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

JAB Holding Company S.à r.l.

Luxembourg

Annual Accounts 2016
(with the report of the Réviseur d'Enterprises agréé thereon)

4, Rue Jean Monnet, 2180 Luxembourg
B 164.586

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

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KPMG

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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 REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying financial statements of JAB Holding Company S.à r.l., which comprise the balance sheet as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of JAB Holding Company S.à r.l. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Luxembourg, 1 March 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Frauke Oddone

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

Balance Sheet as of 31 December 2016

	Note	31 December 2016		31 December 2015	
		in $k	in $k	in $k	in $k
Non-current assets					
Subsidiaries	5	18,367,912		18,181,654	
			18,367,912		18,181,654
Current assets					
Other receivables	6	4,977		2,141	
Cash and cash equivalents	7	44		53	
			5,021		2,194
			18,372,933		18,183,848
Shareholder's equity	8				
Issued share capital		8,800		8,800	
Share premium		9,901,230		9,967,580	
Fair value reserve		8,193,673		7,899,387	
Retained earnings		-1,372,760		-1,992,063	
			16,730,943		15,883,704
Non-current liabilities					
Redeemable shares	9	0		153,570	
Other liabilities	10, 11	32,097		1,245,823	
			32,097		1,399,393
Current liabilities					
Redeemable shares	9	853,981		899,730	
Other liabilities	10, 11	755,912		1,021	
			1,609,893		900,751
			18,372,933		18,183,848

The notes on pages 7 to 29 are an integral part of these financial statements.

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

Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 in $k	2015 in $k
Finance income	12	**192,144**	**18**
Finance expenses	12	**0**	**-218,987**
Finance result		**192,144**	**-218,969**
General and administrative expenses	13	**-32,494**	**-539,342**
Other income	14	**459,660**	**0**
Result before income taxes		**619,310**	**-758,311**
Income tax expense	15	**-7**	**-4**
Result for the year		**619,303**	**-758,315**
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	8.2	**294,286**	**2,127,184**
Other comprehensive income		**294,286**	**2,127,184**
Total comprehensive income attributable to equity holder		**913,589**	**1,368,869**

The notes on pages 7 to 29 are an integral part of these financial statements.

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

Statement of Changes in Equity for the year ended 31 December 2016

	Note	Share Capital in $k	Share premium in $k	Fair value Reserve in $k	Retained Earnings in $k	Total equity in $k
Balance as of 31 December 2014		**8,800**	**10,038,152**	**5,772,203**	**-1,233,748**	**14,585,407**
Net change in the fair value of available-for-sale financial assets	8	0	0	2,127,184	0	2,127,184
Total income and expense recognised directly in equity		0	0	2,127,184	0	2,127,184
Result for the year		0	0	0	-758,315	-758,315
Total recognised income and expense		0	0	2,127,184	-758,315	1,368,869
Repayment of share premium	8	0	-70,572	0	0	-70,572
Balance as of 31 December 2015		**8,800**	**9,967,580**	**7,899,387**	**-1,992,063**	**15,883,704**
Net change in the fair value of available-for-sale financial assets	8	0	0	294,286	0	294,286
Total income and expense recognised directly in equity		0	0	294,286	0	294,286
Result for the year		0	0	0	619,303	619,303
Total recognised income and expense		0	0	294,286	619,303	913,589
Repayment of share premium	8	0	-66,350	0	0	-66,350
Balance as of 31 December 2016		**8,800**	**9,901,230**	**8,193,673**	**-1,372,760**	**16,730,943**

The notes on pages 7 to 29 are an integral part of these financial statements.

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

Cash Flow Statement for the year ended 31 December 2016

	Note	2016 in $k	2015 in $k
Cash flows from operating activities			
Result for the year		**619,303**	-758,315
Adjustments for:			
Share based payment transactions		**-459,201**	504,275
Tax expense		**7**	4
Finance income and expenses	12	**-192,144**	218,969
		-32,035	-35,067
Change in other receivables	6	**-2,336**	-745
Change in other current liabilities	11	**824**	-139
Net foreign exchange loss		**-16**	0
Income taxes paid		**-7**	-5
Net cash from / (used in) operating activities		**-33,570**	-35,956
Cash flows from investing activities			
Capital repayments from subsidiaries	5	**42,600**	37,400
Net cash from / (used in) investing activities		**42,600**	37,400
Cash flows from financing activities			
Payments from issue of redeemable shares	9	**768**	4,805
Capital repayments on redeemable shares	9	**-9,807**	-6,491
Net cash from / (used in) financing activities		**-9,039**	-1,686
Movement in cash and cash equivalents		**-9**	-242
Cash and cash equivalents as of 31 December 2015		**53**	277
Effects of exchange rate changes on cash and cash equivalents		**0**	18
Cash and cash equivalents as of 31 December 2016		**44**	53

The notes on pages 7 to 29 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

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.

As of 31 December 2016, the Company’s majority shareholder is Agnaten SE, which is domiciled in Rooseveltplatz 4-5, 1090 Vienna, Austria.

In December, 2011, the Company entered into a comprehensive agreement with Agnaten SE, Lucresca SE, an Advisory Committee and further investors. The agreement envisages a long-term support for Agnaten SE and Lucresca SE by the Advisory Committee to further develop the Group’s business. The agreement provides for a service agreement and a long-term incentive plan for the Advisory Committee as well as capital contributions of the Advisory Committee and other investors.

2. Statement of compliance

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

These financial statements were authorised for issue by the board of directors on March 1, 2017.

These financial statements represent the statutory annual accounts.

3. Basis of preparation

The financial statements are presented in thousands of US-Dollar’s ($), which is the functional currency of the Company. They are prepared on the historical cost basis except for the following material items:

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

The separate financial statements prepared in conformity with IFRS require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date relate to the fair value determination of the Company´s investments. Management uses its judgment in selecting appropriate valuation techniques.

The estimates and associated assumptions are based on historical experience and various other factors, such as planning as well as expectations and forecasts of future events that are deemed to be reasonable. As a consequence of the uncertainty actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Significant accounting policies

The accounting policies set out below have been applied consistently during the year presented in these separate financial statements.

4.1 Consolidation

The Company prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. The consolidated financial statements which are subject to publication as prescribed by the Luxembourg Law are available at the Companies Register Luxembourg.

4.2 Foreign currency transactions

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

In the financial report $ is used as a symbol for US Dollar and € is used as a symbol for Euro.

4.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales are in general accounted for at the settlement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal or, in its absence, the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible for the Company.

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

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

4.4 Subsidiaries

Subsidiaries are those entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The investments in subsidiaries are accounted for in accordance with IAS 39 at fair value as available-for-sale financial assets.

4.5 Financial instruments

Non-derivative financial instruments

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

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

Accounting for finance income and expenses is discussed in note 4.9.

Available-for-sale financial assets
The Company's investments in equity instruments (including subsidiaries) are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein (when these can be measured reliably), other than impairment losses (see note 4.6), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is de-recognised, the cumulative gain or loss in equity is transferred to profit or loss. When fair value cannot be measured reliably, the investment is carried at cost less impairment losses.

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

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

Derivative financial instruments

As of 31 December 2016 the Company does not hold derivative financial instruments other than put features included in share-based transactions.

4.6 Impairment

Financial assets

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

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

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve (other comprehensive income) to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss; increases in their fair value are recognised in other comprehensive income.

Non-financial assets

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

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

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

4.7 Provisions

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

4.8 Dividend income

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

4.9 Finance income and expense

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

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

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

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

4.10 Corporate income tax

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

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

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

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

4.11 Share-based payment transactions

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

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

4.12 Preparation of the cash flow statement

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

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

Dividends paid and capital repayments to ordinary shareholders are included in financing activities. Dividends, capital repayments from investees and interest received are classified as investing activities. Interest paid is included in financing activities.

4.13 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

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

These include Amendments to IAS 1 – Disclosure Initiative and IAS 27 – Equity Method in Separate Financial Statements as well as the Annual Improvement Projects to IFRS 2012-2014. Their adoption has not had any significant impact on the financial statements of the Company but may impact the accounting for future transactions or arrangements.

New standards and interpretations not yet adopted by the Company

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial Instruments (2014)*, which becomes mandatory for the Company's 2018 financial statements and the amendments to IAS 7 *Statement of Cash Flows*, which becomes mandatory for the Company's 2017 financial statements. IFRS 9 introduces new requirements for how an entity should classify and measure financial assets, includes new requirements for hedge accounting and changes the current rules for impairment of financial assets. The amendments to IAS 7 require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company does not plan to adopt these standards early and is currently assessing the impact of IFRS 9 and IAS 7.

5. Subsidiaries

At year-end, the Company holds interest in the following subsidiaries:

	2016 %	2015 %
JAB Investments S.à r.l. 4, Rue Jean Monnet, 2180 Luxembourg	100.0	100.0

	2016 in $k	2015 in $k
JAB Investments S.à r.l.		
Share Capital	25	25
Equity	18,367,912	18,181,654
Result for the year	-6,767	-6,184

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

	JAB Investments S.à r.l. in $k
Balance as of 31 December 2014	16,162,443
Capital repayment	-107,973
Fair Value Adjustment	2,127,184
Balance as of 31 December 2015	**18,181,654**
Capital repayment	-108,028
Fair Value Adjustment	294,286
Balance as of 31 December 2016	**18,367,912**

In 2016, the Company received capital repayments from JAB Investments S.à r.l. in the amount of $108.0m (2015: $108.0m). Thereof, repayments of $42.6m (2015: $37.4) were made in cash (see note 8.1).

All contributions were measured at fair value at the time of contribution. After initial measurement the subsidiary is subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and impairment losses recognised through profit or loss.

6. Other receivables

	2016 in $k	2015 in $k
JAB Holding Company LLC	4,976	2,140
Deposits	1	1
	4,977	**2,141**

Other receivables as of 31 December 2016 mainly relate to a service agreement with JAB Holding Company LLC.

The other receivables are short-term. The receivables with JAB Holding Company LLC are typically settled quarterly throughout the year.

7. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2016 in the amount of $44k (2015: $53k) only include bank deposits available on demand.

8. Shareholder's equity

8.1 Share capital and share premium

As of 31 December 2016 the Company's share capital and share premium recognised in equity consists of 8,800,200 Class A shares with a total nominal value of $8.8m (2015: $8.8m) and a share premium of $9,901.2m (2015: $9,967.6m).

At year-end issued capital comprises:

	2016		2015	
	Number	Nominal Value in $k	Number	Nominal Value in $k
Ordinary Class A shares	8,800,200	8,800	8,800,200	8,800
Ordinary Class B shares	399,028	399	398,092	398
Special Class S shares	698,135	698	698,135	698
Issued share capital	**9,897,363**	**9,897**	**9,896,427**	**9,896**

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 9).

In 2016, no dividend was paid to the Class A shareholders (2015: $0.0). Capital repayments out of the share premium in the amount of $66.3m (2015: $70.6m) were made directly from JAB Holdings B.V. to shareholders of Class A shares.

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

8.2 Fair value reserve

The available-for-sale reserve in the amount of $8,193,673k (2015: $7,899,387k) records the fair value change in the Company's subsidiary JAB Investments S.à r.l. The available-for-sale reserve includes income tax relating to the fair value change in the amount of $0.0 (2015: $0.0m).

9. Redeemable shares

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

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

The redemption amount is determined based on valuation rules that have been contractually agreed with the shareholders. As of 31 December the redemption amount is calculated on the basis of the Company's direct and indirect investments.

The redeemable shares are carried at $854.0m (2015: $1,053.3m), including shares held by the management in the amount of $731.0m (2015: $899.7m).

Shares with a redemption amount of $153.6m are redeemable from January 2017 on and were presented as non-current liabilities as of 31 December 2015. As of 31 December 2016, all redeemable shares are redeemable in short-term, if specific criteria are met and presented as current liabilities ($ 854.0 m; 2015: $899.7m). However, the Company does not expect that such criteria will be met in the short-term.

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

In 2016, 936 redeemable ordinary shares and no redeemable special shares with a nominal value of $1.00 each and a total share premium of $1.8m were issued.

In 2015, no redeemable ordinary shares and 15,825 redeemable special shares with a nominal value of $1.00 each and a total share premium of $5.1m. were issued. Furthermore, 200 redeemable ordinary shares issued in 2014 to the same holder with a share premium of €0.3m were cancelled in 2015. Consequently, a cash payment of €4.8m to share premium was made in 2015.

In 2016, no dividend was paid to Class B and special Class S shareholders out of retained earnings (2015: $0.0). Capital repayments to these shareholders in the amount of $4.1m were made during 2016 (2015: $6.5m).

10. Share-based payments

10.1 Share Purchase Agreements

The Company has share purchase agreements with the members of the Advisory Committee as well as with members of its management team and executives and senior managers of the Company and its affiliates. The shares contain put features to sell shares back to the Company for cash. As such the shares are recorded as a liability at the potential redemption amount (see note 9).

In 2016, 936 ordinary shares and 0 special shares with a nominal value of $1.00 each and a total share premium of $1.8m were issued under these share purchase agreements.

In 2015 no ordinary shares and 15,825 special shares with a nominal value of $1.00 each and a total share premium of $5.1m were issued under these share purchase agreements. Furthermore, 200 redeemable ordinary shares issued in 2014 to the same holder with a share premium of €0.3m were cancelled in 2015. Consequently, a cash payment of €4.8m to share premium was made in 2015.

The average issue price (for one ordinary share or five special shares) was $1,889 (2015: $1,580).

Members of the Company's management team and executives and senior managers of the Company and its affiliates were granted boni for the subscribtion of shares in the Company. The boni were paid by set-off against the obligation to pay a corresponding number of 10,726 (2015: 10,463) shares subscribed. The Company qualified this transaction as share-based-payment under IFRS 2. For new shares issued in 2016, the fair value corresponds to the issue price of the share of $1,889 per share (2015: $1,580 per share). The bonus shares are without performance conditions and have a cliff vesting after 5 years with the compensation expense recognised during the vesting period. The shares contain put features to sell shares back to the Company for cash. As such the vested shares are recorded as a liability at the potential redemption amount as of 31 December 2016.

The expense recognised arising from share-purchase agreements during the year was $0.5m (2015: $6.1m).

10.2 Share-option schemes

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

All options related to share based compensation plans were granted at the redemption amount of the underlying shares (see note 9).

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

Options granted	Number of Options	Vesting Conditions	Contractual Life of Options
2012	1,160,000	Graded vesting over vesting period of 5 service years (annual installments) from grant date	10 years
2012	82,110	Vesting after 5 years' service from grant date	10 years
2013	40,000	Graded vesting over vesting period of 5 service years (annual installments) from grant date	10 years
2013	67,890	Vesting after 5 years' service from grant date	10 years
2014	18,774	Vesting after 5 years' service from grant date	10 years
2015	9,495	Vesting after 5 years' service from grant date	10 years
2016	2,808	Vesting after 5 years' service from grant date	10 years
Total number of Options	1,381,077		

The carrying amount of the liability relating to the share option schemes as of 31 December 2016 is $786.2m (2015: $1,245.8m). As of 31 December 2016, options amounting to $754.6m (2015: $0.0m) are qualified as current and $31.5m (2015: $1,245.8m) as non-current. 1,160,000 options had vested as of 31 December 2016 (2015: 0). The intrinsic value of liabilities for vested options is $719.8m (2015: $0.0m). The income recognised for the period arising from the share-option schemes during the year was $459.2m (2015: expense $499.8m).

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, and market data at the grant date such as the risk-free rate, share price (redemption amount), volatility, expected dividends and behavioural assumptions regarding beneficiaries. The expected life of the options is based on management's assumptions and is below the contractual life. After 31 December 2016, all holders of options granted in or before the year 2015 have contractually committed to exercise these options immediately when vested, subject to further conditions being met. Therefore, the assumed life of the options based on management's assumptions has been changed compared to prior year due to earlier expected exercise dates.

The expected volatility is based on a peer group analysis using historical information, which may not necessarily reflect the actual outcome.

The following table lists the weighted average inputs to the model used for the share option schemes granted for the year ended 31 December 2016:

	2016	2015
Dividend yield (%)	0.7%	0.7%
Expected volatility (%)	30.0%	30.0%
Risk-free interest rate (%)	1.6%	1.8%
Expected life of options (years)	5.0 years	7.5 years
Exercise price (USD)	1,889	1,580
Share price (redemption amount) (USD)	1,616	1,987

The weighted average fair value of options granted during the year was $610 (2015: $519).

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

	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Balance at beginning of year (outstanding)	1,378,269	1,061	1,369,374	1,058
Granted during the year	2,808	1,889	9,495	1,580
Forfeited during the year	0	0	-600	0
Exercised during the year	0	0	0	0
Expired during the year	0	0	0	0
Balance at end of year (outstanding)	1,381,077	1,063	1,378,269	1,061
Exercisable at end of year	1,160,000	1,000	0	0

No share options were exercised during the year and the previous year. There have been no further modifications to any share option schemes during the year.

The range of exercise prices for options outstanding at the end of the year was $1,000 to 1,897 (2015: $1,000.00 to 1,598.00). The weighted average remaining contractual life was 5.22 years (2015: 6.22 years).

11. Other liabilities

	2016 in $k	2015 in $k
Share-based transactions	786,164	1,245,823
Trade and other payables	1,845	1,021
	788,009	**1,246,844**
thereof current	755,912	1,021
thereof non current	32,097	1,245,823

An analysis of share-based transaction accrual and share-option schemes is provided in note 10.2. Accrued service costs, trade and other payables and payables to related parties will be settled in short-term.

12. Finance income and expense

Finance income can be specified as follows:

	2016 in $k	2015 in $k
Change in redemption amount of redeemable shares	191,739	0
Net foreign exchange gain	405	18
	192,144	**18**

Finance expenses can be specified as follows:

	2016 in $k	2015 in $k
Change in redemption amount of redeemable shares	0	-218,987
	0	**-218,987**

Changes in the measurement of redeemable shares (see note 9) are recognised in profit and loss.

13. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2016 in $k	2015 in $k
Salary and personnel related expenses	-1,267	-1,179
Service fees	-30,860	-536,611
Legal, tax, audit and consultancy fees	-351	-1,552
Others	-16	0
	-32,494	**-539,342**

Service and other fees include expenses for share-based payment transactions in the amount of $0.5m (2015: $506.0m).

14. Other income

In 2016 the Company incurred other income in the amount of $459.7m (2015: $0.0m) from the remeasurement of share-based payment transactions.

15. Taxation

The Company has a net loss carry-forward amounting to approximately $137.0m (2015: $98.7m). A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

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

	2016 in $k	2015 in $k
Accounting profit / (loss) for the period	619,303	-758,315
Income tax expense	7	4
Non-deductible expenses for tax purposes	0	724,184
Tax exempt income	-655,886	0
Adjustments prior year	-1,690	2,954
Taxable profit /(loss)	**-38,266**	**-31,173**

16. Related parties

16.1 Agnaten SE

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

16.2 Donata Holdings B.V.

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

16.3 Lucresca SE and affiliated companies

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

16.4 JAB Investments S.à r.l.

The Company holds a 100% share in JAB Investments s.à r.l., Luxembourg.

16.5 JAB Holdings B.V.

JAB Holdings B.V., Amsterdam, is a 100% subsidiary of JAB Investments. JAB Holdings B.V.'s investments include participations in Reckitt Benckiser Group Plc., Acorn Holdings B.V., JAB Beech Inc. and JAB Coffee Holding B.V. (through JAB Forest B.V.), Coty Inc. (through JAB Cosmetics B.V.) and JAB Luxury GmbH (through Labelux Group GmbH).

16.6 JAB Consumer Fund

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

16.7 Management

The Company and its investments are managed by an Advisory Committee and further management including executives and senior managers of the Company and its affiliates. The Company's agreements with management comprise agreements on base remunerations, share-based payments as well as management's investment in the Company. Due to a decrease in the value of the share-option schemes, income for management's compensation amounts to $446.3m (2015: expenses $518.4m), thereof $459.2m (2015: expense $506.0m) with regard to share-based payment transactions.

16.8 Employees and remuneration of Directors

During the year the Company had two Managing Directors who received salaries of in total $1.3m (2015: $1.2m). The Company had on average two employees in 2016 (2015: two employees).

17. Contingent liabilities

At 31 December 2016 the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €2,600.0m (2015: €2,100.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €3,000.0 (2015: €2,100.0m).

18. Financial instruments – Fair Value and Risk Management

18.1 Capital Management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantage and security afforded by a sound capital position. The Company has no direct investments and no material liabilities except for liabilities due to share-based transactions and shares with put-rights. Its only material asset is the participation in JAB Investments, an intermediary holding company.

As of 31 December 2016 equity amounts to $16,730.9m (2015: $15,883.7m) and liabilities amount to $1,642.0m (2015: $2,300.1m).

The Company is not subject to externally imposed capital requirements.

18.2 Financial instruments and fair value hierarchy

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

	31 December 2016			31 December 2015		
	Loans and Receivables in $k	Available-for-sale in $k	Total in $k	Loans and Receivables in $k	Available-for-sale in $k	Total in $k
Assets as per balance sheet						
Subsidiaries	0	18,367,912	18,367,912	0	18,181,654	18,181,654
Other Receivables	4,977	0	4,977	2,141	0	2,141
Cash and cash equivalents	44	0	44	53	0	53
Total	**5,021**	**18,367,912**	**18,372,933**	**2,194**	**18,181,654**	**18,183,848**

	31 December 2016			31 December 2015		
	Financial liabilities at amortised cost in $k	Redeemable shares in $k	Total in $k	Financial liabilities at amortised cost in $k	Redeemable shares in $k	Total in $k
Liabilities as per balance sheet						
Redeemable shares	0	853,981	853,981	0	1,053,300	1,053,300
Other liabilities	1,845	0	1,845	1,021	0	1,021
Total	**1,845**	**853,981**	**855,826**	**1,021**	**1,053,300**	**1,054,321**

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

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if 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 and shares of the Company containing put features.

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.

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	in $k	in $k	in $k	in $k
Available-for-sale financial assets				
Subsidiaries				
Unlisted equity investments	0	0	18,367,912	18,367,912
Total financial assets	**0**	**0**	**18,367,912**	**18,367,912**
Other liabilities				
Redeemable shares	0	0	853,981	853,981
Total financial liabilities	**0**	**0**	**853,981**	**853,981**

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	in $k	in $k	in $k	in $k
Available-for-sale financial assets				
Subsidiaries				
Unlisted equity investments	0	0	18,181,654	18,181,654
Total financial assets	**0**	**0**	**18,181,654**	**18,181,654**
Other liabilities				
Redeemable shares	0	0	1,053,300	1,053,300
Total financial liabilities	**0**	**0**	**1,053,300**	**1,053,300**

There were no transfers between the levels for the years ended 31 December 2016 and 31 December 2015.

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

	Subsidiaries Unlisted equity investments	
	2016	**2015**
	in $k	in $k
Balance as of 1 January	18,181,654	16,162,443
Capital repayment	-108,028	-107,973
Fair value adjustment	294,286	2,127,184
Balance as of 31 December	**18,367,912**	**18,181,654**

As of 31 December 2016 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 31 December 2016 the fair value was determined by using valuation techniques. The valuation accounts for JAB Investments' objective to act as a holding company. JAB Investments 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 is its participation in JAB Holdings B.V. with 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.

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

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

	2016 in $k	2015 in $k
Equity investments measured using level 1	9,767,957	13,775,830
Derivative instruments measured using level 2	-83,794	-121,135
Equity investments measured using level 3	12,350,190	5,970,985
Loans receivable	97,698	91,622
Loans payable	-3,936,302	-2,258,494
Cash and cash equivalents	189,815	714,388
Other assets and liabilities	-17,652	8,458
Net asset value	**18,367,912**	**18,181,654**

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 were valued at amortised cost which are a reasonable approximate of fair values.

The following table shows the movements of redeemable shares.

	Redeemable shares	
	2016 in $k	2015 in $k
Balance as of 1 January	1,053,300	831,574
Capital Increase	1,768	4,805
Capital Repayment	-9,807	-6,491
Change in Fair Value	-191,280	223,412
Balance as of 31 December	**853,981**	**1,053,300**

The Company recorded its own shares containing put features as liability at the potential redemption amount, which is determined using Level 3 and based on valuation rules that have been contractually agreed with the shareholders.

18.3 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.

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

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

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

18.4 Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from counterparties.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. As all counterparties are related parties the risk is limited.

Cash at bank
The Company's cash is placed with quality rating financial institutions, such that management does not expect these institutions to fail to meet repayments of amounts held in the name of the Company.

Guarantees
The Company's policy generally is to avoid providing financial guarantees to third parties. As of 31 December 2016 the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €2,600m (2015: €2,100.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €3,000m (2015: €2,100.0m).

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying Amount	
		2016	**2015**
		in $k	in $k
Other receivables	6	4,977	2,141
Cash and cash equivalents	7	44	53
		5,021	**2,194**

18.5 Liquidity risk

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

The Company actively manages cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

18.6 Market risk

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

18.7 Summary of risks

The Company is a holding company with its 100% subsidiary JAB Investments as its only significant asset and indirectly exposed to its credit, liquidity and market risk. JAB Investments itself only has one significant asset – the participation in the 100% subsidiary JAB Holdings B.V. JAB Holdings B.V. is an investment and financing company with a diversified investment portfolio. JAB Holdings B.V.'s investments include a direct participation in Reckitt Benckiser Group Plc. as well as indirect participations in Acorn Holdings B.V., JAB Beech Inc. and JAB Coffee Holding B.V. (through JAB Forest B.V.), Coty Inc. (through JAB Cosmetics B.V.) and JAB Luxury GmbH (through Labelux Group GmbH).

Significant liquidity and market risks regarding the Company`s liabilities are relating to the redeemable shares of the Company's minority shareholders. As of 31 December 2016, all redeemable shares are redeemable in short-term, if specific criteria are met. However, the Company does not expect that such criteria will be met in the short-term. The right to put the shares would be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V.

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

19. Subsequent events

After 31 December 2016, 2,012 redeemable ordinary shares and 286,333 redeemable special shares with a nominal value of $1.00 each and a total share premium of $3,249,380 were issued.

After 31 December 2016, a total of 432,702 new options were granted, vesting after five years' service from grant date and having a contractual life of ten years from grant date.

After 31 December 2016, all holders of options granted in or before the year 2015 have contractually committed to exercise these options immediately when vested, subject to further conditions being met. In return, each optionholder is contractually entitled to be granted a certain number of new options.

In January 2017, the Company made $69m distributions to its shareholders.

Luxembourg, March 1, 2017

Managing Directors:

M. Hopmann

J. Creus