

**JAB Holdings B.V., Amsterdam**

JAB Holdings B.V.

Amsterdam

Interim Condensed Financial Statements

as at and for the six months period ended 30 June 2016

## **JAB Holdings B.V., Amsterdam**

<b>Index</b>	<b>Page</b>
Interim Condensed Balance Sheet as of 30 June 2016	4
Interim Condensed Statement of Comprehensive Income for the six months period ended 30 June 2016	5
Interim Condensed Statement of Changes in Equity for the six months period ended 30 June 2016	6
Interim Condensed Cash Flow Statement for the six months period ended 30 June 2016	7
Notes to the interim condensed financial statements	8

## JAB Holdings B.V., Amsterdam

### Interim Condensed Balance Sheet as of 30 June 2016

(after appropriation of result)

	Note	30 June 2016		31 December 2015	
		in €k	in €k	in €k	in €k
<u>Non-current assets</u>					
Subsidiaries	5	14,972,298		11,787,373	
Other investments	6	5,134,646		6,332,233	
Loans	7	30,000		0	
Prepayments	8	11,347		10,381	
			20,148,291		18,129,987
<u>Current Assets</u>					
Loans	7	83,087		84,157	
Derivatives	9	2,417		0	
Other receivables	10	1,540		6,934	
Cash and cash equivalents	11	981,124		656,184	
			1,068,168		747,275
			<u>21,216,459</u>		<u>18,877,262</u>
<u>Shareholder's equity</u>					
Issued share capital	12	18		18	
Share premium		6,446,900		6,458,906	
Fair value reserve		8,153,930		8,616,245	
Retained earnings		2,116,342		1,519,596	
			16,717,190		16,594,765
<u>Non-current liabilities</u>					
Borrowings	13	4,372,478		2,074,487	
			4,372,478		2,074,487
<u>Current liabilities</u>					
Borrowings	13	0		83,970	
Derivatives	14	97,532		111,266	
Other current liabilities	15	29,259		12,774	
			126,791		208,010
			<u>21,216,459</u>		<u>18,877,262</u>

The notes on pages 7 to 22 are an integral part of these financial statements

## JAB Holdings B.V., Amsterdam

### Interim Condensed Statement of Comprehensive Income for the six months period ended 30 June 2016

		For the six months ended 30 June 2016 in €k
Dividend income	Note 16	63,947
Finance income	17	913,144
Finance expenses	17	-379,915
General and administrative expenses	18	-430
<b>Result before income taxes</b>		<b>596,746</b>
Income tax expense	19	0
<b>Result for the period</b>		<b>596,746</b>
Items that may be reclassified subsequently to profit and loss:		
Available-for-sale financial assets - net change in fair value	5,6,12	445,521
Available-for-sale financial assets - reclassification to profit or loss	6,12	-907,836
<b>Other comprehensive income</b>		<b>-462,315</b>
<b>Total comprehensive income attributable to equity holder</b>		<b>134,431</b>

The notes on pages 7 to 22 are an integral part of these financial statements

## JAB Holdings B.V., Amsterdam

### Interim Condensed Statement of changes in Equity for the six months period ended 30 June 2016

	Note	Share Capital in €k	Share premium in €k	Fair value Reserve in €k	Retained Earnings in €k	Total equity in €k
<b>Balance as of 31 December 2015</b>		<b>18</b>	<b>6,458,906</b>	<b>8,616,245</b>	<b>1,519,596</b>	<b>16,594,765</b>
Net change in the fair value of available-for-sale financial assets		0	0	-462,315	0	-462,315
Total income and expense recognised directly in equity		0	0	-462,315	0	-462,315
Result for the period		0	0	0	596,746	596,746
Total recognised income and expense		0	0	-462,315	596,746	134,431
Contributions	12.2	0	81,077	0	0	81,077
Repayment of share premium	12.2	0	-93,083	0	0	-93,083
<b>Balance as of 30 June 2016</b>		<b>18</b>	<b>6,446,900</b>	<b>8,153,930</b>	<b>2,116,342</b>	<b>16,717,190</b>

The notes on pages 7 to 22 are an integral part of these financial statements

## JAB Holdings B.V., Amsterdam

### Interim Condensed Cash Flow Statement for the six months period ended 30 June 2016

	Note	For the six months ended 30 June 2016 in €k
<b>Cash flows from operating activities</b>		
Result for the period		596,746
Adjustments for:		
Dividend income	16	-63,947
Realised gain on investments	17	-910,501
Finance income and expenses		377,273
		<u>-429</u>
Change in other receivables		84
Change in other current liabilities		787
Net foreign exchange loss		-79,345
<b>Net cash from / (used in) operating activities</b>		<u><u>-78,903</u></u>
<b>Cash flows from investing activities</b>		
Dividends received		63,947
Capital repayments from subsidiaries		28,745
Contribution payments to subsidiaries		-3,235,541
Disposal of other investments		1,400,099
Interest received		1,351
New loans to subsidiaries	7	-30,022
<b>Net cash from / (used in) investing activities</b>		<u><u>-1,771,421</u></u>
<b>Cash flows from financing activities</b>		
Repayment of share premium	12.2	-93,083
Interest paid (including settlement of derivatives)		-23,306
Bank fees		-5,623
New borrowings		2,997,687
Repayment borrowings		-700,000
<b>Net cash from / (used in) financing activities</b>		<u><u>2,175,675</u></u>
<b>Movement in cash and cash equivalents</b>		<b>325,351</b>
Cash and cash equivalents as of 1 January		656,184
Effects of exchange rate changes on cash and cash equivalents		-411
<b>Cash and cash equivalents as of 30 June</b>	11	<u><u>981,124</u></u>

The notes on pages 7 to 22 are an integral part of these financial statements

## **JAB Holdings B.V., Amsterdam**

### **Notes to the financial statements**

#### **1. Reporting entity**

JAB Holdings B.V. (the "Company") is a company domiciled in the Netherlands. The address of the Company's registered office is Oudeweg 147, 2031 CC Haarlem. The objectives of the Company are to act as a holding and finance company.

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

The interim condensed 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 financial statements for the year ended 31 December 2015, 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 Company's financial position and performance since the last financial statements.

#### **2. Statement of compliance**

The interim condensed financial statements for the six months period ended 30 June 2016 have been prepared applying the same accounting policies as are applied in the Company's annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

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

The interim financial statements include explanatory notes and other disclosures as required by IAS 34 for the current interim period. However they do not include interim statements of profit and loss and other comprehensive income, statements of changes in equity, statements of cash flows, explanatory notes and other disclosure for the comparable year-to-date period of the immediately preceding financial year that are required by IAS 34. The interim financial statements for the six months period ended 30 June 2016 therefore have not been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

#### **3. Basis of preparation**

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

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

## **JAB Holdings B.V., Amsterdam**

### **4. Significant accounting policies**

The interim condensed 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 revision and future periods if the revision affects both current and future periods.

The Company is not subject to seasonal fluctuations.

#### **Changes in accounting policies and disclosures**

The accounting policies applied by the Company for the Interim Condensed Financial Statements are consistent with those described in the Financial Statements 2015, as are the methods of computation.

#### **New and amended standards adopted by the Company**

A number of amended standards issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2016.

These include Amendments to IAS 27 – Equity Method in Separate Financial Statements, IAS 1 – Disclosure Initiative, IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, IAS 16 and IAS 41 – Bearer Plants as well as the Annual Improvement Projects to IFRS 2012-2014. Their adoption has not had any significant impact on the financial statements of the Company but may impact the accounting for future transactions or arrangements.

#### **New standards and interpretations not yet adopted by the Company**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial Instruments (2014)*, which becomes mandatory for the Company's 2018 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 Company 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.

## JAB Holdings B.V., Amsterdam

### 5. Subsidiaries

At the end of the period, the Company holds interests in the following subsidiaries:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	%	%
JAB Cosmetics B.V., Amsterdam, Netherlands	100.0	100.0
JAB Forest B.V., Amsterdam, Netherlands	100.0	100.0
Labelux Group GmbH, Vienna, Austria	100.0	100.0

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

	JAB Cosmetics B.V. in €k	JAB Forest B.V. in €k	Labelux Group GmbH in €k	Total in €k
Balance as of 31 December 2015	6,321,235	4,573,518	892,621	11,787,373
Contribution in cash	0	3,235,541	0	3,235,541
Repayment share premium	0	-28,745	0	-28,745
Change in fair value	-35,376	284,896	0	249,520
Impairment	0	0	-271,391	-271,391
<b>Balance as of 30 June 2016</b>	<b>6,285,859</b>	<b>8,065,210</b>	<b>621,229</b>	<b>14,972,298</b>

In the six months period ended 30 June 2016, the Company made capital contributions to JAB Forest B.V. amounting to €3,235.5m. Thereof an amount of €3,201.2m was used by JAB Forest B.V. for a capital contribution to Acorn Holdings B.V. for the acquisition of Keurig Green Mountain Inc.

As of 30 June 2016 impairment losses in respect of the investment in Labelux Group GmbH were recognised.

### 6. Other investments

At the end of the period, the Company holds interests in the following participations:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	%	%
Reckitt Benckiser Group Plc., Slough, UK	8.0	10.5

## JAB Holdings B.V., Amsterdam

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

	Reckitt Benckiser Group Plc. in €k
Balance as of 31 December 2015	6,332,233
Disposal	-1,393,589
Change in fair value	<u>196,002</u>
<b>Balance as of 30 June 2016</b>	<b><u>5,134,646</u></b>

17,334,327 Reckitt Benckiser Group Plc. shares were sold in 2016 for an amount of €1,393.6m. At 30 June 2016 the Company holds 56,659,342 shares.

## 7. Loans

The movements in the loans were as follows:

	JAB Luxury GmbH (CH) in €k	Labelux Group GmbH (AT) in €k	JAB Management in €k	Total in €k
Balance as of 31 December 2015	0	154	84,002	84,157
Additions	30,000	21	524	30,545
Translation Differences	0	0	-1,615	-1,615
<b>Balance as of 30 June 2016</b>	<b><u>30,000</u></b>	<b><u>175</u></b>	<b><u>82,911</u></b>	<b><u>113,087</u></b>
Thereof current	0	175	82,911	83,087
Thereof non-current	30,000	0	0	30,000

## 8. Prepayments

The prepayments amounting to €10.4m 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.

## JAB Holdings B.V., Amsterdam

### 9. Derivatives

As of 30 June 2016 the Company holds foreign exchange contracts with a fair value of €2.4m.

### 10. Other receivables

	30 June 2016 in €k	31 December 2015 in €k
Accrual interest	1,540	424
Receivable disposal investment	0	6,510
	<u>1,540</u>	<u>6,934</u>

### 11. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2016 include bank deposits available on demand (€591.1m) and deposits available in August 2016 (€390.0m).

### 12. Shareholder's equity

#### 12.1 Share capital

The authorised share capital amounts to €90,000 (1,800 shares), of which 363 shares of €50 each (31 December 2015: 363) have been issued and fully paid.

As of 30 June 2016 and 31 December 2015 no shares in the entity are held by the Company or by its subsidiaries or associates.

#### 12.2 Share premium

In the six months period ended 30 June 2016 notes due to JAB Investments S.à r.l. in the amount of €80.2m were converted into share premium (see note 13), the Company received contributions in kind of €0.9m and the Company made share premium cash repayments to JAB Investments S.à r.l. amounting to €93.1m.

#### 12.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired. As of 30 June 2016, the fair value reserve amounts to €8,153.9m (31 December 2015: €8,616.2m). The change in the fair value reserve in 2016 comprises the increase in the fair value of available-for-sale financial assets of €445.5m (2015: €3,523.8m) and a reclassification to profit or loss due to disposals of Reckitt Benckiser shares of €907.8m (2015: €-338.1m). The fair value reserve includes income tax relating to the net change in the fair value in the amount of €0.0 (31 December 2015: €0.0).

## JAB Holdings B.V., Amsterdam

### 12.4 Retained earnings

In the six months period ended 30 June 2016 no dividend was paid to the parent company JAB Investments out of retained earnings (2015: €0.0).

### 13. Borrowings

	Credit Facilities Bank Consortium	Notes	JAB Investments S.à r.l.	Total
	in €k	in €k	in €k	in €k
Balance as of 31 December 2015	0	2,074,487	83,970	2,158,457
Additions/Repayments	1,400,000	896,383	0	2,296,383
Reclassification to share premium	0	0	-80,171	-80,171
Amortisation disagio and fees	0	1,608	0	1,608
Translation differences	0	0	-3,799	-3,799
<b>Balance as of 30 June 2016</b>	<b>1,400,000</b>	<b>2,972,478</b>	<b>0</b>	<b>4,372,478</b>
Thereof current	0	0	0	0
Thereof non-current	1,400,000	2,972,478	0	4,372,478

As of 31 December 2015, the Company had no outstanding amount under its credit facilities. As of 30 June 2016, the Company has an outstanding payable under its credit facilities of €1,400.0m. The maturity date of the credit facilities is February 2020.

In May 2016, the Company issued long-term notes (DE000A181034) in the aggregate principal amount of €750.0m with a 1.75% interest coupon. In June 2016, the long-term notes were increased by €150.0m having the same terms as the original notes. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l., a related party to the Company. As of 30 June 2016 the carrying value of the notes is €896.4m, with a maturity in May 2023.

## JAB Holdings B.V., Amsterdam

### 14. Derivatives

	30 June 2016 in €k	31 December 2015 in €k
Interest rate contracts	97,532	82,175
Foreign exchange contracts	0	29,091
	<u>97,532</u>	<u>111,266</u>

The fair value of an interest rate swap is the amount that the Company would receive or pay to terminate the swap agreement. The approximate cost to terminate the Company's swap agreements at 30 June 2016 would have been €97.5m loss (31 December 2015: €82.2m loss). The agreements were not held for trading purposes and the Company has no current intention to terminate any swap agreements prior to maturity.

### 15. Other current liabilities

	30 June 2016 in €k	31 December 2015 in €k
Accrued interest	28,206	12,476
Other liabilities	1,053	298
	<u>29,259</u>	<u>12,774</u>

### 16. Dividend income

In the six months period ended 30 June 2016, the Company received a total dividend of £50.3m (€63.9m) from Reckitt Benckiser Group Plc.

## JAB Holdings B.V., Amsterdam

### 17. Finance income and expense

Finance income can be specified as follows:

	<b>For the six months ended 30 June 2016</b>
	in €k
Income from disposal of investments	910,501
Interest income on loans and receivables	1,242
Interest income on bank deposits	1,401
	<u><b>913,144</b></u>

The income from disposal of investments in the six months period ended 30 June 2016 results from the sale of 17,334,327 Reckitt Benckiser shares following a reclassification from the fair value reserve (see note 12.3).

Finance expenses can be specified as follows:

	<b>For the six months ended 30 June 2016</b>
	in €k
Impairment on investment	-271,391
Interest expense on financial liabilities	-39,786
Bank fees	-4,657
Valuation of derivatives	-15,357
Net foreign exchange loss	-48,724
	<u><b>-379,915</b></u>

The impairment on investment in the six months period ended 30 June 2016 relates to Labelux Group GmbH, Austria. The underlying assumptions are presented in note 22.

## JAB Holdings B.V., Amsterdam

### 18. General and administrative expenses

General and administrative expenses can be detailed as follows:

	<b>For the six months ended 30 June 2016</b> in €k
Salary and personnel related expenses	-43
Office expenses	-1
Legal, tax, audit and consultancy fees	-379
Others	-7
	<hr/> <b>-430</b> <hr/>

### 19. Taxes on income

The taxable amount for the six months period ended 30 June 2016 amounts to zero and therefore no corporate income tax expense was recognized.

### 20. Segment Reporting

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

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

### 21. Related parties and transactions with related parties

The related parties are disclosed in the Financial Statements 2015. Related party transactions which have taken place in the period and have materially affected the Interim Condensed Financial Statements are disclosed in the notes to the interim condensed financial statements.

## JAB Holdings B.V., Amsterdam

### 22. Financial instruments – Fair Value and Risk Management

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

	30 June 2016				31 December 2015			
	Loans and Receivables in €k	Available for sale in €k	Financial assets at fair value through profit or loss in €k	Total in €k	Loans and Receivables in €k	Available for sale in €k	Total in €k	
Assets as per balance sheet								
Subsidiaries	0	14,972,298	0	14,972,298	0	11,787,373	11,787,373	
Other Investments	0	5,134,646	0	5,134,646	0	6,332,233	6,332,233	
Loans	113,087	0	0	113,087	84,157	0	84,157	
Prepayments	11,347	0	0	11,347	10,381	0	10,381	
Derivatives	0	0	2,417	2,417	0	0	0	
Other Receivables	1,540	0	0	1,540	6,934	0	6,934	
Cash and cash equivalents	981,124	0	0	981,124	656,184	0	656,184	
<b>Total</b>	<b>1,107,098</b>	<b>20,106,944</b>	<b>2,417</b>	<b>21,216,459</b>	<b>757,656</b>	<b>18,119,606</b>	<b>18,877,262</b>	

	30 June 2016			31 December 2015			
	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit or loss in €k	Total in €k	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit or loss in €k	Derivatives used for hedging in €k	Total in €k
Liabilities as per balance sheet							
Borrowings	4,372,478	0	4,372,478	2,158,457	0	0	2,158,457
Derivatives	0	97,532	97,532	0	108,601	2,665	111,266
Other current liabilities	29,259	0	29,259	12,774	0	0	12,774
<b>Total</b>	<b>4,401,737</b>	<b>97,532</b>	<b>4,499,269</b>	<b>2,171,231</b>	<b>108,601</b>	<b>2,665</b>	<b>2,282,497</b>

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

#### Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. Financial instruments included in Level 1 comprise shares of Reckitt Benckiser Group Plc. that is listed on the London Stock Exchange and JAB Cosmetics B.V. as interim holding company for shares of Coty Inc. that are listed on the New York Stock Exchange.

## **JAB Holdings B.V., Amsterdam**

### **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Financial instruments included in Level 2 comprise foreign exchange contracts and interest rate swaps. Specific valuation techniques used to value these financial instruments include

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

### **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Financial instruments included in Level 3 comprise shares in JAB Forest B.V. and Labelux Group GmbH.

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information for financial assets and financial liabilities not measured at fair value. The issued long-term notes have a carrying amount of €2,972.5m (31 December 2015: €2,074.5m), the fair value is €3,088.6m (31 December 2015: €2,024.7m) based on dealer-quotes (Level 2). For all other financial assets and liabilities the carrying amounts are a reasonable approximate of fair values.

## JAB Holdings B.V., Amsterdam

	30 June 2016			
	Level 1	Level 2	Level 3	Total
	in €k	in €k	in €k	in €k
<b>Available for sale financial assets</b>				
Subsidiaries and other investments				
Listed equity investments	11,420,505	0	0	11,420,505
Unlisted equity investments	0	0	8,686,439	8,686,439
<b>Financial Assets at fair value through profit or loss</b>				
Foreign exchange contracts	0	2,417	0	2,417
<b>Total assets</b>	<b>11,420,505</b>	<b>2,417</b>	<b>8,686,439</b>	<b>20,109,362</b>
<b>Financial Liabilities at fair value through profit or loss</b>				
Interest rate contracts	0	97,532	0	97,532
<b>Total liabilities</b>	<b>0</b>	<b>97,532</b>	<b>0</b>	<b>97,532</b>

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	in €k	in €k	in €k	in €k
<b>Available for sale financial assets</b>				
Subsidiaries and other investments				
Listed equity investments	12,653,468	0	0	12,653,468
Unlisted equity investments	0	0	5,466,138	5,466,138
<b>Total assets</b>	<b>12,653,468</b>	<b>0</b>	<b>5,466,138</b>	<b>18,119,606</b>
<b>Financial Liabilities at fair value through profit or loss</b>				
Interest rate contracts	0	82,175	0	82,175
Foreign exchange contracts	0	26,426	0	26,426
<b>Derivatives used for Hedging</b>				
Foreign exchange contracts	0	2,664	0	2,664
<b>Total liabilities</b>	<b>0</b>	<b>111,266</b>	<b>0</b>	<b>111,266</b>

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

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

## JAB Holdings B.V., Amsterdam

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

<b>Subsidiaries</b>	
Unlisted equity investments	
<b>30 June 2016</b>	
in €k	
Balance as of 1 January	5,466,138
Contributions to subsidiaries	3,235,541
Repayment share premium	-28,745
Impairment	-271,391
Fair value adjustment	284,896
<b>Balance as of 30 June</b>	<b><u>8,686,439</u></b>

There were no transfers from or to Level 3 in the period ended 30 June 2016.

### Subsidiaries categorised in Level 3

The Company's investments include equity participations in JAB Forest B.V. and Labelux Group GmbH, which are not quoted in an active market. The Company uses a market based valuation technique for these investments.

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

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

#### JAB Forest B.V.

The Company is 100% shareholder of JAB Forest B.V. The entity holds 58.3% of Acorn Holdings B.V., 71.7% of JAB Beech Inc. and 52.0% of JAB Coffee Holding B.V. Acorn Holdings B.V. is a direct shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts B.V. and Keurig Green Mountain Inc. JAB Beech Inc. is direct shareholder of further interim holding companies and their investments (Caribou Coffee Company Inc., Peet's Operating Company Inc., Einstein Noah Restaurant Group Inc.). JAB Coffee Holding B.V. is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB.

As of 30 June 2016 the subsidiary was valued at €8,065.2m. A fair value adjustment of €284.9m was recognised in other comprehensive income.

The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations and considering financial debt.

## **JAB Holdings B.V., Amsterdam**

As of 31 December 2015, the fair value of JAB Forest B.V.'s participation in Acorn Holdings B.V. is based on the value per share of at-arms length transactions in Acorn Holdings B.V. shares in December 2015 and February 2016.

For 30 June 2016 JAB Forest B.V.'s participation in Acorn Holdings B.V. was valued applying the following multiples for its participation in Jacobs Douwe Egberts B.V.:

- EBITDA multiples of 15.8 and;
- net income multiples of 22.8, both weighted equally (50:50).

The calculation was based on the expected EBITDA and net income figures for 2016. 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.

Acorn Holdings B.V.'s investment in Keurig Green Mountain Inc. was acquired in March 2016. Management assessed the original acquisition cost to be the best fair value estimate as of 30 June 2016.

JAB Forest B.V.'s participation in JAB Beech Inc. was valued applying the following multiples:

- EBITDA multiples ranged from 16.3 to 17.6 with a weight of 40% (31 December 2015: 15.8 to 16.3 with a weight of 40%);
- net income multiples ranged from 32.7 to 33.8 with a weight of 40% (31 December 2015: 32.4 to 32.6 with a weight of 40%);
- sales multiples ranged from 2.4 to 4.2 with a weight of 20% (31 December 2015: 2.8 to 3.8 with a weight of 20%).

The calculation was based on the figures for the last twelve months ending June 2016 (31 December 2015: December 2015). The multiples were derived from selected publicly listed companies as of 30 June 2016 and 31 December 2015. Adjustments between the enterprise value and the equity value were made for financial debt.

For 31 December 2015 management assessed the original acquisition cost of the participation in JAB Coffee Holding B.V. to be the best fair value estimate.

For 30 June 2016 JAB Coffee Holding B.V.'s participation in Espresso House Holding AB was valued applying the following multiples:

- EBITDA multiples of 15.8 with a weight of 40%;
- net income multiples of 27.7 with a weight of 40%;
- sales multiples of 2.5 with a weight of 20%.

The calculation was based on the figures for the last twelve months ending June 2016. 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.

## **JAB Holdings B.V., Amsterdam**

### **Labelux Group GmbH**

The Company is the sole owner of Labelux Group GmbH, Austria. 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 and men's and women's fashion.

As of 30 June 2016 the subsidiary was valued at €621.2m. Since the decline in value is believed to be significant, prolonged impairment losses of €271.4m (31 December 2015: €114.2m) were recognised in financial expenses.

The investment's fair value was calculated as the net asset value of Labelux Group GmbH's different businesses and considering Labelux Group GmbH's financial net-debt. One of Labelux Group's subsidiaries (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. Valuation models based on multiples were applied for the other subsidiaries of Labelux Group GmbH. The valuation is based on revenue multiples. Revenue multiples ranged from 0.82 to 0.87 based on the revenues of the last twelve months ending June 2016. No illiquidity discount was considered. As of 31 December 2015 revenue multiples ranged from 0.85 to 1.07 based on the expected revenues 2015.

### **Sensitivity analysis to unobservable inputs**

Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The most significant unobservable inputs are the applied multiples. The estimated fair value would increase (decrease) if the adjusted market multiples were higher (lower). A change of the applied multiples by 10% would change the fair value estimate in the amount of €686.0m (31 December 2015: €230.8m). As of 31 December 2015, the sensitivity to unobservable inputs comprises the investment in JAB Beech Inc. and Labelux Group GmbH.

### **Overview financial risk factors**

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

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

The interim condensed financial statements do not include all financial risk management information and disclosure required in annual financial statements, and should be read in conjunction with the Company's 31 December 2015 financial statements. There have been no changes in risk management policies and procedures since year-end .

## **JAB Holdings B.V., Amsterdam**

### **23. Subsequent events**

After 30 June 2016 JAB Holdings B.V. has made capital contributions to JAB Forest B.V. and has received capital repayments from JAB Forest B.V. in a total net amount of €132m. The transactions relate to the funding of the acquisition of Krispy Kreme Inc. by JAB Beech Group in July 2016 and a distribution of cash from a capital repayment of JAB Coffee Holding B.V.

Amsterdam, September 26, 2016

Managing Directors:

J. Creus

M. Hopmann

C. Thun-Hohenstein