

JAB Holdings B.V.

Amsterdam

Interim Condensed Financial Statements

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

JAB Holdings B.V., Amsterdam

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JAB Holdings B.V., Amsterdam

Report of the Board of Directors

Management of JAB Holdings B.V. (the "Company") hereby presents its interim condensed financial statements as at and for the six months period ended 30 June 2020.

General information

The objectives of the Company are to act as a holding and finance company. The Company's sole shareholder is JAB Investments S.à r.l., which is domiciled in Luxembourg ("JAB Investments"). Ultimate parent company is Agnaten SE, Austria.

The Company is focused on long-term investments in companies with premium brands, attractive growth and strong cash flow. The Board of Directors monitors the return on capital and the value enhancement of the Company's investment portfolio.

Impacts of Covid-19

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 €-4,674.6m (six months ended 30 June 2019: gain €5,574.4m) of investments in subsidiaries and other investments was recognised. The change in fair value includes the impacts of the Covid-19 pandemic. Depending on the further evolvement 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.

JAB Holdings B.V., Amsterdam

Investments

As of 30 June 2020, the Company's portfolio includes the following participations:

- JAB Forest B.V. with its investment Acorn Holdings B.V. (Keurig Dr Pepper, JDE Peet's)
- Keurig Dr. Pepper (direct)
- JDE Peet's (direct)
- Pret Panera I G.P. and Pret Panera III G.P. with its investment in Pret Panera Holding Company Group (Pret A Manger, Panera Bread, Caribou Coffee, Espresso House)
- KK G.P. (Krispy Kreme Group)
- JAB Cosmetics B.V. with its investment in Cottage Holdco B.V. (Coty)
- Petcare G.P. (Compassion-First Group, National Veterinary Associates)
- Labelux Group GmbH in Liqu. with its investment in JAB Luxury GmbH (Bally).

In the six months period ended 30 June 2020, the Company exchanged its preferred shares in Acorn Holdings B.V. to ordinary shares in Acorn Holdings B.V. These ordinary shares were then contributed to JAB Forest B.V. for an amount of €726.6m. The Company received repayments of share premium in cash of €947.6m from JAB Forest B.V. mainly funded through the disposal of Keurig Dr Pepper shares held by Acorn Holdings B.V. On 29 May 2020, JDE Peet's exercised an IPO and became a listed company (Euronext Amsterdam).

In the six months period ended 30 June 2020, the Company acquired shares in Keurig Dr Pepper Inc. in the amount of €377.3m.

In the six months period ended 30 June 2020, the Company acquired shares in JDE Peet's N.V. in the amount of €300.0m.

In March 2020, the Company made capital contributions in cash to JAB Cosmetics B.V. in the amount of €1,672.2m to repay stand-alone debt at Cottage Holdco B.V. and received repayments of share premium in cash of €24.7m.

In February 2020, the Company made capital contributions in cash to Petcare Group in the amount of €1,478.7m for the acquisition of National Veterinary Associates. In 2019, the Company had granted a loan to Petcare Intermediate Inc. This loan together with further loans granted to Petcare Group in February 2020 amounting to €29.8m were converted to equity in 2020.

The cash flows from investing activities during the six months period ended 30 June 2020 include received dividends (€9.2m; six months ended 30 June 2019: €23.4m), capital transactions with investments in subsidiaries (€-2,967.7m; six months ended 30 June 2019: €1,040.3m), disposal of other investments and short-term financial investments (€0.0m; six months ended 30 June 2019: €71.4m), loan transactions (€24.2m; six months ended 30 June 2019: €-76.2m) and interests received (€10.6m; six months ended 30 June 2019: €5.3m).

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

JAB Forest B.V.:

The Company 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 €15,856.0m. 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 the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

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

The Company 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 €3,074.5m. 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 normalised environment 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.:

The Company 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 €862.1m. 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.:

The Company 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 €1,854.0m. 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.:

The Company 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 €1,684.1m. 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.:

The Company is the sole owner of Labelux Group GmbH in Liqu., Switzerland. The Company 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 €215.0m.

Financing

As of 30 June 2020, the Company has total borrowings of €8,375.1m (31 December 2019: €6,799.5m). The outstanding amount in the current period consists of long-term notes with a carrying value of €7,890.1m (31 December 2019: €6,799.5m) and outstanding credit facilities of €485.0m (31 December 2019: €0.0m). Long-term notes with an aggregate principal amount of €1,100.0m were issued in the six months period ended 30 June 2020 (six months ended 30 June 2019: no new long-term notes issued).

As of 30 June 2020, the Company has unused credit facilities, which reduce liquidity risk.

The cash flows from financing activities during the six months period ended 30 June 2020 include share premium distributions to and contributions by the shareholder (€-551.1m; six months ended 30 June 2019: €-164.3m), interest and bank fees paid (€-106.7m; six months ended 30 June 2019: €-101.1m) and the net change in borrowings (€1,576.0m; six months ended 30 June 2019: €0.0m).

In the six months period ended 30 June 2020, the Company's equity decreased from €21,973.4m to €16,706.8m, mainly due to the net loss on investments in subsidiaries, other investments and short-term financial investments (€-4,674.6m; six months ended 30 June 2019: gain €5,574.4m).

As of 30 June 2020, cash and cash equivalents amount to €599.7m (31 December 2019: €2,583.1m).

Financial information

The loss for the six months period ended 30 June 2020 amounts to €-4,715.5m (six months ended 30 June 2019: gain €5,524.0m), mainly relating to the net loss on subsidiaries, other investments, corporate debt securities and short-term financial investments (€-4,674.6m; six months ended 30 June 2019: gain €5,574.4). In the six months period ended 30 June 2020, the Company realised a net loss in its subsidiaries JAB Forest B.V. (€771.0m; six months ended 30 June 2019: gain €2,648.4m), Keurig Dr Pepper Inc. (€2.5m; six months period ended 30 June 2019: €0.0m), Pret Panera I G.P. (€529.3m; six months ended 30 June 2019: gain €475.0m), Pret Panera III G.P. (€259.9m; six months ended 30 June 2019: gain €231.3m), JAB Cosmetics B.V. (€2,838.0m; six months ended 30 June 2019: gain €2,103.7m), KK G.P. (€25.9m; six months period ended 30 June 2019: gain €102.3m), Petcare G.P. (€46.7m; six months period ended 30 June 2019: loss €2.8m) and JAB Luxury GmbH in Liqu. (€196.6m; six months period ended 30 June 2019: gain €8.9m). In the six months period ended 30 June 2020, the Company realised a net gain in its subsidiary JDE Peet's N.V. (€43.6m; six months period ended 30 June 2019: €0.0m) and its other investments (€79.1m; six months period ended 30 June 2019: €0.2m).

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Dividend income amounts to €9.2m for the current period (six months ended 30 June 2019: €23.4m). Finance income of €37.7m includes interest income in the amount of €7.5m (six months ended 30 June 2019: €6.6m mainly includes interest income) and net foreign exchange gains of €29.6m (six months ended 30 June 2020: €-8.3m loss).

Finance expenses of €81.2m mainly include interest expense for the current period (six months ended 30 June 2019: €77.0m).

Future developments and outlook

The Company will continue to serve under its business purpose as a holding and financing company. Its liquidity situation is sound and expected to remain well in the next year.

In September 2020, JAB Holdings B.V. has received certain cash distributions resulting in a material reduction of the Company's net debt of approx. €1.9bn.

JAB management is committed to further reduce the Net Debt to Investment Value ratio of JAB Holdings B.V. towards the low end of the previously communicated finance policy range of 15-20% by the end of 2021.

Amsterdam, 18 September 2020

The Board of Directors:

J. Creus

F. Simon

JAB Holdings B.V., Amsterdam

Interim Condensed Statement of Financial Position as of 30 June 2020

(after appropriation of result)

		30 June 2020		31 December 2019	
	Note	in €k	in €k	in €k	in €k
<u>Non-current assets</u>					
Property, plant and equipment		2,320		2,587	
Investments in subsidiaries	4	24,049,336		24,868,400	
Other investments	5	114,660		35,606	
Corporate debt securities	6	0		852,224	
Loans	7	61,901		0	
Prepayments		6,556		7,298	
			24,234,773		25,766,115
<u>Current assets</u>					
Loans	7	77,989		188,407	
Derivatives	8	711		329	
Other receivables		3,292		6,580	
Cash and cash equivalents	9	599,658		2,583,130	
Non-current assets held-for-sale	10	215,316		300,111	
			896,966		3,078,557
			25,131,739		28,844,672
<u>Shareholder's equity</u>					
	11				
Share capital	11.1	18		18	
Share premium	11.2	5,431,390		5,982,461	
Legal reserve	11.3	9,556,626		11,437,610	
Retained earnings	11.4	1,718,795		4,553,317	
			16,706,829		21,973,406
<u>Non-current liabilities</u>					
Borrowings	12	8,375,071		6,799,539	
Other liabilities	14	1,228		1,361	
			8,376,299		6,800,900
<u>Current liabilities</u>					
Derivatives	13	0		13,192	
Other liabilities	14	48,611		57,174	
			48,611		70,366
			25,131,739		28,844,672

The notes on pages 14 to 34 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, other investments, corporate debt securities and short-term financial investments	15	-4,674,620	5,574,447
Dividend income	16	9,206	23,384
Finance income	18	37,658	6,614
Finance expenses	18	-81,174	-76,966
General and administrative expenses	19	-6,426	-3,231
(Loss) / Profit before income taxes		-4,715,356	5,524,248
Income tax expense	20	-150	-230
(Loss) / Profit for the period		-4,715,506	5,524,018
Other comprehensive income		0	0
Total comprehensive income attributable to equity holder		-4,715,506	5,524,018

The notes on pages 14 to 34 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	Share capital in €k	Share premium in €k	Legal reserve in €k	Retained earnings in €k	Total equity in €k
Balance as of 1 January 2019		18	6,262,889	7,954,356	3,370,569	17,587,832
Repayment of share premium	11.2	0	-164,288	0	0	-164,288
Profit for the period		0	0	4,345,628	1,178,390	5,524,018
Total comprehensive profit		0	0	4,345,628	1,178,390	5,524,018
Balance as of 30 June 2019		18	6,098,601	12,299,984	4,548,959	22,947,562
Balance as of 1 January 2020		18	5,982,461	11,437,610	4,553,317	21,973,406
Contributions	11.2	0	13,760	0	0	13,760
Repayment of share premium	11.2	0	-564,831	0	0	-564,831
Loss for the period		0	0	-1,880,984	-2,834,522	-4,715,506
Total comprehensive loss		0	0	-1,880,984	-2,834,522	-4,715,506
Balance as of 30 June 2020		18	5,431,390	9,556,626	1,718,795	16,706,829

The notes on pages 14 to 34 are an integral part of these interim condensed financial statements.

JAB Holdings B.V., Amsterdam

Interim Condensed Cash Flow Statement 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
Cash flows from operating activities			
(Loss) / Profit for the period		-4,715,506	5,524,018
Adjustments for:			
Depreciation		175	0
Dividend income	16	-9,206	-23,384
Net loss / (gain) from change in fair value of subsidiaries, other investments, corporate debt securities and short-term financial investments	15	4,674,620	-5,574,447
Income tax expense		150	0
Finance income and finance expenses	18	43,516	70,352
		-6,251	-3,461
Change in other receivables		258	-2,180
Change in other current liabilities		4,078	678
Net foreign exchange gain		26,116	8,024
Income taxes paid		-51	-230
Other adjustment		-16	0
Net cash from operating activities		24,134	2,831
Cash flows from investing activities			
Dividends received	16	9,206	23,384
Capital repayments from investments in subsidiaries	4	1,039,495	1,367,399
Contribution payments to investments in subsidiaries	4	-4,007,217	-327,074
Disposal of short-term financial investments		0	71,421
Interest received		10,641	5,279
New loans	7	-343,377	-89,496
Repayment loans	7	367,575	13,283
Net cash (used in) / from investing activities		-2,923,677	1,064,196
Cash flows from financing activities			
Repayment of share premium	11.2	-564,831	-164,288
Contributions by the shareholder	11.2	13,760	0
Interest paid (including settlement of derivatives)		-103,163	-97,033
Bank fees		-3,558	-4,061
New borrowings	12	5,221,020	0
Repayment borrowings	12	-3,645,000	0
Net cash from / (used in) financing activities		918,228	-265,382
Movement in cash and cash equivalents		-1,981,315	801,645
Cash and cash equivalents as of 1 January		2,583,130	1,093,420
Effect of exchange rate changes on cash and cash equivalents		-2,157	-16,002
Cash and cash equivalents as of 30 June	9	599,658	1,879,063

The notes on pages 14 to 34 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 Holdings B.V. (the "Company") is a company domiciled in the Netherlands and is registered under number 34233247 in the Trade Register. The address of the Company's registered office is Piet Heinkade 55, 1019 GM Amsterdam, the Netherlands. The objectives of the Company are to act as a holding and finance company.

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 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 annual 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 €-4,674.6m (six months ended 30 June 2019: gain €5,574.4m) of investments in subsidiaries and other investments 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.

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 Company is not subject to seasonal fluctuations.

The interim condensed financial statements are presented in thousands of Euros (EUR), 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 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 for 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 interests in the following investments in subsidiaries:

	30 June 2020	31 December 2019
	%	%
JAB Forest B.V., Netherlands	100.0	100.0
Keurig Dr Pepper Inc., USA	1.1	0.0
JDE Peet's N.V., Netherlands	1.9	0.0
Pret Panera I G.P., USA	53.8	53.8
Pret Panera III G.P., USA	16.3	16.3
KK G.P., USA	49.6	49.6
JAB Cosmetics B.V., Netherlands	100.0	100.0
Petcare G.P., USA	40.8	33.1
JAB Holding Sao Paulo Ltda., Brazil	99.9	99.9

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

The Company is directly and indirectly (through JAB Forest B.V. and its investment in Acorn Holdings B.V.) invested in Keurig Dr Pepper Inc. and JDE Peet's N.V. and controls these investments.

JAB Holdings B.V., Amsterdam

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

	Balance as of 31 Dec 2019 in €k	Additions in €k	Contribution in €k	Repayment share premium in €k	Change in fair value in €k	Balance as of 30 June 2020 in €k
JAB Forest B.V.	16,848,080	0	726,552	-947,610	-770,996	15,856,026
Acorn Holdings B.V.	0	861,763	-726,552	0	-135,211	0
Keurig Dr Pepper Inc.	0	377,311	0	0	-2,465	374,846
JDE Peet's N.V.	0	300,000	0	0	43,619	343,619
Pret Panera I G.P.	2,591,300	0	0	0	-529,318	2,061,982
Pret Panera III G.P.	1,272,415	0	0	0	-259,913	1,012,502
KK G.P.	887,952	0	0	0	-25,852	862,100
JAB Cosmetics B.V.	3,044,477	1,672,186	0	-24,651	-2,838,045	1,853,967
Petcare G.P.	222,243	1,508,533	0	0	-46,713	1,684,063
JAB Holding Sao Paulo Ltda.	1,933	0	0	0	-1,702	231
	24,868,400	4,719,793	0	-972,261	-4,566,596	24,049,336

In the six months period ended 30 June 2020, the Company exchanged its preferred shares in Acorn Holdings B.V. to ordinary shares in Acorn Holdings B.V. These ordinary shares were then contributed to JAB Forest B.V. for an amount of €726.6m. The Company received repayments of share premium in cash of €947.6m from JAB Forest B.V.

In the six months period ended 30 June 2020, the Company acquired shares in Keurig Dr Pepper Inc. in the amount of €377.3m.

In the six months period ended 30 June 2020, the Company acquired shares in JDE Peet's N.V. in the amount of €300.0m.

In March 2020, the Company made capital contributions in cash to JAB Cosmetics B.V. in the amount of €1,672.2m and received repayments of share premium in cash of €24.7m.

In February 2020, the Company made capital contributions in cash to Petcare Group in the amount of €1,478.7m for the acquisition of National Veterinary Associates. In 2019, the Company had granted a loan to Petcare Intermediate Inc. This loan together with further loans granted to Petcare Group in February 2020 amounting to €29.8m were converted to equity in 2020.

JAB Holdings B.V., Amsterdam

5. Other investments

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

	Others in €k
Balance as of 31 December 2019	35,606
Change in fair value	79,054
Balance as of 30 June 2020	114,660

6. Corporate debt securities

In the six months period ended 30 June 2020, the Company exchanged its preferred shares in Acorn Holdings B.V. for a value of €861.8m to ordinary shares in Acorn Holdings B.V. (31 December 2019: €852.2m). Subsequently, the shares in Acorn Holdings B.V. were contributed to JAB Forest B.V. (see note 4).

7. Loans

The movements in the loans can be detailed as follows:

	JAB Management in €k	JAB Holding Company LLC in €k	Dino Grand- parent Inc. in €k	Panera Holding Company Inc. in €k	Pret Petcare Inter- mediate Inc. in €k	Petcare Holding LLC in €k	National Veterinary Associates in €k	Total in €k
Balance as of 31 December 2019	33,844	3,502	0	0	26,440	0	124,621	188,407
Additions	11,800	41	64,395	62,034	0	2,311	91,181	231,762
Repayments	-5,605	0	-27,977	0	0	0	-221,893	-255,475
Equity contribution	0	0	0	0	-27,528	-2,317	0	-29,845
Translation differences	60	11	-2,082	-133	1,088	6	6,091	5,041
Balance as of 30 June 2020	40,099	3,554	34,336	61,901	0	0	0	139,890
Thereof non-current	0	0	0	61,901	0	0	0	61,901
Thereof current	40,099	3,554	34,336	0	0	0	0	77,989

JAB Holdings B.V., Amsterdam

8. Derivatives

	30 June 2020	31 December 2019
	in €k	in €k
Foreign exchange contracts	711	329

9. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2020 include bank deposits and liquidity funds available on demand (€563.9m; 31 December 2019: 1,783.1m) and deposits with maturity in July 2020 (€35.7m) (31 December 2019: €800.0m with maturity in January 2020).

10. Non-current assets held-for-sale

The Company is 100% shareholder in Labelux Group GmbH in Liqu.

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

As of 30 June 2020, the non-current assets held-for-sale comprised assets of €215.3m (31 December 2019: €300.1m) detailed as follows:

	Subsidiary Labelux Group GmbH in Liqu. in €k	Loan Labelux Group GmbH in Liqu. in €k	Loan JAB Luxury GmbH in €k	Total in €k
Balance as of 31 December 2019	299,781	330	0	300,111
Additions	179,033	23	112,100	291,156
Distribution/Repayment	-67,234	0	-112,100	-179,334
Change in fair value	-196,617	0	0	-196,617
Balance as of 30 June 2020	214,963	353	0	215,316

JAB Holdings B.V., Amsterdam

11. Shareholder's equity

11.1 Share capital

The authorised share capital amounts to €90,000 (1,800 shares), of which 363 shares of €50 each (31 December 2019: 363) have been issued and fully paid.

As of 30 June 2020 and 31 December 2019, no shares in the entity are held by the Company or by its subsidiaries or associates.

11.2 Share premium

In the six months period ended 30 June 2020, the Company received cash contributions to the share premium in the amount of €13.8m (six months ended 30 June 2019: €0.0m).

In the reporting period, the Company partly returned the share premium in cash in the amount of €564.8m (six months ended 30 June 2019: €164.3m).

11.3 Legal reserve

As of 30 June 2020, pursuant to Dutch law (Book 2 Title 9 of the Netherlands Civil Code art. 390), certain limitations exist relating to the distribution of shareholders' equity. The limitations for the company relate to the revaluations of assets without a frequent market listing in the amount of €9,556.6m (31 December 2019: €11,437.6m).

11.4 Retained earnings

In the six months period ended 30 June 2020, no dividend was paid to the parent company JAB Investments S.à r.l. out of retained earnings (six months ended 30 June 2019: €0.0m).

12. Borrowings

The movements in borrowings can be detailed as follows:

	Long-term notes in €k	Credit facilities in €k	Total in €k
Balance as of 31 December 2019	6,799,539	0	6,799,539
Additions	1,091,020	4,130,000	5,221,020
Repayments	0	-3,645,000	-3,645,000
Amortisation disagio and fees	-488	0	-488
Balance as of 30 June 2020	7,890,071	485,000	8,375,071
Thereof non-current	7,890,071	485,000	8,375,071
Thereof current	0	0	0

JAB Holdings B.V., Amsterdam

In January 2020, the Company issued long-term notes in the aggregate principal amount of €100.0m (DE000A28SVV0). The notes are traded on the open market of the Frankfurt Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. As of 30 June 2020, the carrying value of the notes is €99.6m with a maturity in December 2039.

In April 2020, the Company issued long-term notes in the aggregate principal amount of €500.0m (DE000A28V301) and €500.0m (DE000A28V319). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. As of 30 June 2020, thereof notes with a carrying value of €494,1m have a maturity in April 2027 and notes with a carrying value of €492.2m have a maturity in April 2035.

As of 30 June 2020, the Company has outstanding payables under its credit facilities in the amount of €485.0m (31 December 2019: €0.0m).

13. Derivatives

	30 June 2020	31 December 2019
	in €k	in €k
Interest rate contracts	<u>0</u>	<u>13,192</u>

The Company's interest rate swaps expired in June 2020.

14. Other liabilities

	30 June 2020	31 December 2019
	in €k	in €k
Accrued interest and other bank fees	39,764	50,666
Lease liability	1,351	1,476
Other liabilities	8,724	6,394
	<u>49,839</u>	<u>58,536</u>
thereof non-current	1,228	1,361
thereof current	48,611	57,175

JAB Holdings B.V., Amsterdam

15. Net (loss) / gain on investments in subsidiaries, other investments, corporate debt securities and short-term financial investments

	For the six months ended 30 June 2020 in €k	For the six months ended 30 June 2019 in €k
Net (loss) / gain on investments in subsidiaries at FVTPL		
JAB Forest B.V.	-770,996	2,648,369
Acorn Holdings B.V.	-135,211	0
Keurig Dr Pepper Inc.	-2,465	0
JDE Peet's N.V.	43,619	0
JAB Cosmetics B.V.	-2,838,045	2,103,687
Pret Panera I G.P.	-529,318	475,045
Pret Panera III G.P.	-259,913	231,278
KK G.P.	-25,852	102,311
JAB Holding Company Ltda.	-1,702	156
Petcare G.P.	-46,713	-2,835
Labelux Group GmbH in Liqu.	-196,617	8,934
Net gain on other investments at FVTPL		
Others	79,054	215
Net gain on corporate debt securities		
	9,539	0
Net gain on short-term financial investments at FVTPL		
	0	7,287
	-4,674,620	5,574,447

JAB Holdings B.V., Amsterdam

16. Dividend income

In the six months period ended 30 June 2020, the Company recognised dividend income from the following investments measured at FVTPL:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in €k	in €k
Acorn Holdings B.V. preferred dividend	8,184	23,384
Keurig Dr Pepper Inc.	1,022	0
	9,206	23,384

17. Net income from investments at FVTPL

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Financial assets measured at FVTPL	in €k	in €k
Investments in subsidiaries	-4,762,191	5,566,945
Other investments	79,054	215
Corporate debt securities	17,723	23,384
Short-term financial investments	0	7,287
	-4,665,414	5,597,831

Net income from investments at FVTPL comprises net gain/(loss) on investments in subsidiaries, other investments and short-term financial investments and dividend income from investments at FVTPL.

JAB Holdings B.V., Amsterdam

18. Finance income and finance expenses

Finance income can be detailed as follows:

	For the six months ended 30 June 2020 in €k	For the six months ended 30 June 2019 in €k
Interest income on bank deposits	3,777	3,041
Interest income on loans and receivables	3,707	1,274
Net foreign exchange gain	29,641	0
Interest income on short-term financial investments	0	2,299
Other	533	0
	37,658	6,614

Finance expenses can be detailed as follows:

	For the six months ended 30 June 2020 in €k	For the six months ended 30 June 2019 in €k
Interest expense on financial liabilities	-90,065	-74,206
Bank fees	-4,301	-4,674
Valuation of interest rate contracts	13,192	10,203
Net foreign exchange loss	0	-8,289
	-81,174	-76,966

19. General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2020 in €k	For the six months ended 30 June 2019 in €k
Salary and personnel related expenses	-3,643	-1,920
Legal, tax, audit and consultancy fees	-823	-1,299
Service fees to related parties	-1,613	0
Office expenses	-236	0
Others	-111	-12
	-6,426	-3,231

JAB Holdings B.V., Amsterdam

20. Taxes on income

The taxable amount for the six months period ended 30 June 2020 amounts to zero (six months ended 30 June 2019: zero) and therefore no corporate income tax expense was recognised.

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
	in €k	in €k
Withholding tax on short-term financial investments	0	-230
Withholding tax on investments in subsidiaries	-150	0
	-150	-230

Income from investments can be subject to withholding taxes. Withholding taxes have been recognised as part of income tax expense, with the income recognised on a gross basis.

21. Segment Reporting

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

The financial information and results from this segment are equivalent to the Company's financial information as a whole. The Company's sole income is generated by its investment activities. The diversification of its investments is disclosed in Notes 4, 5, 6, 7, 8 and 10.

22. Related parties and transactions with related parties

The related parties are disclosed in the Company's annual financial statements for the year ended 31 December 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.

JAB Holdings B.V., Amsterdam

23. Financial instruments – Fair Value and Risk Management

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

	30 June 2020			31 December 2019		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
	in €k	in €k	in €k	in €k	in €k	in €k
Assets as per statement of financial position						
Investments in subsidiaries	0	24,049,336	24,049,336	0	24,868,400	24,868,400
Other investments	0	114,660	114,660	0	35,606	35,606
Corporate debt securities	0	0	0	0	852,224	852,224
Prepayments	6,556	0	6,556	7,298	0	7,298
Loans	139,890	0	139,890	188,407	0	188,407
Derivatives	0	711	711	0	329	329
Other receivables	3,292	0	3,292	6,580	0	6,580
Cash and cash equivalents	599,658	0	599,658	2,583,130	0	2,583,130
Non-current assets held-for-sale	353	214,963	215,316	330	299,781	300,111
Total	749,749	24,379,670	25,129,419	2,785,745	26,056,340	28,842,085

	30 June 2020			31 December 2019		
	Amortised cost	FVTPL	Total	Amortised cost	FVTPL	Total
	in €k	in €k	in €k	in €k	in €k	in €k
Liabilities as per statement of financial position						
Borrowings	8,375,071	0	8,375,071	6,799,539	0	6,799,539
Derivatives	0	0	0	0	13,192	13,192
Other non-current liabilities	1,228	0	1,228	1,361	0	1,361
Other current liabilities	48,611	0	48,611	57,174	0	57,174
Total	8,424,910	0	8,424,910	6,858,074	13,192	6,871,266

Cash and cash equivalents 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 was immaterial, as well as the identified impairment loss for the other financial assets subject to the expected credit loss model.

JAB Holdings B.V., Amsterdam

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 quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price.

As of 30 June 2020, financial instruments included in Level 1 comprise shares in Keurig Dr Pepper Inc. and JDE Peet's N.V. (31 December 2019: no financial instruments included in Level 1).

Financial instruments in Level 2

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

Financial instruments included in Level 2 comprise shares in JAB Cosmetics B.V. and foreign exchange contracts (31 December 2019: foreign exchange contracts and interest rate swaps). Specific valuation techniques used to value these financial instruments include

- JAB Cosmetics B.V. holds 100% of Cottage Holdco B.V. which is direct shareholder in Coty Inc. Coty Inc. is a listed company (New York Stock Exchange). JAB Cosmetics B.V.'s fair value was determined on the basis of its indirect investment in Coty Inc.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Quoted market prices or dealer quotes for outstanding long-term notes and similar instruments;
- The fair value of forward exchange contracts is determined using forward exchange rates at the reporting date.

Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Financial instruments included in Level 3 comprise shares in JAB Forest B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., JAB Holding Company Ltda., Petcare G.P. and Labelux Group GmbH in Liqu. (31 December 2019: JAB Forest B.V., JAB Cosmetics B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., Petcare G.P., Labelux Group GmbH in Liqu. and corporate debt securities in Acorn Holdings B.V.).

JAB Holdings B.V., Amsterdam

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information for financial assets and financial liabilities not measured at fair value. The issued long-term notes have a carrying amount of €7,890.1m (31 December 2019: €6,799.5m), the fair value is €8,224.0m (31 December 2019: €7,180.3m) based on dealer-quotes (Level 2). For all other financial assets and liabilities, the carrying amounts are a reasonable approximate of fair values.

	30 June 2020			Total in €k
	Level 1 in €k	Level 2 in €k	Level 3 in €k	
Financial assets at FVTPL				
Investments in subsidiaries and other investments				
Listed equity investments	718,465	0	0	718,465
Unlisted equity investments	0	1,853,967	21,591,564	23,445,531
Non-current assets held-for-sale				
Unlisted equity investments	0	0	214,963	214,963
Foreign exchange contracts	0	711	0	711
Total assets	718,465	1,854,678	21,806,527	24,379,670

	31 December 2019			Total in €k
	Level 1 in €k	Level 2 in €k	Level 3 in €k	
Financial assets at FVTPL				
Investments in subsidiaries and other investments				
Unlisted equity investments	0	0	24,904,006	24,904,006
Non-current assets held-for-sale				
Unlisted equity investments	0	0	299,781	299,781
Corporate debt securities	0	0	852,224	852,224
Foreign exchange contracts	0	329	0	329
Total assets	0	329	26,056,011	26,056,340
Financial liabilities at FVTPL				
Interest rate contracts	0	13,192	0	13,192
Total liabilities	0	13,192	0	13,192

In the six months period ended 30 June 2020, FVTPL equity instruments with a carrying amount of €2,154.4m were transferred from Level 3 to Level 2. In the six months period ended 30 June 2019, FVTPL equity instruments with a carrying amount of €2,930.8m were transferred from Level 1 to Level 3. To determine the fair value of the equity instruments, management used a valuation technique in which significant inputs were based on observable and unobservable data.

There were no transfers from Level 2 or 3 to Level 1 during the six months period ended 30 June 2020 and during the six months ended 30 June 2019.

JAB Holdings B.V., Amsterdam

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

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

	Investments in subsidiaries	Other investments	Corporate debt securities	Non-current assets held-for-sale
	Unlisted equity investments in €k	Unlisted equity investments in €k	Preferred shares in €k	Unlisted equity investments in €k
Balance as of 1 January 2020	24,868,400	35,606	852,224	299,781
Additions	4,042,482	0	0	179,033
Repayment share premium	-947,610	0	-852,224	-67,234
Transfers to Level 2	-2,154,384	0	0	0
Change in fair value	-4,331,984	79,054	0	-196,617
Balance as of 30 June 2020	21,476,904	114,660	0	214,963

Investments in subsidiaries and other investments categorised in Level 3

The Company's investments include significant direct equity participations or debt securities in JAB Forest B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., Petcare G.P. and Labelux Group GmbH in Liqu., which are not quoted in an active market (31 December 2019: JAB Forest B.V., JAB Cosmetics B.V., Pret Panera I G.P., Pret Panera III G.P., KK G.P., Petcare G.P. and Labelux Group GmbH in Liqu.). The Company uses a market-based valuation technique based on market multiples applied on LTM figures for these investments.

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

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

JAB Forest B.V.:

The Company is 100% shareholder of JAB Forest B.V. The entity holds 61.5% of Acorn Holdings B.V (31 December 2019: 57.0%).

As of 30 June 2020, the shares in JAB Forest B.V. were valued at €15,856.0m (31 December 2019: €16,848.1m). The investment's fair value was calculated as the net asset value of JAB Forest B.V.'s different participations.

JAB Holdings B.V., Amsterdam

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

In 2017, JAB Forest B.V. entered into agreements regarding its investment in Acorn Holdings B.V. with certain non-controlling shareholders in this company. Under these agreements, certain subsidiaries of JAB Holdings B.V. may be obliged to purchase such person's ordinary shares in Acorn Holdings B.V., conditional on the occurrence of Acorn Holdings B.V.'s engagement in certain business activities. Since the Company controls Acorn Holdings B.V., this contingent obligation is under the Company's control. Acorn Holdings B.V. has not engaged in such business activities as of 30 June 2020 and 31 December 2019. In the event certain subsidiaries of JAB Holdings B.V. are required to purchase the ordinary shares of any such non-controlling shareholder of Acorn Holdings B.V., then JAB Forest B.V. may be obliged to subscribe for ordinary shares. JAB Forest B.V. qualified these contingent payment obligations as financial instruments. As of 30 June 2020 and 31 December 2019, the financial instruments fair value is measured at nil since the probability of the cash-outflow upon this agreement is estimated to be remote.

JAB Holdings B.V., Amsterdam

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

The Company 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 €3,074.5m (31 December 2019: €3,863.7m). 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.

In 2018, the JAB Holding Company S.à r.l. Group (JAB Group) entered into an agreement with Pret Panera I GP, Pret Panera Holding Company Inc. and certain other persons that hold direct or indirect non-controlling interests in Pret Panera Holding Company Inc. Under this agreement, certain of these non-controlling shareholders can request an IPO of Pret Panera Holding Company Inc. after April 1st, 2023. Upon such request, Pret Panera Holding Company Inc., at its option, may purchase

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such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. If such IPO is not completed within 13 months, JAB Group may be obliged to purchase such person's interest at a purchase price equal to the fair market value determined close to the acquisition date. JAB Group has qualified the contingent obligation to purchase such person's interest as a financial instrument. Its fair value is 0, since it is exercisable at the fair value of the underlying item.

KK G.P.:

The Company 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 €862.1m (31 December 2019: €888.0m). 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.

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

JAB Cosmetics B.V.:

The Company 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 €1,854.0m (31 December 2019: €3,044.5m). 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, the investment in JAB Cosmetics B.V. is categorised in Level 2.

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- 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.:

The Company 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 €1,684.1m (31 December 2019: €222.2m). 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.

Labelux Group GmbH in Liqu.:

The Company is the sole owner of Labelux Group GmbH in Liqu., Switzerland. The Company 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 €215.0m (31 December 2019: €299.8m).

Sensitivity analysis to unobservable inputs

Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The most significant unobservable inputs are the applied multiples. The estimated fair value would increase (decrease) if the adjusted market multiples were higher (lower). A change of the applied multiples by 10% would change the fair value estimate in the amount of €414.7m (increase/decrease) (31 December 2019: €1,394.7m (increase) / €-1,362.4m (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.).

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Overview financial risk factors

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

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

The interim condensed financial statements do not include all financial risk management information and disclosure required in annual financial statements, and should be read in conjunction with the Company's 31 December 2019 financial statements. There have been no changes in risk management policies and procedures since year-end.

24. Contingent liabilities

The Company is a defendant in stockholder class action and derivative lawsuit along with two other JAB Group Companies (JAB Cosmetics B.V., Cottage Holdco B.V.). JAB Holding Company S.à r.l., which was previously a defendant, has been dismissed as a defendant. The complaint alleges, among other things, that the defendants have acted in concert to control Coty Inc. The plaintiffs, stockholders of Coty Inc., allege that controlling stockholders of Coty Inc. breached fiduciary duties to the minority stockholders in connection with a partial tender offer for shares of Coty Inc. Plaintiffs contend that the tender offer injured the stockholders who tendered because it was purportedly coercive and unfairly priced. Plaintiffs also contend that the non-tendering stockholders were injured because the JAB Group gained mathematical control of Coty Inc. as a result of the tender offer, thereby depriving the minority stockholders of a control premium. The case is still at its early stages with discovery just commencing. A trial schedule has not yet been set.

25. Subsequent events

In September 2020, JAB Holdings B.V. has received certain cash distributions resulting in a material reduction of the Company's net debt of approx. €1.9bn.

Amsterdam, 18 September 2020

The Board of Directors:

J. Creus

F. Simon



Review report

To: the Board of Directors of JAB Holdings B.V.

Introduction

We have reviewed the accompanying Interim Condensed Financial Statements as at and for the six months period ended 30 June 2020 of JAB Holdings B.V., Amsterdam ('the Company'), which comprises Interim Condensed Statement of Financial Position as of 30 June 2020, the Interim Condensed Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity, and Cash Flow for the six months period ended 30 June 2020, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Board of Directors of the Company 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

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information 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 Dutch 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 months 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.

Amstelveen, 18 September 2020

KPMG Accountants N.V.

L.A. Ekkels RA