period		0.0	0.0	0.0	-251.6	-251.6
Total recognised income and expense		0.0	0.0	155.9	-251.6	-95.7
Repayment of share premium	3.7.1	0.0	-61.0	0.0	0.0	-61.0
Balance as of 30 June 2017		6.6	7,594.7	-123.3	8,237.6	15,715.6

The notes on pages 13 to 33 are an integral part of these interim condensed consolidated financial statements.

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Interim Condensed Consolidated Cash Flow Statement for the six months period ended 30 June 2017

	Note	For the six 30 June 2017 in €m	For the six 30 June 2016 in €m
Cash flows from operating activities			
Result before tax		-247.4	236.0
Finance expenses	3.14	343.9	105.9
(Net gain) / loss from change in fair value and sale of subsidiaries and other investments	3.12	-470.9	-146.1
Payments on acquisition of subsidiaries and other investments	3.1	-71.5	-3,235.5
Proceeds from sale of subsidiaries and other investments	3.1, 3.2	0.0	1,400.1
Repayment share premium from subsidiaries	3.1	30.7	0.0
Adjustment for share-based payment transactions		168.4	-83.8
Changes in other assets and liabilities from operating activities			
(Net increase) / decrease in loans	3.3	-36.2	-29.1
(Net increase) / decrease in other assets	3.4	-0.5	-4.1
Net increase / (decrease) in other liabilities	3.11	0.9	5.0
Other non-cash expenses / (income)		0.0	-37.6
Income taxes paid and withholding taxes	3.17	-4.2	0.0
Net cash from / (used in) operating activities		-286.8	-1,789.2
Cash flows from financing activities			
Repayment of share premium to owners of the parent	3.7.1	-61.0	-61.0
Changes in borrowings	3.10	727.8	2,297.7
Financial expenses paid		-55.4	-108.2
Proceeds from issue of redeemable shares	3.8	303.5	0.2
Capital repayments on redeemable shares	3.8	-0.8	-8.5
Net cash from / (used in) financing activities		914.1	2,120.2
Cash and cash equivalents at beginning of period	3.5	180.8	657.1
Net cash from / (used in) operating activities		-286.8	-1,789.2
Net cash from / (used in) financing activities		914.1	2,120.2
Effect of exchange rate fluctuations on cash and cash equivalents		-9.8	-0.5
Cash and cash equivalents at end of period	3.5	798.3	987.6

The notes on pages 13 to 33 are an integral part of these interim condensed consolidated financial statements.

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Notes to the Interim Condensed Consolidated Financial Statements

1. General information

JAB Holding Company S.à r.l. (the "Company") is a Company domiciled in Luxembourg. The address of the Company's registered office is 4, Rue Jean Monnet, L-2180 Luxembourg. The Company's object is to act as a holding company and therefore the acquisition of participations. The Company is focused on generating superior returns from long-term investments in companies with premium brands and strong growth and margin dynamics.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2016, as they provide an update of previously reported information. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

2. Accounting policies

2.1 Statement of compliance

The interim condensed consolidated financial statements for the six months period ended 30 June 2017 have been prepared applying the same accounting policies as are applied in the Group's annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statement that are to be reflected in the next annual financial statements.

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

The interim consolidated financial statements for the six months period ended June 2017 therefore have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

2.2 Basis of preparation

The interim condensed 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.

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2.3 Significant accounting judgements, estimates and assumptions

The interim condensed consolidated financial statements require the management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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.

2.4 Consolidation

There were no material changes in the composition of the Group in the half year ended 30 June 2017.

2.5 Foreign currency transactions

The consolidated financial statements are presented in Euro (€), which is different from JAB Holding Company S.à r.l.'s functional currency which is US-Dollar (\$).

2.6 Accounting policies and disclosures

The accounting policies applied by the Group for these interim condensed consolidated financial statements are consistent with those described in the Consolidated Financial Statements 2016, as are the methods of computation.

New and amended standards adopted by the Group

No amended standards issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2017.

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 2017, and have not been applied in preparing these interim condensed 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) and the amendments to IAS 7 Statement of Cash Flows.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of "own credit" with respect to issued debt liabilities that are designated at fair value and includes new requirements for hedge accounting and changes the current rules for impairment of financial assets. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 9 has been endorsed by the EU and is effective for annual periods beginning on or after 1 January 2018. The Group is reviewing the impact of IFRS 9. It believes that IFRS 9 will not have a material impact on measurement but may require some further disclosure. The Group will adopt the new rules retrospectively from 1 January 2018.

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The amendments to IAS 7, which become mandatory for the Group's 2017 financial statements, but yet has to be endorsed by the EU, require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group does not plan to adopt these standards early and is currently assessing the impact of IAS 7.

3. Notes to the Consolidated Financial Statements

3.1 Subsidiaries

The following table gives an overview of material subsidiaries as of 30 June 2017:

	30 June 2017	31 December 2016
Subsidiaries	%	%
Acorn Holdings B.V., Netherlands	58.0	58.0
JAB Beech Inc., USA	58.0	58.0
JAB Coffee Holding B.V., Netherlands	51.9	51.9
JAB Luxury GmbH, Switzerland	100.0	100.0

The movements in subsidiaries can be detailed as follows:

Subsidiaries	Acorn Holdings B.V.	JAB Beech Inc.	JAB Coffee Holding B.V.	JAB Luxury GmbH	Total
	in €m	in €m	in €m	in €m	in €m
Balance as of 31 December 2016	8,629.0	2,147.9	149.4	771.0	11,697.2
Disposals	-30.7	0.0	0.0	0.0	-30.7
Change in fair value	354.6	-125.8	1.8	40.0	270.6
Reclassification to non-current assets held-for-sale	0.0	0.0	0.0	-811.0	-811.0
Balance as of 30 June 2017	8,952.9	2,022.1	151.2	0.0	11,126.1

Acorn Holdings B.V.

In the six months period ended 30 June 2017 JAB Group received a capital repayment of €30.7m from Acorn Holdings B.V.

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JAB Luxury GmbH

The investment in JAB Luxury GmbH with a carrying amount of €811.0m was reclassified to non-current assets held for sale (see note 3.6.).

3.2 Other investments

The following table gives an overview of material other investments (including associates) as of 30 June 2017:

	30 June 2017	31 December 2016
Other investments	%	%
Reckitt Benckiser Group Plc., UK	8.1	8.1
Coty Inc. USA	36.8	36.3

The movements in other investments can be detailed as follows:

Other investments	Coty Inc.	Reckitt Benckiser Group Plc.	Others	Total
	in €m	in €m	in €m	in €m
Balance as of 31 December 2016	4,709.4	4,556.9	19.0	9,285.3
Additions	71.5	0.0	0.0	71.5
Disposals	0.0	0.0	0.0	0.0
Change in fair value	-256.8	458.7	-1.5	200.4
Balance as of 30 June 2017	4,524.1	5,015.6	17.5	9,557.2

Coty Inc.

4 million Coty Inc. shares were acquired in the six months ended 30 June 2017.

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3.3 Loans

The movements in the loans were as follows:

	JAB Luxury GmbH (CH)	JAB Management	JAB Holding Company, LLC	Total
	in €m	in €m	in €m	in €m
Balance as of 31 December 2016	0.0	89.0	3.5	92.5
Additions	35.0	2.0	0.0	37.0
Translation differences	0.0	-7.0	-0.2	-7.2
Reclassification to non-current assets held-for-sale	-35.0	0.0	0.0	-35.0
Balance as of 30 June 2017	0.0	84.0	3.3	87.3
Thereof current	0.0	84.0	3.3	87.3
Thereof non-current	0.0	0.0	0.0	0.0

3.4 Other assets

	30 June 2017	31 December 2016
	in €m	in €m
Prepayments	5.4	6.0
JAB Holding Company LLC	4.5	4.7
Accrued interest	1.7	0.6
Foreign exchange contracts	2.0	0.4
Other	2.4	1.3
Total	16.0	13.0

3.5 Cash and cash equivalents

Cash and cash equivalents as of 30 June 2017 include bank deposits and liquidity funds available on demand in the amount of €798.3m (31 December 2016: €180.8m).

3.6 Non-current assets held-for-sale

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

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

As at 30 June 2017, the non-current assets held-for-sale comprised assets of €846.0m detailed as follows:

	30 June 2017
	in €m
Subsidiary JAB Luxury GmbH	811.0
Loan to JAB Luxury GmbH	35.0
Total	<u>846.0</u>

3.7 Shareholder's equity

3.7.1 Share capital and share premium

Issued capital comprises:

	30 June 2017		31 December 2016	
	Number	Nominal Value in \$m	Number	Nominal Value in \$m
Ordinary Class A shares	8,800,200	8.8	8,800,200	8.8
Ordinary Class B shares	570,996	0.6	399,028	0.4
Special Class S shares	1,173,554	1.2	698,135	0.7
Issued share capital	<u>10,544,750</u>	<u>10.5</u>	<u>9,897,363</u>	<u>9.9</u>

Each share has a nominal value of \$1.00.

Class A Shares are recognised as equity, Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control. The redeemable shares have been classified as liabilities (see note 3.8).

In the six months period ended 30 June 2017, Class B and Class S shares were issued as well as redeemed. For further details please refer to note 3.8.

In the six months period ended 30 June 2017, no dividend was paid to the Class A shareholders. Capital repayments out of the share premium in the amount of \$65.1m (€61.0m; six months ended 30 June 2017: \$65.1m, €60.1m) were made to shareholders of Class A shares.

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3.8 Redeemable shares

The redeemable shares are carried at €1,574.4m (31 December 2016: €810.2m), including shares held by the management in the amount of €1,436.5m (31 December 2016: €693.5m).

As of 31 December 2016 and 30 June 2017 all redeemable shares are redeemable in short term, if specific criteria are met and therefore are presented as current liabilities (€1,574.4m; 31 December 2016: €810.2m), However, the Company does not expect that such criteria will be met in the short-term.

The following table illustrates the movements in the redeemable shares in the six months period ended 30 June 2017:

	Ordinary Class B shares		Special Class S shares		Carrying value in \$k	Carrying value in €k
	Number	Nominal Value in \$k	Number	Nominal Value in \$k		
In issue at 1 January 2016	398,092	398	698,135	698	1,053,300	967,484
Issued for cash	800	1			1,518	
Capital repayment/distributions					-9,499	
Change in fair value					-40,866	
In issue at 30 June 2016	398,892	399	698,135	698	1,004,453	904,750
In issue at 1 January 2017	399,028	399	698,135	698	853,981	810,152
Issued for cash	171,968	172	495,767	496	331,263	
Exercise of share options			400,000	400	765,200	
Redeemed to the Company			-420,348	-420	-402,063	
Capital repayment/distributions					-906	
Change in fair value					249,242	
In issue at 30 June 2017	570,996	571	1,173,554	1,174	1,796,718	1,574,411

171,968 Class B shares were issued for cash in the six months period ended 30 June 2017. Thereof, 169,956 shares relate to new investments following the exercise of options.

In the six months period ended 30 June 2017, no dividend was paid to Class B and special Class S shareholders out of retained earnings (2016: \$0.0m).

3.9 Share-based payments

The Company has share purchase agreements with the members of the Advisory Committee as well as with members of its management team and executives and senior managers of the Company and its affiliates. The shares contain put features to sell shares back to the Company for cash. As such the shares are recorded as a liability at potential redemption amount (see note 3.8).

Further the Company has share option schemes for the members of the Advisory Committee as well as members of its management team and executives and senior managers of the Company and its

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affiliates. Options may be exercised at any time from the date of vesting to the date of their expiry. The exercise of an option will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V. The options are settled in cash by payment of the net value of the option.

All options related to share based compensation plans were granted at the redemption amount of the underlying shares at the time of grant (see note 3.8). In the six months period ended 30 June 2017, the terms and conditions of the options granted are as follows:

Options granted	Number of Options	Vesting Conditions	Contractual Life of Options
Six months ended 30 June 2017	839,144	Graded vesting over vesting period of 5 service years (annual instalments) from grant date	10 years
	166,036	Vesting after 5 years' service from grant date	10 years

The following table lists the weighted average inputs to the model used for the share option schemes granted for the six months period ended 30 June 2017:

	30 June 2017	31 December 2016
Dividend yield (%)	0.7%	0.7%
Expected volatility (%)	30.0%	30.0%
Risk-free interest rate (%)	2.2%	1.6%
Expected life of options (years)	7.5 years	5.0 years
Exercise price (USD)	1,746	1,889
Share price (redemption amount) (USD)	2,010	1,616

The following table illustrates the number and weighted average exercise prices of, and movements in, share option schemes during the six months period ended 30 June 2017:

	Number of options 30 June 2017	Weighted average exercise price 30 June 2017	Number of options 30 June 2016	Weighted average exercise price 30 June 2016
Balance at 1 January (outstanding)	1,381,077	1,063	1,378,269	1,061
Granted during the period	1,005,180	1,746	2,400	1,897
Forfeited during the period	0	0	0	0
Exercised during the period	800,000	1,000	0	0
Expired during the period	0	0	0	0
Balance at 30 June (outstanding)	1,586,257	1,527	1,380,669	1,063
Exercisable at end of period	360,000	1,000	0	0

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The carrying amount of the liability relating to the share option schemes as of 30 June 2017 is \$600.8m (€526.5m; 31 December 2016: \$786.2m, €745.8m). As of 30 June 2017, options amounting to €382.7m (31 December 2016: €715.9m) are qualified as current and €143.8m (31 December 2016: €29.9m) as non-current.

360,000 options had vested as of 30 June 2017 (31 December 2016: 1,160,000). The intrinsic value of liabilities for vested options is €318.6m (31 December 2016: €682.9m).

The weighted-average share price at the date of exercise for share options exercised in the six months ended 30 June 2017 was \$1,913 (2016: no options exercised).

400,000 options were settled in cash by payment of the net value of the options in the amount of \$365.2m (€320.0m), of which \$325.1m (€284.9m) were used for the investment into 169,956 redeemable shares (Ordinary Class B shares). 400,000 options were exercised by payment of the strike price in cash for the issue of 400,000 redeemable shares (Special Class S shares). The Group granted a short-term facility to finance the strike price, which was paid back on the same day from the proceeds from redemption of shares.

The expense recognised for the period arising from the share-option schemes during the period was \$547.4m (€505.4m; six months ended 30 June 2016: income \$95.0m; €85.1m).

3.10 Borrowings

	Credit Facilities Bank Consortium in €m	Notes in €m	Total in €m
Balance as of 31 December 2016	760.0	2,974.3	3,734.3
Additions / Repayments	-760.0	1,480.4	720.4
Amortisation disagio and fees	0.0	2.0	2.0
Balance as of 30 June 2017	0.0	4,456.7	4,456.7
Thereof current liabilities	0.0	0.0	0.0
Thereof non-current liabilities	0.0	4,456.7	4,456.7

As of 30 June 2017, the Group has no outstanding payables under its credit facilities (31 December 2016: €760.0m).

In May 2017, the Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A19HCW0) and €750.0m (DE000A19HCX8). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. Thereof, notes with a carrying value of €741.7m are maturing in May 2024 and notes with a carrying value of €738.8m are maturing in May 2028.

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3.11 Other liabilities

	30 June 2017 in €m	31 December 2016 in €m
Share-based transactions	527.1	745.8
Derivatives	127.1	79.9
Accrued interest	25.5	22.1
Trade and other payables	4.5	4.2
Total	<u>684.2</u>	<u>852.0</u>
Thereof current	539.7	822.1
Thereof non-current	144.5	29.9

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

	For the six months ended 30 June 2017 in €m	For the six months ended 30 June 2016 in €m
Net gain / (loss) on subsidiaries (at fair value through profit and loss)		
Coty Inc.	0.0	-35.3
Acorn Holdings B.V.	354.6	206.8
JAB Beech Inc.	-125.8	24.1
JAB Coffee Holding B.V.	1.8	26.0
JAB Luxury GmbH	40.0	-271.4
Net gain on other investments (at fair value through profit and loss)		
Coty Inc.	-256.8	0.0
Reckitt Benckiser Group Plc.	458.7	196.0
Others	-1.5	0.0
Total	<u>470.9</u>	<u>146.1</u>

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3.13 Dividend income

In the six months period ended 30 June 2017, the Group received dividend income from the following investments, designated at fair value through profit or loss:

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
	in €m	in €m
Reckitt Benckiser Group Plc.	63.1	64.0
Coty Inc.	63.1	0.0
JAB Beech Inc.	21.1	29.0
Total	147.4	93.0

In the six months period ended 30 June 2017 the Group also received €30.7m capital repayment from Acorn Holdings B.V. (see note 3.1).

3.14 Finance income and expense

Finance income can be specified as follows:

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
	in €m	in €m
Change in redemption amount of redeemable shares	0.0	37.5
Interest income	1.9	2.7
Total	1.9	40.2

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Finance expenses can be specified as follows:

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
	in €m	in €m
Interest expense on financial liabilities	-46.0	-39.3
Change in redemption amount of redeemable shares	-227.8	0.0
Bank fees	-3.5	-4.6
Net foreign exchange loss	-80.7	-46.0
Valuation of interest rate contracts	14.2	-15.4
Other	-0.1	-0.6
Total	<u>-343.9</u>	<u>-105.9</u>

3.15 Other income

In the six months ended 30 June 2017, no other income from the remeasurement of share-based payment transactions incurred (six months ended 30 June 2016: €85.1m).

3.16 General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
	in €m	in €m
Service fees	-517.4	-18.3
Legal, tax, audit and consultancy fees	-4.4	-2.9
Salary and personnel related expenses	-1.1	-0.6
Others	-0.8	-0.7
Total	<u>-523.7</u>	<u>-22.5</u>

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3.17 Taxes on income

	For the six months ended 30 June 2017	For the six months ended 30 June 2016
	in €m	in €m
Withholding tax on dividends from subsidiaries / other investments	-4.2	0.0
Income tax expense	-4.2	0.0

Dividends received from investments can be subject to withholding taxes. These dividends are tax exempt under the Dutch participation exemption. Withholding taxes have been recognised as part of income tax expense, with dividend income recognised on a gross basis.

3.18 Related parties

The related parties are disclosed in the Consolidated Financial Statements 2016. Related party transactions which have taken place in the period and have materially affected the Interim Condensed Consolidated Financial Statements are disclosed in the notes to the Interim Condensed Consolidated Financial Statements.

3.19 Contingent liabilities

As of 30 June 2017 the Group provides no guarantees for third parties.

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4. Financial instruments – Fair Value and Risk Management

4.1 Financial instruments and fair value hierarchy

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

	30 June 2017			31 December 2016		
	Loans and receivables in €m	Financial assets at fair value through profit or loss in €m	Total in €m	Loans and receivables in €m	Financial assets at fair value through profit or loss in €m	Total in €m
Assets as per balance sheet						
Subsidiaries	0.0	11,126.1	11,126.1	0.0	11,697.2	11,697.2
Other investments	0.0	9,557.2	9,557.2	0.0	9,285.3	9,285.3
Loans	87.3	0.0	87.3	92.5	0.0	92.5
Other receivables	14.0	2.0	16.0	12.6	0.4	13.0
Cash and cash equivalents	798.3	0.0	798.3	180.8	0.0	180.8
Non-current assets held-for-sale	35.0	811.0	846.0	0.0	0.0	0.0
Total	934.6	21,496.3	22,430.9	285.9	20,983.0	21,268.8

	30 June 2017				31 December 2016			
	Financial liabilities at amortised cost in €m	Financial liabilities at fair value through profit or loss in €m	Redeemable shares in €m	Total in €m	Financial liabilities at amortised cost in €m	Financial liabilities at fair value through profit or loss in €m	Redeemable shares in €m	Total in €m
Liabilities as per balance sheet								
Borrowings	4,456.7	0.0	0.0	4,456.7	3,734.3	0.0	0.0	3,734.3
Redeemable shares	0.0	0.0	1,574.3	1,574.3	0.0	0.0	810.2	810.2
Other liabilities	30.0	127.1	0.0	157.1	26.3	79.9	0.0	106.2
Total	4,486.7	127.1	1574.3	6,188.1	3,760.6	79.9	810.2	4,650.7

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.

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Financial instruments in level 3

If one or more of the significant inputs are 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 €4,456.7m (31 December 2016: €2,974.3m), the fair value is €4,642.6m (31 December 2016: €3,123.3m) based on dealer-quotes (level 2). For all other financial assets and liabilities the carrying amounts are a reasonable approximate of fair values.

	30 June 2017			Total in €m
	Level 1 in €m	Level 2 in €m	Level 3 in €m	
Financial assets at fair value through profit or loss				
Subsidiaries and other investments				
Listed equity investments	9,539.7	0.0	0.0	9,539.7
Unlisted equity investments	0.0	0.0	11,143.6	11,143.6
Other assets				
Foreign exchange contracts	0.0	2.0	0.0	2.0
Non-current assets held-for-sale				
Unlisted equity investments	0.0	0.0	811.0	811.0
Total financial assets	9,539.7	2.0	11,954.6	21,496.3
Redeemable shares				
Redeemable shares	0.0	0.0	1,574.3	1,574.3
Financial liabilities at fair value through profit or loss				
Interest rate contracts	0.0	65.8	0.0	65.8
Foreign exchange contracts	0.0	61.3	0.0	61.3
Total financial liabilities	0.0	127.1	1,574.3	1,701.4

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	31 December 2016			Total in €m
	Level 1 in €m	Level 2 in €m	Level 3 in €m	
Financial assets at fair value through profit or loss				
Subsidiaries and other investments				
Listed equity investments	9,266.3	0.0	0.0	9,266.3
Unlisted equity investments	0.0	0.0	11,716.2	11,716.2
Other assets				
Foreign exchange contracts	0.0	0.4	0.0	0.4
Total financial assets	9,266.3	0.4	11,716.2	20,982.9
Redeemable shares				
Redeemable shares	0.0	0.0	810.2	810.2
Financial liabilities at fair value through profit or loss				
Interest rate contracts	0.0	79.9	0.0	79.9
Total financial liabilities	0.0	79.9	810.2	890.1

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

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		Other investments		Non-current assets held-for-sale	
	Unlisted equity investments		Unlisted equity investments		Unlisted equity investments	
	30 June 2017	2016	30 June 2017	2016	30 June 2017	2016
	in €m	in €m	in €m	in €m	in €m	in €m
Balance as of 1 January	11,697.2	5,465.9	19.0	18.4	0.0	0.0
Disposals	-30.7	0.0	0.0	0.0	0.0	0.0
Acquisition	0.0	3,665.1	0.0	0.0	0.0	0.0
Contributions	0.0	-230.1	0.0	0.0	0.0	0.0
Fair value adjustment	270.6	2,796.3	-1.5	0.6	0.0	0.0
Reclassification to non-current assets held-for-sale	-811.0	0.0	0.0	0.0	811.0	0.0
Balance as of 30 June / 31 December	11,126.1	11,697.2	17.5	19.0	811.0	0.0

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

At 30 June 2017, there were no significant changes in the business or economic circumstances that affect the determination of fair value of the Group's financial assets and liabilities.

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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., JAB Coffee Holding B.V. and JAB Luxury GmbH, which are not quoted in active markets. The Group uses a market based valuation technique or, if appropriate, third-party transactions (at-arms length) for measuring its investments.

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

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

Acorn Holdings B.V.

The Group holds 58.0% of Acorn Holdings B.V. Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts B.V. (JDE) and Keurig Green Mountain Inc. (KGM)

As of 30 June 2017 and 31 December 2016, JDE and KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting.

As of 30 June 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of December 2016. The multiples applied to the LTM figures ending June 2017 are the median of the last twelve months (LTM) multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 16.0x (31 December 2016: 15.6x) and P/E multiple of 24.1x (31 December 2016: 23.3x).

JAB Beech Inc.

The Group holds 58.0% of JAB Beech Inc. JAB Beech Inc. is direct shareholder of further interim holding companies and their investments in Peet's Coffee, Inc. ("Peet's"), Caribou Coffee Company Inc. ("Caribou") and Krispy Kreme Holdings Inc. ("Krispy Kreme").

For 30 June 2017 and 31 December 2016 Peet's and Caribou fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

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JAB Beech Inc.'s investment in Krispy Kreme Holdings Inc. occurred in the second half of 2016 and was used to acquire Krispy Kreme Doughnuts Inc. and Krispy Kreme Holdings UK Ltd. As of 31 December 2016 management assessed the original acquisition cost to be the best fair value estimate.

For 30 June 2017 Krispy Kreme fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

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

For Peet's the following LTM multiples were used for the valuation: EBITDA multiple of 16.5x (31 December 2016: 15.7x), P/E multiple of 28.3x (31 December 2016: 31.1x) and sales multiple of 4.1x (31 December 2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.9x (31 December 2016: 15.5x), P/E multiple of 30.2x (31 December 2016: 31.2x) and sales multiple of 1.4x (31 December 2016: 1.9x).

For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 17.0x, P/E multiple of 28.9x and sales multiple of 3.4x.

In 2015, JAB Forest B.V. entered into an agreement with its investment JAB Beech Inc. and non-controlling shareholders of JAB Beech Inc. Upon this agreement, JAB Forest B.V. may be obliged, at the option of a number of warranted non-controlling shareholders, to purchase about further 12.6% of the share capital of JAB Beech Inc. for a fixed amount in two tranches as of 31 December 2022 and 31 December 2023. This obligation is conditional on the non-occurrence of a complete sale of JAB Beech Inc. to a person other than JAB Forest B.V. or its affiliates or an IPO of JAB Beech Inc. before 31 December 2022. JAB Forest B.V. has substantial drag-along rights with regard to all other shares in JAB Beech Inc., therefore a complete sale of JAB Beech Inc. is at JAB Forest B.V.'s sole discretion. In the event of a complete sale JAB Forest B.V. is obliged to pay an additional amount to the warranted non-controlling shareholders if their aggregate consideration for the sale is less than a pre-defined minimum amount. It further has the right to pass these obligations directly to JAB Beech Inc. JAB Forest B.V. qualified the obligations and rights from this agreement as derivative financial instruments. The obligation to purchase the shares and to compensate in the event of a complete sale is classified as financial liability. The right to pass the obligations to JAB Beech Inc. is classified as financial asset. The derivative financial instruments are measured at fair value in accordance with IFRS 13. Their fair value is the amount to be paid in the event of a presumed sale of JAB Beech Inc. at the date of measurement. As of 30 June 2017 this amount is €0.0m (31 December 2016: €0.0m), since the fair value of JAB Beech Inc. attributable to the warranted non-controlling-shareholders exceeds the pre-defined minimum consideration.

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JAB Coffee Holding B.V.

The Group holds 51.9% of JAB Coffee Holding B.V. (“JCH”). JAB Coffee Holding B.V. is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB (“Espresso House”).

As of 30 June 2017 and 31 December 2016 Espresso House fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% sales multiple weighting.

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

The following LTM multiples were used for the valuation of Espresso House: Sales multiple of 2.8x (31 December 2016: 2.4x), EBITDA multiple of 16.2x (31 December 2016: 14.5x) and P/E multiple of 25.7x (31 December 2016: 27.4x).

JAB Luxury GmbH

The Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of Jimmy Choo Plc., Bally International AG and Belstaff Group SA. The investment in JAB Luxury GmbH with a carrying amount of €811.0m was reclassified to non-current assets held-for-sale (see note 3.6.).

Jimmy Choo PLC. is publicly traded in an active stock market and, therefore, the valuation method for this subsidiary is based on its market valuation.

The fair value of Bally International AG (Bally) and Belstaff Group SA (Belstaff) was calculated applying sales multiples that were derived from selected publicly listed companies.

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

The following LTM multiples were used for the valuation: Bally sales multiples of 0.90x (31 December 2016: 0.95x) and Belstaff sales multiples of 0.56x (31 December 2016: 0.76x).

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 €1,321.4m (31 December 2016: €1,114.5m). As of 31 December 2016 and 30 June 2017, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V. and Labelux Group GmbH.

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Redeemable shares

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.

4.2 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 and concentration risk within its investment portfolio. The value development of the investments depends on various external and internal factors which also might lead to negative variances from the expected developments.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's 31 December 2016 consolidated financial statements. There have been no changes in the risk management policies and procedures since year-end.

5. Subsequent Events

In July 2017 JAB Group has made a capital contribution amounting to \$1,655m to the newly established investment Beech I G.P. for the acquisition of Panera Bread Company. In addition JAB Group has provided a loan for the acquisition amounting to \$104m that is expected to be repaid in short-term. The acquisition of Panera Bread Company was closed on 18 July 2017.

It is planned to contribute the existing participation in JAB Beech Inc. to Beech I G.P. to integrate Panera Bread Company into JAB Beech Group.

In July 2017 it was announced that Michael Kors Holdings Limited and JAB Luxury GmbH subsidiary Jimmy Choo PLC have reached agreement on the terms of a recommended cash acquisition by which the entire issued and to be issued ordinary share capital of Jimmy Choo PLC will be acquired by a wholly-owned subsidiary of Michael Kors Holdings Limited for GBP 2.30 per share.

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In August 2017 JAB Group has acquired 2.6 million Coty Inc. shares for an amount of \$42m.

On 14 September 2017 JAB Group has notified that 0.8m Reckitt Benckiser Group plc shares were sold after the balance sheet date until 12 September 2017.

Luxembourg, September 15, 2017

Managing Directors:

M. Hopmann

J. Creus