

**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 2019

4, Rue Jean Monnet, L-2180 Luxembourg  
B 164.586

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

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

## **Report of the Réviseur d'Entreprises agréé on the review of the interim condensed consolidated financial statements**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of JAB Holding Company S.à r.l. ("the Company") as at 30 June 2019, the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flows statement for the six month period then ended, and notes to the interim condensed consolidated financial statements ("the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these 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 these 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 and for the six month period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 6 September 2019

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

Yves Thorn

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

### **Consolidated Management Report**

Management of JAB Holding Company S.à r.l. (the "Company" or the "JAB Group") hereby presents its consolidated financial statements for the six months period ended on 30 June 2019.

#### **General information**

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

The investments are overseen by two senior partners: Peter Harf and Olivier Goudet, together with 8 other partners. 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 or loss (FVTPL).

#### **Investments**

As of 30 June 2019, JAB Group's portfolio includes participations in Acorn Holdings B.V., Pret Panera Holding Company Group (through Pret Panera I G.P. and Pret Panera III G.P.), Krispy Kreme Group (through KK G.P.), Coty Inc. (through Cottage Holdco B.V.), Compassion-First Group (through Petcare G.P.) and JAB Luxury GmbH.

Acorn Holdings B.V. is the holding company of Keurig Dr Pepper Group (KDP), a leading producer and distributor of hot and cold beverages, Jacobs Douwe Egberts Group (JDE), a global leader in Coffee, and Peet's Coffee Group, a leading premium retail coffee brand in the US. As of 30 June 2019, the investment was valued at €16,690.0m. The value of the shares increased by €2,622.9m. In the six months period ended 30 June 2019, JAB Group received capital repayments of €980.3m from Acorn Holdings B.V., partly funded by the disposal of shares in KDP.

Pret Panera I G.P. and Pret Panera III G.P. are the holding companies of Pret Panera Holding Company Group and its investments in leading bakery coffee companies, Pret A Manger Group and Panera Group, and in premium retail coffee brands, Caribou Coffee Group and Espresso House Group. As of 30 June 2019, the investment was valued at €4,136.1m. The value of the shares increased by €706.3m. In the six months ended 30 June 2019, JAB Group made capital contributions to Pret Panera III G.P. in the amount of €76.0m.

KK G.P. is the holding company of the leading international premium retailer of sweet treats, Krispy Kreme Group. As of 30 June 2019, the investment was valued at €790.7m. The value of the shares increased by €102.4m. In the six months ended 30 June 2019, JAB Group made capital contributions to KK G.P. in the amount of €33.5m.

In March 2019, JAB Group made an investment in Petcare G.P. for the acquisition of Compassion-First Group, a pet hospitals group, in the amount of €222.5m.

Coty Inc. is a global leader in the world of beauty. Coty Inc. is listed on the New York Stock Exchange. In March 2019, JAB Group founded a new subsidiary, Cottage Holdco B.V. and subsequently contributed its investment in Coty Inc. to the newly established holding company. Thereafter, Cottage Holdco B.V. acquired further Coty shares in a partial tender offer (financed by standalone debt at Cottage Holdco B.V.). As of 30 June 2019, the investment in Cottage Hold-

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co B.V. was valued at €3,805.8m. In the six months period ended 30 June 2019, the value of the shares increased by €2,081.8m and JAB Group received dividend income from Coty Inc. of €33.1m.

In the six months period ended 30 June 2019, JAB Group sold the investment in Reckitt Benckiser Group Plc. for €356.5m (six months ended 30 June 2018: 14.3m shares, €931.5m).

JAB Luxury GmbH is the holding company of the luxury goods company Bally. As of 30 June 2019, the investment was valued at €410.7m. The value of the shares increased by €6.0m. JAB 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 JAB Group:

### Acorn Holdings B.V.:

JAB Group holds 57.0% of Acorn Holdings B.V. Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investments in KDP, JDE and Peet's Coffee Group.

Acorn Holdings B.V. investments were valued as follows:

- As of 30 June 2019 and 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 30 June 2019 and 31 December 2018, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM (based on 12 months) multiples were used for the valuation of JDE: EBITDA multiple of 16.3x (31 December 2018: 14.0x) and P/E multiple of 23.1x (31 December 2018: 20.9x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for JDE: EBITDA multiple of 15.5x (31 December 2018: 13.8x) and P/E multiple of 22.2x (31 December 2018: 19.1x).
- As of 30 June 2019 and 31 December 2018, Peet's Coffee Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Peet's Coffee Group: EBITDA multiple of 18.1x (31 December 2018: 15.7x), P/E multiple of 28.1x (31 December 2018: 24.6x) and Sales multiple of 4.2x (31 December 2018: 3.3x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Peet's Coffee Group: EBITDA multiple of 17.1x (31 December 2018: 14.2x), P/E multiple of 25.5x (31 December 2018: 22.4x) and Sales multiple of 3.9x (31 December 2018: 3.1x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

JAB Group is invested in Pret Panera Holding Company Group through a 53.8% investment in Pret Panera I G.P. and 16.3% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.

As of 30 June 2019, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €4,136.2m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger Group occurred in the second half of 2018. As of 30 June 2019 and 31 December 2018, management assessed the original acquisition cost to be the best fair value estimate.
- As of 30 June 2019 and 31 December 2018, Panera Group's, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 20.5x (31 December 2018: 17.3x), P/E multiple of 31.7x (31 December 2018: 25.0x) and Sales multiple of 4.1x (31 December 2018: 2.9).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Panera Group: EBITDA multiple of 18.6x (31 December 2018: 16.3x), P/E multiple of 27.2x (31 December 2018: 23.7x) and Sales multiple of 3.7x (31 December 2018: 2.7x).
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.1x (31 December 2018: 16.1x), P/E multiple of 26.9x (31 December 2018: 25.0x) and Sales multiple of 1.9x (31 December 2018: 1.8x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Caribou: EBITDA multiple of 17.0x (31 December 2018: 15.6x), P/E multiple of 24.9x (31 December 2018: 23.2x) and Sales multiple of 1.7x (31 December 2018: 1.6x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 19.4x (31 December 2018: 17.8x), P/E multiple of 27.1x (31 December 2018: 25.5x) and Sales multiple of 2.2x (31 December 2018: 2.5x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Espresso House: EBITDA multiple of 18.4x (31 December 2018: 16.8x), P/E multiple of 25.3x (31 December 2018: 22.9x) and Sales multiple of 1.9x (31 December 2018: 2.2x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 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.

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### KK G.P.:

JAB Group is invested in Krispy Kreme Group through a 49.6% investment in KK G.P.

As of 30 June 2019, the shares in KK G.P. were valued at €790.7m. KK G.P.'s investment was valued as follows:

- As of 30 June 2019 and 31 December 2018, Krispy Kreme Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Krispy Kreme Group: EBITDA multiple of 19.4x (31 December 2018: 16.9x), P/E multiple of 26.9x (31 December 2018: 24.4x) and Sales multiple of 4.0x (31 December 2018: 3.2x).
- For further information, we also include the related next twelve months (NTM) multiples for the same peer group of selected publicly listed companies for Krispy Kreme Group: EBITDA multiple of 18.4x (31 December 2018: 16.3x), P/E multiple of 24.9x (31 December 2018: 22.4x) and Sales multiple of 3.8x (31 December 2018: 3.1x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 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.

### Cottage Holdco B.V.:

JAB Group is invested in Coty Inc. through Cottage Holdco B.V.

As of 30 June 2019, the shares in Cottage Holdco B.V. were valued at €3,805.8m. The investment was valued as follows:

Cottage Holdco B.V. is the direct shareholder of an investment in Coty Inc. and was valued by adjusting its investment in Coty Inc. for financial debt. As of 30 June 2019, Coty Inc. is a listed company (New York Stock Exchange). The shares in Coty Inc. were valued based on the quoted market price at the reporting date.

### Petcare G.P.:

JAB Group is invested in Compassion-First (VSNA LLC) through a 33.1% investment in Petcare G.P.

As of 30 June 2019, the shares in Petcare G.P. were valued at €219.7m. Petcare G.P.'s investment in Compassion-First Group was valued as follows:

The investment in Compassion-First Group occurred in March 2019. As of 30 June 2019, management assessed the original acquisition cost to be the best fair value estimate.

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

### JAB Luxury GmbH:

JAB Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of the luxury goods company Bally International AG (Bally). JAB Group has the intention to dispose of its investment in Labelux Group GmbH and therefore classified the shares as assets held for sale.

As of 30 June 2019, the shares in JAB Luxury GmbH, Switzerland were valued at €410.7m.

As of 30 June 2019 and 31 December 2018, the investment's fair value was based on the value per share of an at-arms' length transaction in Bally International AG shares signed in February 2018.

### Corporate debt securities Acorn Holdings B.V.

JAB Group holds preferred shares in Acorn Holdings B.V.

As of 30 June 2019, the preferred shares in Acorn were valued at €852.2m.

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

## **Financing**

As of 30 June 2019, JAB Group's capital comprises 8,888,582 Class A shares, 784,268 Class B shares and 1,438,021 Class S shares. Class B shares and Class S shares are redeemable under certain conditions that are out of JAB Group's control and therefore classified as liabilities. The redeemable shares are carried at the redemption amount of €2,255.7m (31 December 2018: €1,926.9m).

JAB 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 €564.0m as of 30 June 2019 (31 December 2018: €399.9m). The change in the carrying amount is mainly due to an increase in the share price during in the six months period ended 30 June 2019.

As of 30 June 2019, JAB Group has borrowings of in total €5,955.9m (31 December 2018: €5,952.1m). The outstanding amount in the current period consists of long-term notes with a carrying value of €5,955.9m (31 December 2018: €5,952.1m).

The cash flows from financing activities during the six months period ended 30 June 2019 include share premium repayments to the shareholders (€-89.3m; six months ended 30 June 2018: €-90.3m), capital repayments on redeemable shares (€-35.4m; six months ended 30 June 2018: €-61.4m), proceeds from issue of shares (€9.3m; six months ended 30 June 2018: €155.5m), financial expenses paid (€-92.1m; six months ended 30 June 2018: €-76.0m), payment of lease liability (€0.1m; six months ended 30 June 2019: €0.0m) and the net change in borrowings (€0.0m; six months ended 30 June 2018: €1,493.2m).

In the six months period ended 30 June 2019, JAB Group's equity increased from €15,255.9m to €20,150.1m, mainly due to an increase in the value of JAB Group's investment portfolio.



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

### **Financial information**

The result for the six months period ended 30 June 2019 amounts to €4,994.2m, mainly relating to the net gain on subsidiaries, other investments and short-term financial investments (€5,543.8m), dividends received (€62.2m), finance income (€6.6m), interest expense (€-71.2m), expenses from the revaluation of redeemable shares (€-301.2m) and expense from the share-option scheme (€-201.5m).

### **Future developments and outlook**

JAB 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 June 2019, it was announced that JAB Group together with JAB Consumer Fund will acquire National Veterinary Associates, one of the largest veterinary and pet care services organizations in the world. The transaction is expected to be completed in 2019. JAB Group and JAB Consumer Fund will together make an equity investment of approximately \$3.3bn as part of the financing of the transaction that was committed by JAB Group at signing, will be contributed by JAB Group at closing and finally allocated to JAB Group and JAB Consumer Fund. The final JAB Group equity contribution will amount to not more than €1.1bn.

The share price of Cottage Holdco B.V. subsidiary Coty Inc. decreased from \$13.40 at 30 June 2019 to \$9.39 at 4 September 2019.

Luxembourg, 6 September 2019

Managing Directors:

J. Creus

F. Simon

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

### Interim Condensed Consolidated Statement of Financial Position as of 30 June 2019

		30 June 2019	31 December 2018
	note	in €m	in €m
<b>ASSETS</b>			
Subsidiaries	3.1	25,647.3	19,061.0
Other investments	3.2	35.1	2,095.0
Corporate debt securities	3.3	852.2	852.2
Loans	3.4	65.6	34.0
Other assets	3.5	14.6	13.7
Short-term financial investments	3.6	18.2	82.3
Cash and cash equivalents	3.7	1,905.4	1,094.6
Non-current assets held-for-sale	3.8	449.6	404.7
<b>Total assets</b>		<b>28,988.0</b>	<b>23,637.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	3.9	<b>20,150.1</b>	<b>15,255.9</b>
Attributable to owners of the parent		20,150.1	15,255.9
Borrowings	3.12	5,955.9	5,952.1
Redeemable shares	3.10	2,255.7	1,926.9
Other liabilities	3.11, 3.13	626.3	502.6
<b>Total liabilities</b>		<b>8,837.9</b>	<b>8,381.6</b>
<b>Total equity and liabilities</b>		<b>28,988.0</b>	<b>23,637.5</b>

The notes on pages 14 to 36 are an integral part of these interim condensed consolidated financial statements.

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

### Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months period ended 30 June 2019

	note	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Net gain / (loss) on subsidiaries, other investments and short-term financial investments	3.14	5,543.8	-1,151.6
Dividend income	3.15	62.2	123.5
Finance income	3.16	6.6	166.5
Finance expenses	3.16	-374.8	-51.1
General and administrative expenses	3.17	-232.1	-178.8
<b>Result before tax</b>		<b>5,005.7</b>	<b>-1,091.5</b>
Taxes on income	3.18	-11.5	0.0
<b>Result for the period</b>		<b>4,994.2</b>	<b>-1,091.5</b>
Attributable to owners of the parent		4,994.2	-1,091.5
Items that may be reclassified subsequently to profit and loss			
Currency translation differences		-10.7	-61.4
<b>Other comprehensive income</b>		<b>-10.7</b>	<b>-61.4</b>
<b>Total comprehensive result</b>		<b>4,983.5</b>	<b>-1,152.9</b>
Attributable to owners of the parent		4,983.5	-1,152.9

The notes on pages 14 to 36 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 2019**

		Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
	note	in €m	in €m	in €m	in €m	in €m
<b>Balance as of 1 January 2018</b>		<b>6.6</b>	<b>7,594.7</b>	<b>-48.9</b>	<b>8,596.6</b>	<b>16,149.1</b>
Issue of share capital	3.9.1	0.1	149.8	0.0	0.0	149.9
Repayment of share premium	3.9.1	0.0	-90.3	0.0	0.0	-90.3
Total income and expense recognised directly in equity		0.0	0.0	-61.4	0.0	-61.4
Result for the period		0.0	0.0	0.0	-1,091.5	-1,091.5
Total comprehensive loss		0.0	0.0	-61.4	-1,091.5	-1,152.9
<b>Balance as of 30 June 2018</b>		<b>6.7</b>	<b>7,654.2</b>	<b>-110.3</b>	<b>7,505.1</b>	<b>15,055.8</b>
<b>Balance as of 1 January 2019</b>		<b>6.7</b>	<b>7,654.3</b>	<b>-149.6</b>	<b>7,744.4</b>	<b>15,255.9</b>
Repayment of share premium	3.9.1	0.0	-89.3	0.0	0.0	-89.3
Total income and expense recognised directly in equity		0.0	0.0	-10.7	0.0	-10.7
Result for the period		0.0	0.0	0.0	4,994.2	4,994.2
Total comprehensive income		0.0	0.0	-10.7	4,994.2	4,983.5
<b>Balance as of 30 June 2019</b>		<b>6.7</b>	<b>7,565.0</b>	<b>-160.3</b>	<b>12,738.6</b>	<b>20,150.1</b>

The notes on pages 14 to 36 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 2019

	note	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
<b>Cash flows from operating activities</b>			
Result before tax		5,005.7	-1,091.5
Finance expenses	3.16	374.8	51.1
Gain from change in fair value of redeemable shares	3.16	0.0	-1.2
Net (gain) / loss from change in fair value of subsidiaries, other investments and short-term financial investments	3.14	-5,543.8	1,151.6
Payments on acquisition of subsidiaries, other investments and short-term financial investments	3.1-3.2, 3.6	-326.0	-349.4
Proceeds from sale of subsidiaries, other investments and short-term financial investments	3.1-3.2, 3.6	1,408.2	931.5
Capital repayments from subsidiaries	3.1	0.0	65.7
Adjustment for share-based payment transactions		187.2	158.9
Other adjustment		0.0	-43.4
Changes in other assets and liabilities from operating activities			
(Net increase) / decrease in loans	3.4	-56.4	21.7
(Net increase) / decrease in other assets	3.5	-2.1	-2.8
Net increase / (decrease) in other liabilities	3.13	-1.7	5.5
Income taxes paid and withholding taxes	3.18	-11.5	0.0
<b>Net cash from / (used in) operating activities</b>		<b>1,034.4</b>	<b>897.6</b>
<b>Cash flows from financing activities</b>			
Contribution owners of the parent		0.0	150.0
Repayment of share premium to owners of the parent	3.9.1	-89.3	-90.3
Changes in borrowings	3.12	0.0	1,493.2
Financial expenses paid		-92.1	-76.0
Proceeds from issue of redeemable shares	3.10	9.3	5.5
Capital repayments on redeemable shares	3.10	-35.4	-61.4
Payment of lease liability	3.13	-0.1	0.0
<b>Net cash from / (used in) financing activities</b>		<b>-207.6</b>	<b>1,421.0</b>
<b>Cash and cash equivalents at beginning of period</b>	3.7	<b>1,094.6</b>	<b>674.7</b>
Net cash from / (used in) operating activities		1,034.4	897.6
Net cash from / (used in) financing activities		-207.6	1,421.0
Effect of exchange rate fluctuations on cash and cash equivalents		-16.0	45.1
<b>Cash and cash equivalents at end of period</b>	3.7	<b>1,905.4</b>	<b>3,038.4</b>

The notes on pages 14 to 36 are an integral part of these interim condensed consolidated financial statements.

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

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

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 2018, 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 JAB 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 2019 have been prepared applying the same accounting policies as are applied in JAB 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.

JAB 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 2019 therefore have been prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the European Union.

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### **2.2 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements made by management in applying JAB Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2018.

### **2.3 Consolidation**

There were no material changes in the composition of JAB Group in the half year ended 30 June 2019.

### **2.4 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 (\$).

### **2.5 Accounting policies and disclosures**

Except as described below, the accounting policies applied by JAB Group for these interim condensed consolidated financial statements are consistent with those described in the Consolidated Financial Statements 2018, as are the methods of computation.

#### **New and amended standards adopted by JAB Group**

A number of new standards, including IFRS 16, 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 2019 but they do not have a material effect on JAB Group's consolidated financial statements.

JAB Group has initially adopted IFRS 16 *Leases* from 1 January 2019. IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, JAB Group, as a lessee, has recognised right of use-assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The effects of the adoption are not significant.

#### **New standards and interpretations not yet adopted by JAB Group**

A number of new standards are effective later than annual periods beginning after 1 January 2019 and earlier application is permitted; however, JAB Group has not early adopted the new or amended standards in preparing these interim condensed financial statements. None of these is expected to have a significant effect on the consolidated financial statements of JAB Group.

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

### 3. Notes to the Consolidated Financial Statements

#### 3.1 Subsidiaries

The following table gives an overview of material subsidiaries as of 30 June 2019:

	30 June 2019	31 December 2018
	%	%
Acorn Holdings B.V., Netherlands	57.0	57.0
Pret Panera I G.P., USA	53.8	53.5
Pret Panera III G.P., USA	16.3	15.4
KK G.P., USA	49.6	48.8
Cottage Holdco B.V., Netherlands	100.0	0.0
Petcare G.P., USA	33.1	0.0

JAB Group controls its investments in Pret Panera III G.P., KK G.P. and Petcare G.P. by virtue of agreements with its other shareholders. Therefore, the investments are presented as subsidiaries.

The movements in subsidiaries can be detailed as follows:

	Acorn Holdings B.V. in €m	Pret Panera I G.P. in €m	Pret Panera III G.P. in €m	KK G.P. in €m	Cottage Holdco B.V. in €m	Petcare G.P. in €m	Others in €m	<b>Total</b> in €m
Balance as of 31 December 2018	15,047.4	2,299.0	1,054.8	654.8	0.0	0.0	5.0	19,061.0
Additions	0.0	0.0	76.0	33.5	3,002.4	222.5	0.0	3,334.5
Disposals	-980.3	0.0	0.0	0.0	0.0	0.0	0.0	-980.3
Change in fair value	2,622.9	475.0	231.3	102.4	803.4	-2.8	0.0	4,232.2
<b>Balance as of 30 June 2019</b>	<b>16,690.0</b>	<b>2,774.0</b>	<b>1,362.1</b>	<b>790.7</b>	<b>3,805.8</b>	<b>219.7</b>	<b>5.0</b>	<b>25,647.3</b>

#### **Acorn Holdings B.V.**

In the six months period ended 30 June 2019, JAB Group received a capital repayment of €980.3m from Acorn Holdings B.V.

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

In the six months period ended 30 June 2019, JAB Group made a capital contribution of €76.0m to Pret Panera III G.P.



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### **KK G.P.**

In the six months period ended 30 June 2019, JAB Group made a capital contribution of €33.5m to KK G.P.

### **Cottage Holdco B.V.**

In April 2019, the investment in Coty Inc. (301 million shares) was contributed to the newly established interim holding Cottage Holdco B.V. Thereafter, Cottage Holdco B.V. acquired further 150 million shares in a partial tender offer (financed by standalone debt at Cottage Holdco B.V.).

### **Petcare G.P.**

In March 2019, the Company made an investment in Compassion-First Group (through Petcare G.P.) in the amount of €222.5m.

## 3.2 Other investments

The following table gives an overview of material other investments (including associates) as of 30 June 2019:

	30 June 2019	31 December 2018
	%	%
Coty Inc., USA	0.0	40.1
Reckitt Benckiser Group Plc., UK	0.0	0.7

The movements in other investments can be detailed as follows:

	Coty Inc.	Reckitt Benckiser Group Plc.	Others	Total
	in €m	in €m	in €m	in €m
<b>Balance as of 31 December 2018</b>	<b>1,724.0</b>	<b>336.1</b>	<b>34.9</b>	<b>2,095.0</b>
Additions	0.0	0.0	0.0	0.0
Disposals	-3,002.4	-356.5	0.0	-3,358.9
Change in fair value	1,278.4	20.4	0.2	1,299.0
<b>Balance as of 30 June 2019</b>	<b>0.0</b>	<b>0.0</b>	<b>35.1</b>	<b>35.1</b>

### **Coty Inc.**

In April 2019, the investment in Coty Inc. was contributed to the newly established interim holding Cottage Holdco B.V.

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### *Reckitt Benckiser Group Plc.*

5.0 million Reckitt Benckiser Group Plc. shares were sold in the six months period ended 30 June 2019.

### 3.3 Corporate debt securities

Corporate debt securities can be detailed as follows:

	30 June 2019	31 December 2018
	in €m	in €m
Acom Holdings B.V. preferred shares	852.2	852.2
<b>Total</b>	<b>852.2</b>	<b>852.2</b>

For further explanation please refer to page 35.

### 3.4 Loans

The movements in the loans can be detailed as follows:

	JAB Management	JAB Holding Company LLC	Pret A Manger Group	Petcare Intermediate Inc.	Others	<b>Total</b>
	in €m	in €m	in €m	in €m	in €m	in €m
Balance as of 31 December 2018	12.6	3.4	18.0	0.0	0.0	34.0
Additions	20.1	0.0	0.0	22.3	9.0	51.4
Disposals	-1.0	0.0	-18.4	0.0	0.0	-19.4
Translation differences	-0.3	0.0	0.4	-0.3	-0.2	-0.4
<b>Balance as of 30 June 2019</b>	<b>31.5</b>	<b>3.4</b>	<b>0.0</b>	<b>22.0</b>	<b>8.8</b>	<b>65.6</b>
Thereof current	31.5	3.4	0.0	22.0	8.8	65.6

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### 3.5 Other assets

	30 June 2019	31 December 2018
	in €m	in €m
JAB Holding Company LLC	3.6	0.0
Refund withholding tax	3.0	6.1
Prepayments	3.0	3.6
Accrued interest	1.7	1.1
Right of use-asset	0.4	0.0
Other	2.9	2.9
<b>Total</b>	<b>14.6</b>	<b>13.7</b>

### 3.6 Short-term financial investments

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

	in €m
Balance as of 31 December 2018	82.3
Disposals	-71.4
Change in fair value	7.3
<b>Balance as of 30 June 2019</b>	<b>18.2</b>

Short-term financial instruments relate to bonds of Coty Inc. (31 December 2018: bonds and term loan B of Coty Inc.).

### 3.7 Cash and cash equivalents

Cash and cash equivalents as of 30 June 2019, include bank deposits and liquidity funds available on demand in the amount of €1,705.4m (31 December 2018: €869.6m) and deposits in the amount of €200.0m with a maturity in August 2019 (31 December 2018: February 2019 (€200.0m) and April 2019 (€25.0m)).

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### 3.8 Non-current assets held-for-sale

JAB Group is 100% shareholder in JAB Luxury GmbH.

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 as held-for-sale. In February 2018, JAB Group announced the signing of an agreement to sell a controlling stake in JAB Luxury GmbH subsidiary Bally. The transaction remains subject to closing conditions including customary regulatory approvals.

As of 30 June 2019, the non-current assets held-for-sale comprised assets of €449.6m and detailed as follows:

	30 June 2019	31 December 2018
	in €m	in €m
Subsidiary JAB Luxury GmbH	410.7	404.7
Loan and accrued interest to JAB Luxury GmbH	38.9	0.0
<b>Total</b>	<b>449.6</b>	<b>404.7</b>

### 3.9 Shareholder's equity

#### 3.9.1 Share capital and share premium

Issued shares comprise:

	30 June 2019		31 December 2018	
	Number	Nominal Value in \$m	Number	Nominal Value in \$m
Ordinary Class A shares	8,888,582	8.9	8,888,582	8.9
Ordinary Class B shares	784,268	0.8	767,184	0.8
Special Class S shares	1,438,021	1.4	1,407,023	1.4
<b>Issued shares</b>	<b>11,110,871</b>	<b>11.1</b>	<b>11,062,789</b>	<b>11.1</b>

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 3.10).

No Class A shares were issued in the six months period ended 30 June 2019. In 2018, 88,382 Class A shares were issued with a nominal value of \$0.1m and a share premium in the amount of \$173.6m.

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In the six months period ended 30 June 2019, no dividend was paid to the Class A shareholders. Capital repayments out of the share premium in the amount of \$101.5m (€89.3m; 2018: \$110.7m, €90.3m) were made to shareholders of Class A shares.

### 3.10 Redeemable shares

The redeemable shares are carried at €2,255.7m (31 December 2018: €1,926.9m), including shares held by the management in the amount of €2,099.7m (31 December 2018: €1,790.9m).

As of 30 June 2019 and 31 December 2018, all redeemable shares are redeemable in short-term, if specific criteria are met and presented as current liabilities (€2,255.7m; 31 December 2018: €1,926.9m).

The following table illustrates the movements in the redeemable shares in the six months period ended 30 June 2019:

	Ordinary Class B shares		Special Class S shares		Carrying amount in \$m	Carrying amount in €m
	Number	Nominal Value in \$k	Number	Nominal Value in \$k		
In issue as of 1 January 2018	596,142	596	1,173,554	1,174	1,790.6	1,493.0
Issued for cash	2,066	2	249,113	249	10.7	
Exercise of share options	385,890	386			816.5	
Redeemed to the Company	-216,914	-217	-15,645	-16	-464.9	
Capital repayment/distributions					-16.2	
Change in redemption amount					69.6	
<b>In issue as of 31 December 2018</b>	<b>767,184</b>	<b>767</b>	<b>1,407,022</b>	<b>1,407</b>	<b>2,206.3</b>	<b>1,926.9</b>
Issued for cash	15,379	15	30,998	31	35.3	
Exercise of share options	37,000	37			81.8	
Redeemed to the Company	-35,295	-35			-78.0	
Capital repayment/distributions					-17.0	
Change in redemption amount					338.6	
<b>In issue as of 30 June 2019</b>	<b>784,268</b>	<b>784</b>	<b>1,438,020</b>	<b>1,438</b>	<b>2,567.0</b>	<b>2,255.7</b>

The average issue price (for one ordinary share or five special shares) was \$2,205 (31 December 2018: \$2,115).

In the six months period ended 30 June 2019, no dividend was paid to Class B and special Class S shareholders out of retained earnings (31 December 2018: \$0.0m). Capital repayments to these shareholders in the amount of \$17.0m were made in the six months period ended 30 June 2019 (six months period ended 30 June 2018: \$15.5m)

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### 3.11 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 3.10).

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 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.

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 3.10).

In the six months period ended 30 June 2019, the options granted have the following vesting conditions and contractual lives:

Options granted	Number of Options	Vesting Conditions	Contractual Life of Options
Six months ended 30 June 2019	31,405	Graded vesting over vesting period of 5 service years (annual instalments) from grant date	10 years
	70,137	Vesting after 5 years' service from grant date	10 years

The following table lists the weighted average inputs for the measurement of the fair values at grant date for the share option granted for the six months ended 30 June 2019 and the inputs used for the measurement of the fair values of the outstanding share options as of 30 June 2019:

	Grant date 2019	Measurement date 30 June 2019	Grant date 2018	Measurement date 31 Dec. 2018
Dividend yield (%)	0.7%	0.7%	0.7%	0.7%
Expected volatility (%)	30.0%	30.0%	30.0%	30.0%
Risk-free interest rate (%)	2.4%	1.9%	2.8%	2.6%
Expected life of options (years)	7.5 years	4.5 years	7.3 years	4.7 years
Exercise price (USD)	2,201	1,857	2,059	1,819
Share price (redemption amount) (USD)	2,201	2,333	2,059	2,030

The weighted average fair value of options granted during the six months period ended 30 June 2019 was \$762 (31 December 2018: \$745).

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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 2019:

	Number of options 30 June 2019	Weighted average exercise price 30 June 2019	Number of options 30 June 2018	Weighted average exercise price 30 June 2018
Balance at 1 January (outstanding)	1,334,874	1,819	1,580,842	1,572
Granted during the period	101,542	2,201	201,410	2,120
Lapsed during the period	0	0	29,387	1,610
Exercised during the period	95,590	1,686	364,161	1,003
Expired during the period	0	0	0	0
Balance at 30 June (outstanding)	1,340,826	1,857	1,388,704	1,800
Vested and exercisable at end of period	15,000	1,501	3,000	1,363

As of 30 June 2019, the carrying amount of the liability relating to the share option schemes is \$641.8m (€564.0m; 31 December 2018: \$457.9m, €399.9m). The liability of €564.0m includes a liability from options already exercised in the amount of €11.4m (31 December 2018: €0.0m). As of 30 June 2019, options amounting to €34.5m (31 December 2018: €22.6m) are qualified as current and €529.5m (31 December 2018: €377.3m) as non-current.

15,000 options had vested as of 30 June 2019 (31 December 2018: 52,000). The intrinsic value of liabilities for vested options is €11.0m (31 December 2018: €24.5m).

The weighted-average share price at the date of exercise for share options exercised in the six months period ended 30 June 2019 was \$2,274 (six months ended 30 June 2018: \$2,121).

58,590 options were settled in cash by payment of the net value of the options. 37,000 options were exercised by payment of the strike price in cash for the issue of 37,000 redeemable shares (Class B shares).

The range of exercise price for options outstanding at the end of the period was \$1,501 to \$2,211 (six months ended 30 June 2018: \$1,363 to \$2,121).

The expense recognised for the period arising from the share-option schemes during the period was \$227.7m (€201.5m; six months ended 30 June 2018: expense \$192.3m; €158.9m).

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### 3.12 Borrowings

The movements in borrowings can be detailed as follows:

	Long-term notes in €m
Balance as of 31 December 2018	5,952.1
Amortisation disagio and fees	3.8
<b>Balance as of 30 June 2019</b>	<b>5,955.9</b>
Thereof non-current liabilities	5,955.9

As of 30 June 2019, JAB Group has no outstanding payables under its credit facilities (31 December 2018: €0.0m).

### 3.13 Other liabilities

	30 June 2019 in €m	31 December 2018 in €m
Share-based transactions	564.0	399.9
Derivatives	27.1	38.0
Accrued interest and other bank fees	26.3	55.2
Trade and other payables	8.5	9.5
Lease liability	0.4	0.0
<b>Total</b>	<b>626.3</b>	<b>502.6</b>
Thereof current	92.4	123.6
Thereof non-current	533.9	379.0



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

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
<b>Net gain / (loss) on subsidiaries at FVTPL</b>		
Acorn Holdings B.V.	2,622.2	65.7
Pret Panera I G.P.	475.0	431.7
Pret Panera III G.P.	231.3	0.0
KK G.P.	102.4	0.0
JAB Coffee Holding B.V.	0.0	-3.6
Petcare G.P.	-2.8	0.0
JAB Luxury GmbH	6.0	4.4
Cottage Holdco B.V.	803.4	0.0
Others	0.0	0.1
<b>Net gain / (loss) on other investments at FVTPL</b>		
Coty Inc.	1,278.4	-1,303.3
Reckitt Benckiser Group Plc.	20.4	-347.2
Others	0.2	0.4
<b>Net gain / (loss) on short-term financial investments at FVTPL</b>		
	7.3	0.0
<b>Total</b>	<b>5,543.8</b>	<b>-1,151.6</b>

### 3.15 Dividend income

In the six months period ended 30 June 2019, JAB Group recognised dividend income from the following investments measured at FVTPL:

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Coty Inc.	33.1	60.8
Reckitt Benckiser Group Plc.	5.7	40.9
Acorn Holdings B.V. preferred dividend	23.4	21.8
<b>Total</b>	<b>62.2</b>	<b>123.5</b>

In the six months period ended 30 June 2019, JAB Group also received €980.3m (six months ended 30 June 2018: €65.7m) capital repayment from Acorn Holdings B.V.

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### 3.16 Finance income and finance expenses

Finance income can be detailed as follows:

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Interest income	6.6	7.4
Change in redemption amount of redeemable shares	0.0	1.2
Net foreign exchange gain	0.0	157.9
<b>Total</b>	<b>6.6</b>	<b>166.5</b>

Finance expenses can be detailed as follows:

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Change in redemption amount of redeemable shares	-301.2	0.0
Interest expense on financial liabilities	-71.2	-55.5
Valuation of interest rate contracts	10.2	8.4
Bank fees	-4.7	-4.0
Net foreign exchange loss	-7.9	0.0
<b>Total</b>	<b>-374.8</b>	<b>-51.1</b>

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### 3.17 General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Service fees	-222.9	-171.6
Salary and personnel related expenses	-4.7	-4.5
Legal, tax, audit and consultancy fees	-3.5	-1.6
Others	-1.0	-1.1
<b>Total</b>	<b>-232.1</b>	<b>-178.8</b>

Service and other fees include expenses for share-based payment transactions in the amount of €201.5m (six months ended 30 June 2018: €158.9m).

### 3.18 Taxes on income

	For the six months ended 30 June 2019 in €m	For the six months ended 30 June 2018 in €m
Withholding tax on dividends and finance income	-11.5	0.0
<b>Income tax expense</b>	<b>-11.5</b>	<b>0.0</b>

Dividends and finance income 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.

### 3.19 Related parties

The related parties are disclosed in the consolidated financial statements 2018. 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.

### 3.20 Contingent liabilities

As of 30 June 2019, JAB Group provides no material guarantees for third parties.

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

#### 4.1 Financial instruments and fair value hierarchy

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

	30 June 2019			31 December 2018		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
	in €m	in €m	in €m	in €m	in €m	in €m
Assets as per statement of financial position						
Subsidiaries	0.0	25,647.3	25,647.3	0.0	19,061.0	19,061.0
Other investments	0.0	35.1	35.1	0.0	2,095.0	2,095.0
Corporate debt securities	0.0	852.2	852.2	0.0	852.2	852.2
Loans	65.6	0.0	65.6	34.0	0.0	34.0
Other receivables	14.3	0.3	14.6	12.9	0.8	13.7
Short-term financial investments	0.0	18.2	18.2	0.0	82.3	82.3
Cash and cash equivalents	1,905.4	0.0	1,905.4	1,094.6	0.0	1,094.6
Non-current assets held-for-sale	38.9	410.7	449.6	0.0	404.7	404.7
<b>Total</b>	<b>2,024.2</b>	<b>26,963.8</b>	<b>28,988.0</b>	<b>1,141.5</b>	<b>22,496.0</b>	<b>23,637.5</b>

	30 June 2019				31 December 2018			
	Amortised cost	FVTPL	Redeem- able shares	Total	Amortised cost	FVTPL	Redeem- able shares	Total
	in €m	in €m	in €m	in €m	in €m	in €m	in €m	in €m
Liabilities as per statement of financial position								
Borrowings	5,955.9	0.0	0.0	5,955.9	5,952.1	0.0	0.0	5,952.1
Redeemable shares	0.0	0.0	2,255.7	2,255.7	0.0	0.0	1,926.9	1,926.9
Other liabilities	34.7	27.7	0.0	62.4	64.7	38.0	0.0	102.7
<b>Total</b>	<b>5,990.6</b>	<b>27.7</b>	<b>2,255.7</b>	<b>8,274.0</b>	<b>6,016.8</b>	<b>38.0</b>	<b>1,926.9</b>	<b>7,981.7</b>

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The redeemable shares are carried at amortised cost which corresponds to the redemption amount that would be payable at the reporting date if the holder would put the shares at this date. Since the redemption amount is calculated based on the fair value of JAB Group's direct and indirect investments the redeemable shares are presented separately from the other financial liabilities at amortised cost.

Cash and cash equivalents as well as other receivables are subject to the impairment requirements of IFRS 9. As of 30 June 2019 and 31 December 2018, cash and cash equivalents were placed with quality financial institutions and could be withdrawn on short notice. Therefore, the expected credit loss on cash and cash equivalents and other receivables was immaterial, as well as the identified impairment loss for the other receivables subject to the expected credit loss model.

JAB 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 reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

### **Financial instruments in Level 2**

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

### **Financial instruments in Level 3**

If one or more of the significant inputs 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 €5,955.9m (31 December 2018: €5,952.1m), the fair value is €6,343.3m (31 December 2018: €6,089.4m) based on dealer-quotes (Level 2). For all other financial assets and liabilities, the carrying amounts are a reasonable approximate of fair values.

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	30 June 2019			Total in €m
	Level 1 in €m	Level 2 in €m	Level 3 in €m	
<b>Financial assets at FVTPL</b>				
Subsidiaries and other investments				
Unlisted equity investments	0.0	0.0	25,682.4	25,682.4
Non-current assets held-for-sale				
Unlisted equity investments	0.0	0.0	410.7	410.7
Corporate debt securities	0.0	0.0	852.2	852.2
Other receivables	0.0	0.3	0.0	0.3
Short-term financial investments	0.0	18.2	0.0	18.2
<b>Total financial assets</b>	<b>0.0</b>	<b>18.5</b>	<b>26,945.3</b>	<b>26,963.8</b>
<b>Financial liabilities at FVTPL</b>				
Interest rate contracts	0.0	27.0	0.0	27.0
Foreign exchange contracts	0.0	0.1	0.0	0.1
<b>Total financial liabilities</b>	<b>0.0</b>	<b>27.1</b>	<b>0.0</b>	<b>27.1</b>

	31 December 2018			Total in €m
	Level 1 in €m	Level 2 in €m	Level 3 in €m	
<b>Financial assets at FVTPL</b>				
Subsidiaries and other investments				
Listed equity investments	2,060.1	0.0	0.0	2,060.1
Unlisted equity investments	0.0	0.0	19,095.9	19,095.9
Non-current assets held-for-sale				
Unlisted equity investments	0.0	0.0	404.7	404.7
Corporate debt securities	0.0	0.0	852.2	852.2
Other receivables	0.0	0.8	0.0	0.8
Short-term financial investments	0.0	82.3	0.0	82.3
<b>Total financial assets</b>	<b>2,060.1</b>	<b>83.1</b>	<b>20,352.9</b>	<b>22,496.1</b>
<b>Financial liabilities at FVTPL</b>				
Interest rate contracts	0.0	37.2	0.0	37.2
Foreign exchange contracts	0.0	0.8	0.0	0.8
<b>Total financial liabilities</b>	<b>0.0</b>	<b>38.0</b>	<b>0.0</b>	<b>38.0</b>

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

In the six months period ended 30 June 2019, FVTPL equity instruments with a carrying amount of €2,930.8m were transferred from Level 1 to Level 3. To determine the fair value of the equity instruments, management used a valuation technique in which significant inputs were based on observable and unobservable data. There were no transfers from Level 2 or 3 to Level 1 during the six months period ended 30 June 2019 and no transfers in either direction during the six months ended 30 June 2018.

Transfers between the levels of the fair value hierarchy are deemed to have occurred at the date of the event that caused the transfer.

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.

	<b>Subsidiaries</b>	<b>Other investments</b>	<b>Corporate debt securities</b>	<b>Non-current assets held-for-sale</b>
	Unlisted equity investments in €m	Unlisted equity investments in €m	Preferred shares in €m	Unlisted equity investments in €m
Balance as of 31 December 2018	19,061.0	34.9	852.2	404.7
Additions	403.6	0.0	0.0	0.0
Disposals	-980.3	0.0	0.0	0.0
Transfers from Level 1 to Level 3	2,930.8	0.0	0.0	0.0
Change in fair value	4,232.2	0.2	0.0	6.0
<b>Balance as of 30 June 2019</b>	<b>25,647.3</b>	<b>35.1</b>	<b>852.2</b>	<b>410.7</b>

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

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

### Subsidiaries categorised in Level 3

JAB Group's investments include equity participations in Acorn Holdings B.V., Cottage Holdco B.V., JAB Luxury GmbH, Pret Panera I G.P., Pret Panera III G.P. and KK G.P., Petcare G.P. which are not quoted in active markets. JAB 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 JAB Group's equity investments:

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

### Acorn Holdings B.V.

JAB Group holds 57.0% of Acorn Holdings B.V. Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investments in KDP, JDE and Peet's Coffee Group.

As of 30 June 2019, the shares in Acorn Holdings B.V. were valued at €16,690.0m. Acorn Holdings B.V.'s fair value was calculated as the net asset value of the different investments. These investments were valued as follows:

- As of 30 June 2019 and 31 December 2018, KDP is a listed company (New York Stock Exchange). The shares in KDP were valued based on the quoted market price at the reporting date.
- As of 30 June 2019 and 31 December 2018, JDE fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. The following LTM (based on 12 months) multiples were used for the valuation of JDE: EBITDA multiple of 16.3x (31 December 2018: 14.0x) and P/E multiple of 23.1x (31 December 2018: 20.9x).
- As of 30 June 2019 and 31 December 2018, Peet's Coffee Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Peet's Coffee Group: EBITDA multiple of 18.1x (31 December 2018: 15.7x), P/E multiple of 28.1x (31 December 2018: 24.6x) and Sales multiple of 4.2x (31 December 2018: 3.3x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

In 2017, JAB Group entered into agreements regarding its investment in Acorn Holdings B.V. with certain non-controlling shareholders in this company. Under these agreements certain subsidiaries of JAB Holdings B.V. may be obliged to purchase such person's ordinary shares in Acorn Holdings B.V., conditional on the occurrence of Acorn Holdings B.V.'s engagement in certain business activities. Since JAB Group controls Acorn Holdings B.V., this contingent obligation is under JAB Group's control. Acorn Holdings B.V. has not engaged in such business activities as of 30 June 2019 and 31 December 2018. In the event certain subsidiaries of JAB Holdings B.V. are required to purchase the ordinary shares of any such non-controlling shareholder of Acorn Holdings B.V., then JAB Group may be obliged to subscribe for ordinary shares. JAB Group qualified these contingent payment obligations as financial instruments. As of 30 June 2019 and 31 December 2018, the financial instruments fair value is measured close to 0 since the probability of the cash-outflow upon this agreement is estimated to be remote.

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

JAB Group is invested in Pret Panera Holding Company Group through a 53.8% investment in Pret Panera I G.P. and 16.3% investment in Pret Panera III G.P. Pret Panera Holding Company Group is the direct shareholder of further interim holding companies and their investments in Pret A Manger Group, Panera Group, Caribou Coffee Group and Espresso House Group.



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

As of 30 June 2019, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at €4,136.1m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- The investment in Pret A Manger Group occurred in the second half of 2018. As of 30 June 2019 and 31 December 2018, management assessed the original acquisition cost to be the best fair value estimate.
- As of 30 June 2019 and 31 December 2018, Panera Group's, Caribou Coffee Group's and Espresso House Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.
- For Panera Group the following LTM multiples were used for the valuation: EBITDA multiple of 20.5x (31 December 2018: 17.3x), P/E multiple of 31.7x (31 December 2018: 25.0x) and Sales multiple of 4.1x (31 December 2018: 2.9).
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 18.1x (31 December 2018: 16.1x), P/E multiple of 26.9x (31 December 2018: 25.0x) and Sales multiple of 1.9x (31 December 2018: 1.8x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 19.4x (31 December 2018: 17.8x), P/E multiple of 27.1x (31 December 2018: 25.5x) and Sales multiple of 2.2x (31 December 2018: 2.5x).
- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

### KK G.P.

JAB Group is invested in Krispy Kreme Group through a 49.6% investment in KK G.P.

As of 30 June 2019, the shares in KK G.P. were valued at €790.7m. KK G.P.'s investment was valued as follows:

- As of 30 June 2019 and 31 December 2018, Krispy Kreme Group's fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Krispy Kreme Group: EBITDA multiple of 19.4x (31 December 2018: 16.9x), P/E multiple of 26.9x (31 December 2018: 24.4x) and Sales multiple of 4.0x (31 December 2018: 3.2x).

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

- The multiples applied to the LTM figures ending June 2019 and December 2018 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

### Cottage Holdco B.V.

JAB Group is invested in Coty Inc. through Cottage Holdco B.V.

As of 30 June 2019, the shares in Cottage Holdco B.V. were valued at €3,805.8m. The investment was valued as follows:

Cottage Holdco B.V. is the direct shareholder of an investment in Coty Inc. and was valued by adjusting its investment in Coty Inc. for financial debt. As of 30 June 2019, Coty Inc. is a listed company (New York Stock Exchange). The shares in Coty Inc. were valued based on the quoted market price at the reporting date.

### Petcare G.P.

JAB Group is invested in Compassion-First (VSNA LLC) through a 33.1% investment in Petcare G.P.

As of 30 June 2019, the shares in Petcare G.P. were valued at €219.7m. Petcare G.P.'s investment in Compassion-First Group was valued as follows:

The investment in Compassion-First Group occurred in March 2019. As of 30 June 2019, management assessed the original acquisition cost to be the best fair value estimate.

### JAB Luxury GmbH:

JAB Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of the luxury goods company Bally International AG (Bally). JAB Group has the intention to dispose of its investment in our Group GmbH and therefore classified the shares as assets held for sale.

As of 30 June 2019, the shares in JAB Luxury GmbH, Switzerland were valued at €410.7m.

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

As of 30 June 2019 and 31 December 2018, the investment's fair value was based on the value per share of an at-arms' length transaction in Bally International AG shares signed in February 2018.

### Corporate debt securities Acorn Holdings B.V.

JAB Group holds preferred shares in Acorn Holdings B.V.

As of 30 June 2019, the preferred shares in Acorn were valued at €852.2m.

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

### **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 €1,420.0m (increase) / €-1,335.7m (decrease) (31 December 2018: €1,082.2m increase/decrease). As of 30 June 2019 and 31 December 2018, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., Pret Panera I G.P., Pret Panera III G.P. and KK G.P.

### **Redeemable shares**

The Company recorded its own shares containing put features as liability at the potential redemption amount (€2,255.7m: 31 December 2018: €1,926.9m), which is based on valuation rules that have been contractually agreed with the shareholders.

## **4.2 Overview of financial risk factors**

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

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

Moreover, JAB 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 JAB Group's 31 December 2018 consolidated financial statements. There have been no changes in the risk management policies and procedures since year-end.

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

### **5. Subsequent Events**

In June 2019, it was announced that JAB Group together with JAB Consumer Fund will acquire National Veterinary Associates, one of the largest veterinary and pet care services organizations in the world. The transaction is expected to be completed in 2019. JAB Group and JAB Consumer Fund will together make an equity investment of approximately \$3.3bn as part of the financing of the transaction that was committed by JAB Group at signing, will be contributed by JAB Group at closing and finally allocated to JAB Group and JAB Consumer Fund. The final JAB Group equity contribution will amount to not more than €1.1bn.

The share price of Cottage Holdco B.V. subsidiary Coty Inc. decreased from \$13.40 at 30 June 2019 to \$9.39 at 4 September 2019.

Luxembourg, 6 September 2019

Managing Directors:

J. Creus

F. Simon