

JAB Holding Company S.à r.l.

Luxembourg

Interim Condensed Financial Statements

as at and for the six months period ended 30 June 2020

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
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**Report of the Reviseur d'Entreprises agree
on the review of the interim condensed financial statements**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of JAB Holding Company S.a r.l. ("the Company") as at 30 June 2020, the interim condensed statement of profit or loss and other comprehensive income, interim condensed statement of changes in equity and interim condensed cash flow statement for the six month period then ended, and notes to the interim condensed financial statements ("the interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed 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 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 Reviseurs d'Entreprises. A review of interim condensed 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 financial statements as at and for the six month period ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 18 September 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Yves Thorn
Partner

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

Interim Condensed Statement of Financial Position as of 30 June 2020

	Note	30 June 2020		31 December 2019	
		in \$k	in \$k	in \$k	in \$k
<u>Non-current assets</u>					
Investments in subsidiaries	4	18,708,594		24,681,262	
			18,708,594		24,681,262
<u>Current assets</u>					
Other receivables	5	3,465		1,335	
Cash and cash equivalents	6	8,994		349	
			12,459		1,684
			18,721,053		24,682,946
<u>Shareholder's equity</u>					
	8				
Issued share capital		8,797		8,797	
Share premium		9,490,516		9,637,312	
Retained earnings		6,649,340		11,309,899	
			16,148,653		20,956,008
<u>Non-current liabilities</u>					
Redeemable shares	9	1,205,681		1,586,782	
Other liabilities	10, 11	466,942		741,603	
			1,672,623		2,328,385
<u>Current liabilities</u>					
Redeemable shares	9	854,490		1,284,894	
Other liabilities	10, 11	45,287		113,659	
			899,777		1,398,553
			18,721,053		24,682,946

The notes on pages 8 to 24 are an integral part of these interim condensed financial statements.

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Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months period ended 30 June 2020

		For the six months ended 30 June 2020	For the six months ended 30 June 2019
	Note	in \$k	in \$k
Net (loss) / gain on investments in subsidiaries	4, 12	-5,381,133	6,156,841
Finance income	13	436,821	353
Finance expenses	13	0	-340,271
Finance result		-4,944,312	5,816,923
General and administrative expenses	14	-13,632	-251,573
Other income	15	297,390	0
Profit / (loss) before income taxes		-4,660,554	5,565,350
Income tax expense	16	-5	-6
Profit / (loss) for the period		-4,660,559	5,565,344
Total comprehensive income attributable to equity holder		-4,660,559	5,565,344

The notes on pages 8 to 24 are an integral part of these interim condensed financial statements.

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Interim Condensed Statement of Changes in Equity for the six months period ended 30 June 2020

	Note note	Share capital in \$k	Share premium in \$k	Retained earnings in \$k	Total equity in \$k
Balance as of 1 January 2019		8,889	9,899,089	7,560,016	17,467,994
Repayment of share premium	8	0	-101,462	0	-101,462
Profit for the period		0	0	5,565,344	5,565,344
Balance as of 30 June 2019		8,889	9,797,627	13,125,360	22,931,876
Balance as of 1 January 2020		8,797	9,637,312	11,309,899	20,956,008
Repayment of share premium	8	0	-146,796	0	-146,796
Loss for the period		0	0	-4,660,559	-4,660,559
Balance as of 30 June 2020		8,797	9,490,516	6,649,340	16,148,653

The notes on pages 8 to 24 are an integral part of these interim condensed financial statements.

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Interim Condensed Cash Flow Statement for the six months period ended 30 June 2020

		30 June 2020	30 June 2019
		in \$k	in \$k
Cash flows from operating activities			
Profit / (loss) for the period		-4,660,559	5,565,344
Adjustments for:			
Share-based payment transactions	10	-300,250	211,340
Net loss / (gain) from change in fair value of investments in subsidiaries	4, 12	5,381,133	-6,156,841
Income tax expense		5	6
Finance income and finance expenses	13	-436,821	339,919
		-16,491	-40,232
Change in other receivables	5	-130	-4,125
Change in other current liabilities	11	-7,465	-3,519
Net foreign exchange gain		6	49
Income taxes paid		-5	-6
Net cash used in operating activities		-24,085	-47,833
Cash flows from investing activities			
Capital repayments from subsidiaries		448,500	77,500
Contribution payments to subsidiaries		-3,000	0
Net cash from investing activities		445,500	77,500
Cash flows from financing activities			
Payments from issue of redeemable shares	9	13,334	35,336
Capital repayments on share capital		-152	0
Capital repayments on redeemable shares	9	-425,952	-40,029
Interest paid		0	138
Net cash used in financing activities		-412,770	-4,555
Movement in cash and cash equivalents		8,645	25,112
Cash and cash equivalents as of 1 January		349	188
Cash and cash equivalents as of 30 June		8,994	25,300

The notes on pages 8 to 24 are an integral part of these interim condensed financial statements.

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Notes to the Interim Condensed 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 formed for an unlimited period.

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 2019, 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.

Since the end of the last annual reporting period, the spread of Covid-19 has evolved into a pandemic and has resulted in a sharp decline in global economic activities, at least temporarily. It has negatively impacted global financial markets and global economic growth expectations. As of the end of the interim reporting period the economic activities have recovered to some extent. However, the impacts of Covid-19 are not all apparent yet and the position will remain fluid until the length and extent of the crisis become clearer. These impacts depend on a number of factors, such as the duration and spread as well as the timing, suitability and effectiveness of measures imposed by authorities, the availability of resources, including human, material, infrastructure and financial required to implement effective response to the pandemic situation as well as the level of civil compliance with such measures.

The Covid-19 pandemic and the related impact on financial markets also adversely affected the fair value of JAB Group's investments. In the reporting period, a change in fair value of \$-5,381.1m (six months ended 30 June 2019: gain \$6,156.8m) of investments in subsidiaries was recognised. The change in fair value includes the impacts of the Covid-19 pandemic. Depending on the further involvement of the Covid-19 pandemic, the direct and indirect investments' fair values might be further affected.

JAB Group has a key focus on assessment of the impact of the Covid-19 pandemic on its investments and their performance. It monitors and follows closely the information released from governments, regulatory bodies and health organisations in the countries in which JAB Group and its investments operate. Evidently not all industries or companies are and will be impacted to the same degree. While majority of the investment portfolio of JAB Group is focused on business sectors that JAB Group considers to be resilient and non-discretionary, certain other investments, primarily in the retail restaurant, cosmetic and luxury sectors, are negatively affected.

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2. Statement of compliance

The interim condensed financial statements for the six months period ended 30 June 2020 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 for the six months period ended 30 June 2020 have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

3. 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. Actual results may differ from these estimates, especially in relation to the impact of the Covid-19 pandemic, and the results reported should not be regarded as necessarily indicative of results that may be expected for the entire year.

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 significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2019.

The interim condensed financial statements are presented in thousands of US-Dollar's (\$), which is the functional currency of the Company.

3.1 Changes in accounting policies and disclosures

Except as described below, the accounting policies applied by the Company for the interim condensed financial statements are consistent with those described in the financial statements 2019, as are the methods of computation.

New and amended standards adopted by the Company

A number of new standards issued by the International Accounting Standards Board (IASB) are effective for the first time for an accounting period that begins on or after 1 January 2020. Their adoption has not had any significant impact on the Company's financial statements but may impact the accounting for future transactions or arrangements.

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New standards and interpretations not yet adopted by the Company

A number of new standards are effective later than annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company 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 financial statements of the Company.

4. Investments in subsidiaries

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
	%	%
JAB Investments S.à r.l. 4, Rue Jean Monnet, 2180 Luxembourg	100.0	100.0

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

	<u>JAB Investments S.à r.l. in \$k</u>
Balance as of 31 December 2019	24,681,262
Contribution	3,000
Capital repayment	-594,535
Change in fair value	-5,381,133
Balance as of 30 June 2020	<u>18,708,594</u>

In the six months period ended 30 June 2020, the Company received capital repayments from JAB Investments S.à r.l. in the amount of \$594.5m and made capital contributions to JAB Investments S.à r.l. in the amount of \$3.0m. Capital repayments in the amount of \$146.0m were directly made to shareholders of the Company.

5. Other receivables

	<u>30 June 2020</u>	<u>31 December 2019</u>
	in \$k	in \$k
JAB Holding Company LLC	2,130	0
Others	1,335	1,335
	<u>3,465</u>	<u>1,335</u>

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6. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2020 in the amount of \$9.0m (31 December 2019: \$0.3m) only include bank deposits available on demand.

7. Issued capital

Issued capital comprises:

	Number	Nominal value 30 June 2020 in \$k	Number	Nominal value 31 December 2019 in \$k
Ordinary Class A shares	8,673,319	8,673	8,888,582	8,889
Ordinary Class B shares	1,001,356	1,001	780,118	780
Special Class S shares	1,028,102	1,028	1,347,563	1,348
Issued shares	10,702,777	10,703	11,016,263	11,017

Each share has a nominal value of \$1.00.

Class A shares regularly do not contain put features and are classified as equity unless transferred to shareholders with redemptions rights. Reclassification from equity to a financial liability is recognised upon such transfer of shares. Following the transfer these shares are redesignated to another share class (Class B shares or Class S shares).

Class B shares are redeemable and include shares that are redeemable to the Company under certain conditions that are out of the Company's control. Those shares have been classified as a liability (see note 9). Other Class B shares which do not include an obligation for the issuer to redeem have been classified as equity.

Class S shares are redeemable under certain conditions that are out of the Company's control and have been classified as a liability (see note 9).

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8. Shareholder's equity

As of 30 June 2020, the Company's share capital and share premium recognised in equity consists of 8,673,319 (31 December 2019: 8,796,619) Class A shares with a total nominal value of \$8.7m (31 December 2019: \$8.8m) and a share premium of \$9,318.5m (31 December 2019: \$9,637.3m) and 123,300 (31 December 2019: 0) Class B shares with a total nominal value of \$0.1m (31 December 2019: \$0) and a share premium of \$172.1m (31 December 2019: \$0.0m).

No Class A shares were issued in the six months period ended 30 June 2020 (2019: 0).

In the six months period ended 30 June 2020, 123,300 Class A shares with a nominal value of \$123,300 and a share premium in the amount of \$172.2m were transferred to a new shareholder and redesignated to Class B.

In the six months period ended 30 June 2020, no dividend was paid to the equity shareholders. Capital repayments out of the share premium in the amount of \$146.8m (six months ended 30 June 2019: \$101.5m) were made to those shareholders (thereof \$146.6m directly from JAB Holdings B.V. to shareholders of Class A shares).

9. Redeemable shares

The redeemable shares classified as a liability are carried at \$2,060.2m (31 December 2019: \$2,871.7m), including shares held by the management in the amount of \$1,914.3m (31 December 2019: \$2,692.0m).

As of 30 June 2020, all redeemable shares are redeemable in short-term, if specific criteria are met. The payment obligation following the exercise of the put rights can result in long-term obligations for specific shares. The right to put the shares will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V.

Payment obligations following the exercise of the put rights for certain shares are due to be settled in short-term and for other shares are due to be settled over a period of 10 years after redemption with the Company's right to pre-pay the outstanding amount. Redemption amounts with an earliest possible due date within twelve months after the reporting period are presented as current liabilities (\$854.5m; 31 December 2019: \$1,284.9m) and the other redemption amounts with an earliest possible due date of at least twelve months after the reporting period are presented as non-current liabilities (\$1,205.7m; 31 December 2019: \$1,586.8m).

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The following table illustrates the movements in the redeemable shares classified as a liability in the six months period ended 30 June 2020:

	Ordinary Class A shares		Ordinary Class B shares		Special Class S shares		Carrying amount in \$k
	Number	Nominal value in \$k	Number	Nominal Value in \$k	Number	Nominal Value in \$k	
In issue as of 1 January 2019	0	0	767,184	767	1,407,022	1,407	2,206,319
Issued for cash			16,229	16	30,998	31	37,319
Exercise of share options			37,000	37			81,807
Redeemed to the Company			-40,295	-40	-90,458	-90	-189,704
Reclassification of shares	91,963	92					220,159
Capital repayment/distributions							-17,092
Change in redemption amount							532,868
In issue as of 31 December 2019	91,963	92	780,118	780	1,347,563	1,348	2,871,676
Redesignation Class A to Class B	-91,963	-92	91,963	92			0
Issued for cash			7,584	8			15,334
Exercise of share options			12,206	12	9,495	9	52,770
Redeemed to the Company			-13,815	-14	-328,956	-329	-422,515
Capital repayment/distributions							-18,434
Change in redemption amount							-438,661
In issue as of 30 June 2020	0	0	878,056	878	1,028,102	1,028	2,060,171

In the six months period ended 30 June 2020, 241,860 Special Class S shares with a carrying amount of \$243.4m and 23,087 Class B shares with a carrying amount of \$58.2m were redeemed to the Company with legal effect in September 2020. Furthermore, 48,521 Class B shares with a carrying amount of \$100.0m were redeemed to the Company with legal effect in July 2020. Therefore, those shares continue to be included under redeemable shares as of 30 June 2020.

The average issue price (for one ordinary share or five special shares) was \$2,326 (31 December 2019: \$2,207).

In the six months period ended 30 June 2020, no dividend was paid to Class B and special Class S shareholders out of retained earnings (31 December 2019: \$0.0m). Capital repayments to these shareholders in the amount of \$18.4m were made in the six months period ended 30 June 2020 (six months ended 30 June 2019: \$17.0m)

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10. 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 the potential redemption amount (see note 9).

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 amount 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 9).

In the six months period ended 30 June 2020, the options granted have the following vesting conditions and contractual lives:

Options granted	Number of Options 30 June 2020	Vesting Conditions	Contractual Life of Options
Six months ended 30 June 2020	41,834	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 2020 and the inputs used for the measurement of the fair values of the outstanding share options as of 30 June 2020:

	Grant date 2020	Measurement date 30 June 2020	Grant date 2019	Measurement date 31 Dec. 2019
Dividend yield (%)	0.7%	0.7%	0.7%	0.7%
Expected volatility (%)	30.0%-35.0%	35.0%	30.0%	30.0%
Risk-free interest rate (%)	0.8%	0.3%	2.4%	1.8%
Expected life of options (years)	7.5 years	4.1 years	7.5 years	4.0 years
Exercise price (USD)	2,104	1,899	2,205	1,858
Share price (redemption amount) (USD)	2,104	2,061	2,205	2,521

As of 30 June 2020, the expected volatility was increased from 30.0% to 35.0% due to the impacts of Covid-19 leading to higher volatility in financial markets.

The weighted average fair value of options granted during the six months ended 30 June 2020 was \$1,008 (31 December 2019: \$762).

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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 2020:

	Number of options 30 June 2020	Weighted average exercise price 30 June 2020	Number of options 30 June 2019	Weighted average exercise price 30 June 2019
Balance at 1 January (outstanding)	1,343,376	1,858	1,334,874	1,819
Granted during the period	41,834	2,104	101,542	2,201
Lapsed during the period	194,638	1,833	0	0
Exercised during the period	53,955	2,380	95,590	1,686
Expired during the period	0	0	0	0
Balance at 30 June (outstanding)	1,136,617	1,880	1,340,826	1,857
Vested and exercisable at end of period	163,640	1,768	15,000	1,501

As of 30 June 2020, the carrying amount of the liability relating to the share option schemes is \$510.0m (31 December 2019: \$845.6m). As of 30 June 2020, options amounting to \$44.9m (31 December 2019: \$107.1m) are qualified as current and \$465.1m (31 December 2019: \$738.5m) as non-current.

163,640 options had vested and are exercisable as of 30 June 2020 (31 December 2019: 188,135). The intrinsic value of liabilities for vested and exercisable options is \$44.0m (31 December 2019: \$147.5m).

In the six months period ended 30 June 2020, 162,000 options were noticed to be exercised with legal effect in September 2020 and December 2020. Therefore, those options continue to be included under the liability relating to the share option scheme as of 30 June 2020.

The weighted-average share price at the date of exercise for share options exercised in the six months period ended 30 June 2020 was \$2,380 (six months ended 30 June 2019: \$2,274).

9,495 options were exercised by payment of the strike price in cash for the issue of 9,495 redeemable shares (Class S shares). 44,460 options were settled by issuing redeemable shares (Class B shares) with an aggregate value equal to the amount of the option gain.

The range of exercise prices for options outstanding at the end of the period was \$1,616 to \$2,521 (31 December 2019: \$1,501 to \$2,333).

The income for the period arising from the share-option schemes during the period was \$297.3m (six months ended 30 June 2019: expense \$227.7m).

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11. Other liabilities

	30 June 2020	31 December 2019
	in \$k	in \$k
Share-based transactions	510,040	845,608
Trade and other payables	2,189	9,654
	512,229	855,262
thereof current	45,287	113,659
thereof non-current	466,942	741,603

12. Net (loss) / gain on investments in subsidiaries

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in \$k	in \$k
Net gain / (loss) on investments in subsidiaries at FVTPL		
JAB Investments S.à r.l.	-5,381,133	6,156,841

13. Finance income and finance expenses

Finance income can be detailed as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in \$k	in \$k
Change in redemption amount of redeemable shares	436,206	0
Net foreign exchange gain	615	353
	436,821	353

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Finance expenses can be detailed as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in \$k	in \$k
Change in redemption amount of redeemable shares	0	-340,271
	0	-340,271

14. General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in \$k	in \$k
Salary and personnel related expenses	0	-893
Service fees	-13,373	-250,476
Legal, tax, audit and consultancy fees	-228	-199
Others	-31	-5
	-13,632	-251,573

Service and other fees include income from share-based payment transactions in the amount of \$0.1m (six months ended 30 June 2019: expense \$227.7m).

15. Other income

In the six months period ended 30 June 2020, the Company incurred other income in the amount of \$297.4m from the remeasurement of share-based payment transactions (six months ended 30 June 2019: 0.0m).

16. Taxes on income

No income tax (other than minimum corporate tax) was recognised in the six months period ended 30 June 2020 (six months ended 30 June 2019: \$0.0).

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17. Related parties

The related parties are disclosed in the financial statements 2019. 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.

18. Contingent liabilities

As of 30 June 2020, the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €3,000.0m (31 December 2019: €3,000.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €7,963.2m (31 December 2019: €6,863.2m).

19. Financial instruments – Fair Value and Risk Management

19.1 Financial instruments and fair value hierarchy

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

	30 June 2020			31 December 2019		
	Amortised cost in \$k	FVTPL in \$k	Total in \$k	Amortised cost in \$k	FVTPL in \$k	Total in \$k
Assets as per statement of financial position						
Investments in subsidiaries	0	18,708,594	18,708,594	0	24,681,262	24,681,262
Other receivables	3,465	0	3,465	1,335	0	1,335
Cash and cash equivalents	8,994	0	8,994	349	0	349
Total	12,459	18,708,594	18,721,053	1,684	24,681,262	24,682,946
	30 June 2020			31 December 2019		
	Amortised cost in \$k	Redeemable shares in \$k	Total in \$k	Amortised cost in \$k	Redeemable shares in \$k	Total in \$k
Liabilities as per statement of financial position						
Redeemable shares	0	2,060,171	2,060,171	0	2,871,676	2,871,676
Other liabilities	2,189	0	2,189	9,653	0	9,653
Total	2,189	2,060,171	2,062,360	9,653	2,871,676	2,881,329

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The redeemable shares classified as a liability 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 the Company'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 2020 and 31 December 2019, 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.

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

Financial instruments in Level 1

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

Financial instruments in Level 2

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

Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Financial instruments included in Level 3 comprise shares in JAB Investments S.à r.l.

The table below 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 because their carrying amounts are a reasonable approximate of fair values.

	30 June 2020			
	Level 1	Level 2	Level 3	Total
	in \$k	in \$k	in \$k	in \$k
Financial assets at FVTPL				
Investments in subsidiaries				
Unlisted equity investments	0	0	18,708,594	18,708,594
Total financial assets	0	0	18,708,594	18,708,594

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There were no transfers between the levels for the periods ended 30 June 2020 and 31 December 2019.

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.

Investments in subsidiaries	
Unlisted equity investments	
30 June 2020	
in \$k	
<hr/>	
Balance as of 1 January	24,681,262
Contributions	3,000
Capital repayment	-594,535
Change in fair value	-5,381,133
	<hr/>
Balance as of 30 June	18,708,594
	<hr/> <hr/>

As of 30 June 2020 and 31 December 2019, the unlisted equity investments relate to the 100% participation in JAB Investments S.à r.l. JAB Investments S.à r.l. is a holding company with direct participation in JAB Holdings B.V. As of 30 June 2020 and 31 December 2019, the fair value was determined by using valuation techniques. The valuation accounts for JAB Investment S.à r.l.'s objective to act as a holding company. JAB Investments S.à r.l.'s fair value is estimated as its net asset value and is calculated as the total fair value of its assets and liabilities. The main asset of JAB Investments S.à r.l. is its participation in JAB Holdings B.V. which directly and indirectly holds a diversified investment portfolio that includes assets that are traded on a securities exchange (Level 1) as well as assets and liabilities that are valued by valuation techniques (Level 2 and Level 3). The assets are valued by objective criteria on an evaluation by the management.

Determination of JAB Investments S.à r.l.'s net asset value can be detailed as follows (including indirect investments through JAB Holdings B.V.):

	30 June 2020	31 December 2019
	in \$k	in \$k
	<hr/>	
Equity investments measured using Level 1	804.537	0
Equity investments measured using Level 2	2.076.072	0
Derivative instruments measured using Level 2	796	-14.450
Equity investments measured using Level 3	24.418.952	28.313.935
Corporate debt securities using Level 3	0	957.389
Loans receivable	157.044	212.026
Loans payable	-9.378.405	-7.638.602
Cash and cash equivalents	672.689	2.902.115
Other assets and liabilities	-43.091	-51.151
	<hr/>	<hr/>
Net asset value	18.708.594	24.681.262
	<hr/> <hr/>	<hr/> <hr/>

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

The Company recorded its own shares containing put features as liability at the potential redemption amount (\$2,060.2m; 31 December 2019: \$2,871.7), which is based on valuation rules that have been contractually agreed with the shareholders.

The following details show the valuation techniques in measuring JAB Holdings B.V.'s material investments:

JAB Forest B.V.

JAB Holdings B.V. is 100% shareholder of JAB Forest B.V. The entity holds 61.5% of Acorn Holdings B.V.

As of 30 June 2020, the shares in JAB Forest B.V. were valued at \$17,755.6m. The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

Acorn Holdings B.V.:

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

In 2019, Acorn Holdings B.V.'s investments in Jacob Douwe Egberts Group (JDE) and Peet's Coffee Group (Peet's) combined creating JDE Peet's Group. On 29 May 2020, JDEP exercised an IPO and became a listed company (Euronext Amsterdam).

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 2020 and 31 December 2019, 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 2020, JDEP is a listed company (Euronext Amsterdam). The shares in JDEP were valued based on the quoted market price at the reporting date.
- As of 31 December 2019, 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 JDE valuation as of 31 December 2019 was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for JDE fair value as of 31 December 2019. The following LTM (based on 12 months) multiples were used for the valuation of JDE: EBITDA multiple of 16.3x and P/E multiple of 23.1x.
- As of 31 December 2019, Peet'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 Peet's valuation as of 31 December 2019 was made as of 30 June 2019 and was not updated in the light of the IPO, though concluded to be relevant and appropriate for Peet's fair value as of 31 December 2019. The following LTM multiples were used for the valuation of Peet's: EBITDA multiple of 18.1x, P/E multiple of 28.1x and Sales multiple of 4.2x.
- The multiples applied to the LTM figures ending June 2019 were the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between

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the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

JAB Holdings B.V. is invested in Pret Panera Holding Company Group through a 53.8% investment in Pret Panera I G.P. and a 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 2020, the shares in Pret Panera I G.P. and Pret Panera III G.P. were valued at \$3,442.8m. Pret Panera I G.P.'s and Pret Panera III G.P.'s fair value was calculated as the net asset value of their different investments. These investments were valued as follows:

- As of 30 June 2020, Pret A Manger 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 Pret A Manger: EBITDA multiple of 17.9x, P/E multiple of 26.1x and Sales multiple of 3.8x.
- As of 31 December 2019, management assessed the original acquisition cost to be the best estimate of fair value for Pret A Manger Group.
- As of 30 June 2020 and 31 December 2019, 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 18.0x (31 December 2019: 19.5x), P/E multiple of 26.9x (31 December 2019: 30.9x) and Sales multiple of 4.4x (31 December 2019: 4.3x).
- For Caribou Coffee Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.4x (31 December 2019: 18.1x), P/E multiple of 25.2x (31 December 2019: 24.7x) and Sales multiple of 1.4x (31 December 2019: 1.8x).
- For Espresso House Group the following LTM multiples were used for the valuation: EBITDA multiple of 17.2x (31 December 2019: 18.6x), P/E multiple of 21.2x (31 December 2019: 24.7x) and Sales multiple of 1.5x (31 December 2019: 2.0x).
- In the light of Covid-19, LTM figures ending June 2020 were not reflective of Pret A Manger Group's, Panera Group's, Caribou Coffee Group's and Espresso House Group's underlying business. Depending on which time period best reflects each investment's underlying business in a normalised environment, the multiples were applied to such LTM period before Covid-19.
- The multiples applied to the LTM figures, using the normalised environment as stated above, are the 30 June 2020 median of the LTM multiples of the peer group, consisting of comparable publicly listed companies. Such multiples are based on the most recent peer group results available in the public domain (generally 31 March 2020) which were only to a limited extent affected by Covid-19.
- In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets as of 30 June 2020 and 31 December 2019.

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KK G.P.

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

As of 30 June 2020, the shares in KK G.P. were valued at \$965.4m. KK G.P.'s investment was valued as follows:

- As of 30 June 2020 and 31 December 2019, Krispy Kreme Group's fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting. The following LTM multiples were used for the valuation of Krispy Kreme Group's: EBITDA multiple of 20.0x (31 December 2019: 18.6x), P/E multiple of 27.0x (2019: 25.5x) and Sales multiple of 4.3x (31 December 2019: 4.3x).
- The multiples applied to the LTM figures ending June 2020 and December 2019 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies and are reflective of Krispy Kreme Group's respective LTM results periods. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

JAB Cosmetics B.V.

JAB Holdings B.V. is 100% shareholder of JAB Cosmetics B.V. The entity holds 100% of Cottage Holdco B.V. which is direct shareholder of an investment in Coty Inc.

As of 30 June 2020, the shares in JAB Cosmetics B.V. were valued at \$2,076.1m. JAB Cosmetics B.V.'s investment in Cottage Holdco B.V. was valued as follows:

Cottage Holdco B.V. is the direct shareholder of an investment in Coty Inc. For 31 December 2019, it was valued by adjusting its investment in Coty Inc. for financial debt. As of 30 June 2020 and 31 December 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 Holdings B.V. is invested in Compassion-First Group (VSNA LLC) and National Veterinary Associates (NVA) through a 40.8% investment in Petcare G.P.

As of 30 June 2020, the shares in Petcare G.P. were valued at \$1,885.8m. Petcare G.P.'s fair value was calculated as the net asset value of its different investments. These investments were valued as follows:

- The investment in Compassion-First Group occurred in March 2019. As of 30 June 2020 and 31 December 2019, management assessed the original acquisition cost to be the best estimate of fair value.
- The investment in NVA occurred in February 2020. As of 30 June 2020, management assessed the original acquisition cost to be the best estimate of fair value.

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Labelux Group GmbH in Liqu.

JAB Holdings B.V. is the sole owner of Labelux Group GmbH in Liqu., Switzerland. JAB Holdings B.V. has the intention to dispose of its investment in Labelux Group GmbH in Liqu. and therefore classified the shares as assets held for sale.

As of 30 June 2020, the shares in Labelux Group GmbH in Liqu. were valued at \$240.7m.

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 \$464.4m (increase/decrease) (31 December 2019: \$1,566.8m (increase) / \$-1,530.5m (decrease)). As of 30 June 2020, the sensitivity to unobservable inputs comprises the investment in Pret Panera I G.P., Pret Panera III G.P., KK G.P. and Labelux Group GmbH in Liqu. (31 December 2019: Acorn Holdings B.V., Pret Panera I G.P., Pret Panera III G.P. and KK G.P.)

19.2 Overview of 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 2019 financial statements. There have been no changes in risk management policy and procedures since year-end.

Luxembourg, 18 September 2020

Managing Directors:

J. Creus

C. Thun-Hohenstein