JAB Holdings B.V.

Amsterdam

Annual Accounts 2016

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 annual accounts for the financial year ended on 31 December 2016.

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 generating superior returns from long-term investments in companies with premium brands and strong growth and margin dynamics. The Board of Directors monitors the return on capital and the value enhancement of the Company's investment portfolio.

Investments

As of 31 December 2016 the Company's portfolio includes participations in Reckitt Benckiser Group Plc., Coty Inc. (through JAB Cosmetics B.V.), Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V. (through JAB Forest B.V.) and JAB Luxury GmbH (through Labelux Group GmbH).

The number of shares held in Reckitt Benckiser Group Plc. reduced to 56,659,342 due to a sale of 17,334,327 shares in 2016 for an amount of €1,393.6m.

In 2016 the Company made capital contributions to its subsidiaries in the amount of €3,692.0m and received share premium repayments of €316.5m. A major part of the capital contributions (€3,201.2m) was used by JAB Forest B.V. for a capital contribution to Acorn Holdings B.V. for the acquisition of Keurig Green Mountain Inc.

The cash flows from investing activities include received dividends (€106.2m), capital transactions with subsidiaries (€-3,317.4m), disposal of other investments (€1,400.1m), loan transactions (€-49.1m) and interests received (€3.0m).

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

<u>JAB Forest B.V.:</u>

The Company is 100% shareholder of JAB Forest B.V. The entity holds 58.0% of Acorn Holdings B.V. and 58.0% of JAB Beech Inc. Additionally, the Company holds a 51.9% participation in JAB Coffee Holding B.V.

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As of 31 December 2016 the shares in JAB Forest B.V. were valued at €10,926.6m. A fair value adjustment of €2,986.6m was recognised in other comprehensive income.

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

Acorn Holdings B.V.:

Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investment in Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

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

As of 30 June 2016, the fair value of JDE was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. For KGM management assessed the original acquisition cost to be the best fair value estimate.

As of 31 December 2016, JDE and KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting.

As of 31 December 2016, JDE and KGM fair value is based on the same peer group as the previous JDE valuation of June 2016. The multiples applied to the 2016 figures are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 15.6x and P/E multiple of 23.3x.

For further information, we also include the related next twelve month (NTM) multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 14.5x and P/E multiple of 20.1x.

JAB Beech Inc.:

JAB Beech Inc. is direct shareholder of further interim holding companies and their investments in Peet's Operating Company Inc. ("Peet's"), Caribou Coffee Company Inc. ("Caribou") and Krispy Kreme Holdings Inc. ("Krispy Kreme").

For 31 December 2015, 30 June 2016 and 31 December 2016 Peet's and Caribou 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.

As of 31 December 2016 Peet's and Caribou fair value is based on the same peer group as the previous valuation of June 2016. The multiples applied to the 2016 figures are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation: EBITDA multiple of 15.7x for Peet's and 15.5x for Caribou, P/E multiple of 31.1x for Peet's and 31.2x for Caribou and sales multiple of 4.2x for Peet's and 1.9x for Caribou.

JAB Beech Inc.'s investment in Krispy Kreme Holdings Inc, occurred in the second half of 2016 and was used to acquire Krispy Kreme Doughnuts Inc. and Krispy Kreme Holding UK Ltd. Management assessed the original acquisition cost to be the best fair value estimate.

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: EBITDA multiple of 14.7x for Peet's and 14.6x Caribou, P/E multiple of 26.1x for Peet's and 25.9x for Caribou and Sales multiple of 3.6x for Peet's and 1.7x for Caribou.

JAB Coffee Holding B.V.:

JAB Coffee Holding B.V is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB ("Espresso House").

For 31 December 2015 management assessed the original acquisition cost of the participation to be the best fair value estimate.

As of 31 December 2016 Espresso House 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.

As of 31 December 2016, Espresso House fair value is based on the same peer group as the previous valuation of June 2016. The multiples applied to the 2016 figures are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of Espresso House: Sales multiple of 2.4, EBITDA multiple of 14.5 and P/E multiple of 27.4

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Sales multiple of 2.1, EBITDA multiple of 12.9 and P/E multiple of 20.8.

<u>Labelux Group GmbH:</u>

The Company is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of Jimmy Choo Plc., Bally International AG and Belstaff Group SA.

As of 31 December 2016 the shares in JAB Luxury GmbH were valued at €771.0m.

Jimmy Choo PLC. is publicly traded in an active stock market and, therefore, the valuation method for this subsidiary is based on its market valuation.

The fair value of Bally International AG (Bally) and Belstaff Group SA (Belstaff) was calculated applying sales multiples that were derived from selected publicly listed companies.

As of 31 December 2016, the reference peer group used to estimate Bally and Belstaff fair value has been enlarged (from 5 to 13) in order to provide further benchmark to the valuation analysis. The multiples applied to the 2016 figures are the median of the last twelve months (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.

The following LTM multiples were used for the valuation: Bally sales multiple of 0.95x and Belstaff sales multiple of 0.76x.

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Bally sales multiple of 0.86x and Belstaff sales multiple of 0.73x

Financing

As of 31 December 2016 the Company has borrowings of in total €3,734.3m (2015: €2,158.5m). The outstanding amount in the current period consists of long-term notes with a carrying value of €2,974.3m (2015: €2,074.5m). Thereof, long-term notes with an aggregate principal amount of €900.0m were issued in 2016.

As of 31 December 2016 the Company has unused credit facilities, which reduce liquidity risk. There are outstanding amounts under the credit facilities of €760.0m as of 31 December 2016 (2015: €0.0m). The credit facilities have been refinanced in 2016.

The cash flows from financing activities include capital transactions with the shareholder (€-106.6m), interest and bank fees paid (€-89.6m) and the net change in borrowings (€1,657.7m).

In 2016 the Company's equity decreased from €16,594.8m to €14,706.4m, mainly due to a decrease in the value of the Company’s investment portfolio.

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Financial information

The result for the year 2016 amounts to €607.2m, mainly relating to the dividends received from Reckitt Benckiser Group Plc. in 2016 which amount to €106.2m and the income from the sale of shares in Reckitt Benckiser Group Plc. in the amount of €910.5m. Finance expenses of €413.2m include €86.5m interest expense, €37.4m net foreign exchange loss and impairment expenses of €271.4m.

Personnel

The company had two employees in 2016. No significant changes are expected for 2017.

Information regarding financial instruments

The objective of the Company's management is to limit the foreign exchange risk on its transactions. As a result, the Company enters into forward exchange contracts as necessary.

The Company's exposure to credit risk mainly relates to its loan receivables and its cash and cash equivalents. With regard to loan receivables risk is influenced mainly by the individual characteristics of each counterparty. Risk is limited as all counterparties are related parties. The credit risk on cash transactions is mitigated by transacting with counterparties that are financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Company's exposure to liquidity risk is limited, in view of the unused amounts of its credit facilities at year-end.

The Company is exposed to market risk as a result of its investments and subsidiaries. This exposure is not hedged. The Company entered into interest swap agreements, which do not qualify for hedge accounting, to reduce the impact of changes in interest rates on its floating rate long-term debt. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

The exposure of the Company to these risks is described in the notes to the financial statements in detail.

Other disclosures

Due to the activities of JAB Holdings B.V. disclosures for R&D, social aspects and code of conduct are not relevant.

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Future developments and outlook

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

In January and February 2017 the Company has made €115m capital repayments to JAB Investments S.à r.l. and has received contributions to share premium amounting to €2m.

In February 2017 the Company has made a €75m contribution to JAB Cosmetics B.V. share premium that has been partly used by JAB Cosmetics B.V. for the acquisition of Coty Inc. shares.

Amsterdam, February 27, 2017

Managing Directors:

J. Creus

M. Hopmann

C. Thun-Hohenstein

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Balance Sheet as of 31 December 2016
(after appropriation of result)

	Note	31 December 2016		31 December 2015	
		in €k	in €k	in €k	in €k
Non-current assets					
Subsidiaries	5	**16,407,053**		11,787,373	
Other investments	6	**4,575,915**		6,332,233	
Prepayments	8	**6,035**		10,381	
			20,989,003		18,129,987
Current Assets					
Loans	7	**89,167**		84,157	
Derivatives	9	**442**		0	
Other receivables	10	**527**		6,934	
Cash and cash equivalents	11	**179,506**		656,184	
			269,642		747,275
			21,258,645		18,877,262
Shareholder's equity	12				
Issued share capital		**18**		18	
Share premium		**6,452,510**		6,458,906	
Fair value reserve		**8,842,076**		8,616,245	
Retained earnings		**2,126,796**		1,519,596	
			17,421,400		16,594,765
Non-current liabilities					
Borrowings	13	**3,734,278**		2,074,487	
			3,734,278		2,074,487
Current liabilities					
Borrowings	13	**0**		83,970	
Derivatives	14	**79,935**		111,266	
Other current liabilities	15	**23,032**		12,774	
			102,967		208,010
			21,258,645		18,877,262

The notes on pages 13 to 43 are an integral part of these financial statements.

JAB Holdings B.V., Amsterdam

Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 in €k	2015 in €k
Dividend income	16	**106,185**	118,015
Finance income	17	**915,813**	353,103
Finance expenses	17	**-413,159**	-177,770
General and administrative expenses	18	**-1,639**	-780
Result before income taxes		**607,200**	292,568
Income tax expense	19	**0**	0
Result for the year		**607,200**	292,568
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	5,6	**1,133,667**	3,523,856
Available-for-sale financial assets - reclassification to profit or loss	6,12	**-907,836**	-338,128
Other comprehensive income		**225,831**	3,185,728
Total comprehensive income attributable to equity holder		**833,031**	3,478,296

The notes on pages 13 to 43 are an integral part of these financial statements.

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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		**18**	**6,577,859**	**5,430,518**	**1,227,028**	**13,235,422**
Net change in the fair value of available-for-sale financial assets		0	0	3,185,728	0	3,185,728
Total income and expense recognised directly in equity		0	0	3,185,728	0	3,185,728
Result for the year		0	0	0	292,568	292,568
Total recognised income and expense		0	0	3,185,728	292,568	3,478,296
Contributions	12.2	0	0	0	0	0
Repayment of share premium	12.2	0	-118,953	0	0	-118,953
Balance as of 31 December 2015		**18**	**6,458,906**	**8,616,245**	**1,519,596**	**16,594,765**
Net change in the fair value of available-for-sale financial assets		0	0	225,831	0	225,831
Total income and expense recognised directly in equity		0	0	225,831	0	225,831
Result for the year		0	0	0	607,200	607,200
Total recognised income and expense		0	0	225,831	607,200	833,031
Contributions	12.2	0	100,227	0	0	100,227
Repayment of share premium	12.2	0	-106,623	0	0	-106,623
Balance as of 31 December 2016		**18**	**6,452,510**	**8,842,076**	**2,126,796**	**17,421,400**

The notes on pages 13 to 43 are an integral part of these financial statements.

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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 period		**607,200**	292,568
Adjustments for:			
Dividend income	16	**-106,185**	-118,015
Realised gain on investments	17	**-910,501**	-338,128
Finance income and expenses		**407,847**	162,795
		-1,639	-780
Change in other receivables		**-12**	-773
Change in other current liabilities		**200**	-454
Net foreign exchange loss/gain		**-87,101**	3,361
Net cash from / (used in) operating activities		**-88,552**	1,354
Cash flows from investing activities			
Dividends received		**106,185**	118,015
Capital repayments from subsidiaries		**316,456**	89,769
Contribution payments to subsidiaries		**-3,633,828**	-1,476,954
Disposal of other investments		**1,400,099**	460,368
Interest received		**2,993**	8,950
New loans to subsidiaries	7	**-312,643**	-355,889
Repayment loans to subsidiaries	7	**263,589**	1,321,394
Net cash from / (used in) investing activities		**-1,857,149**	165,653
Cash flows from financing activities			
Repayment of share premium	12.2	**-106,623**	-118,953
Interest paid (including settlement of derivatives)		**-74,274**	-43,466
Bank fees		**-15,317**	-11,421
New borrowings	13	**3,987,687**	2,040,315
Repayment borrowings	13	**-2,330,000**	-1,455,000
Net cash from / (used in) financing activities		**1,461,473**	411,475
Movement in cash and cash equivalents		**-484,228**	578,482
Cash and cash equivalents as of 1 January		**656,184**	75,310
Effects of exchange rate changes on cash and cash equivalents		**7,550**	2,392
Cash and cash equivalents as of 31 December	11	**179,506**	656,184

The notes on pages 13 to 43 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

JAB Holdings B.V. (the "Company") is a company domiciled in the Netherlands. The address of the Company's registered office is Oosterdoksstraat 80, 1011 DK Amsterdam. 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.

2. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements also comply with the requirements of Book 2 Title 9 of the Netherlands Civil Code.

These financial statements were authorised for issue by the board of directors on February 27, 2017.

3. Basis of preparation

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

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

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 uncertainty at the reporting date relate to the fair value determination of the Group’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 to all periods presented in these financial statements.

4.1 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. 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.

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.

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.

4.2 Consolidation

For the 2016 financial statements and earlier, the Company has applied the consolidation exemption by article 408, Part 9, Book 2 of the Netherlands Civil Code. As such, the Company is exempted from preparing consolidated financial statements. The financial statements of the Company will be included in the consolidated financial statements of its indirect shareholder, JAB Holding Company S.à r.l., Luxembourg, which will be filed with the Chamber of Commerce in Amsterdam.

4.3 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 Euro at the exchange rate at that date. Foreign currency differences arising on translation are recognised in the 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 symbol for Euro, $ is used as symbol for US Dollar and £ is used as a symbol for British Pound.

4.4 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.

4.5 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

4.6 Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for in accordance with IAS 39 at fair value as available-for-sale financial assets. Associates are classified as “other investments” on the balance sheet.

4.7 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity instruments 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. Purchases and sales of financial assets are accounted for at the settlement date.

Accounting for finance income and expenses is discussed in note 4.11.

Held-to-maturity investments
If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. As of 31 December 2016 the Company does not hold any held-to-maturity investments.

Available-for-sale financial assets
The Company's investments in equity securities and certain debt securities 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 4.8), 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.

Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. As of 31 December 2016 the Company does not hold any financial assets at fair value through profit or loss.

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

Derivative financial instruments

The Company uses derivative financial instruments to manage its foreign currency and interest rate risk exposures, including exposures from forecast transactions. Embedded derivatives are separated from the host contract and accounted for separately, if certain criteria are met.

When hedge accounting is applied, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the nature of the risk being hedged. This documentation includes a description of the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments is highly effective in offsetting the exposure to changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

Derivatives are initially recognised at fair value and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a cash flow hedging instrument or for hedging the foreign exchange risk of an available-for-sale financial asset. The effective portion of changes in these derivatives is recognised in other comprehensive income and reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss.

4.8 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 are 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 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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.

4.9 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.

4.10 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.

4.11 Finance income and expense

Finance income comprises interest income on loans and receivables (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, bank fees, unwinding of the discount on provisions, dividends on preference 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.

Foreign currency gains and losses 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.

4.12 Corporate income tax

Income tax on the profit and loss for the year 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.

4.13 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 result of the period.

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 share premium repayments to ordinary shareholders are included in financing activities. Dividends and interest received are classified as investing activities. Interest paid is included in financing activities.

5. Subsidiaries

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

	2016 %	2015 %
JAB Cosmetics B.V., Amsterdam, Netherlands	100.0	100.0
JAB Forest B.V., Amsterdam, Netherlands	100.0	100.0
Labelux Group GmbH, Vienna, Austria	100.0	100.0

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

	JAB Cosmetics B.V. in €k	JAB Forest B.V. in €k	Labelux Group GmbH in €k	Total in €k
Balance as of 31 December 2014	4,488,408	3,654,310	134,254	8,276,972
Additions	169,630	679,820	872,615	1,722,065
Repayment share premium	-89,729	0	0	-89,729
Change in fair value	1,752,926	239,388	0	1,992,314
Impairment	0	0	-114,249	-114,249
Balance as of 31 December 2015	**6,321,235**	**4,573,518**	**892,621**	**11,787,373**
Additions	26,889	3,625,091	40,000	3,691,980
Repayment share premium	-57,784	-258,672	0	-316,456
Change in fair value	-1,580,649	2,986,618	109,577	1,515,546
Impairment	0	0	-271,391	-271,391
Balance as of 31 December 2016	**4,709,690**	**10,926,556**	**770,807**	**16,407,053**

In 2016 the Company made cash contributions to JAB Cosmetics B.V. amounting to €26.9m (2015: €169.6m) and received repayments of share premium of €57.8m (2015: €89.7m).

In 2016 the Company made contributions to JAB Forest B.V. in the amount of €3,625.1m. Thereof an amount of €3,201.2m was used by JAB Forest B.V. for a capital contribution to Acorn Holdings B.V. for the acquisition of Keurig Green Mountain Inc. The Company received repayments of share premium of €258.7m (2015: €0.0m) from JAB Forest B.V.

In 2016 loans granted to Krispy Kreme Holdings, Inc. (an indirect investment of JAB Forest B.V.) were contributed to JAB Forest B.V. amounting to €57.5m (see also note 7).

In 2015 and 2016 the Company made contributions in cash to JAB Luxury GmbH, Caslano, a subsidiary of Labelux Group GmbH. These were subsequently used by JAB Luxury GmbH to repay loans to JAB Holdings B.V.

Impairment losses in respect of the investment in Labelux Group GmbH were recognised for the six months period ended 30 June 2016. An increase in fair value in the second half of the financial year was recognized in other comprehensive income.

All acquisitions and contributions were measured at the fair value at the time of acquisition or contribution. After initial measurement the subsidiaries are 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 investments

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

	2016	2015
	%	%
Reckitt Benckiser Group Plc., Slough, UK	8.1	10.5
You&MrJones LLC	10.5	0.0

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

	Reckitt Benckiser Group Plc.	You&MrJones LLC	Indivior Plc.	Total
	in €k	in €k	in €k	in €k
Balance as of 31 December 2014	5,127,682	0	147,040	5,274,722
Disposal	-224,963	0	-241,916	-466,879
Change in fair value	1,429,514	0	94,876	1,524,390
Balance as of 31 December 2015	**6,332,233**	**0**	**0**	**6,332,233**
Disposal	-1,393,589	0	0	-1,393,589
Additions	0	19,150	0	19,150
Change in fair value	-381,703	-176	0	-381,879
Balance as of 31 December 2016	**4,556,941**	**18,974**	**0**	**4,575,915**

The Company is a minority investor in Reckitt Benckiser Group Plc. with a share of approximately 8.1% as of 31 December 2016. Reckitt Benckiser Group Plc. is a listed company (London Stock Exchange). In 2016, 17,334,327 Reckitt Benckiser Group Plc. Shares were sold for an amount of €1,393.6m. As of 31 December 2016, 56,659,342 shares were held by the Company (2015: 73,993,669). As of 31 December 2016 the value per share amounts to €80.43 (£68.86).

In December 2016, JAB Investments S.à r.l. contributed its participation in You&MrJones LLC to the Company. The Company is a minority investor in You&MrJones LLC, a company that is investing in the brandtech business.

In December 2014, Reckitt Benckiser Group Plc. completed the demerger of its specialty pharmaceuticals business to Indivior Plc., with shares in the separate company trading on the London Stock Exchange. Reckitt Benckiser Group Plc. shareholders received one Indivior Plc. ordinary share for each Reckitt Benckiser Group Plc. ordinary share held. In November 2015 the

Company sold its participation in Indivior Plc. following share-forward transactions.

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

7. Loans

The movements in the loans were as follows:

	JAB Management	Labelux Group GmbH	JAB Luxury GmbH	Krispy Kreme Holdings Inc.	JAB Forest B.V.	Beech Leaf LLC	Total
	in €k	in €k	in €k	in €k	in €k	in €k	in €k
Balance as of 31 December 2014	73,849	127	784,539	0	0	396,590	1,255,105
Additions	1,630	28	115,052	0	501,897	0	618,607
Disposals	0	0	-899,591	0	-514,748	-423,519	-1,837,858
Translation Differences	8,524	0	0	0	12,851	26,929	48,304
Balance as of 31 December 2015	**84,002**	**155**	**0**	**0**	**0**	**0**	**84,157**
Additions	2,143	43	41,046	271,557	0	0	314,789
Disposals	0	0	-41,046	-280,090	0	0	-321,136
Translation Differences	2,824	0	0	8,533	0	0	11,357
Balance as of 31 December 2016	**88,969**	**198**	**0**	**0**	**0**	**0**	**89,167**

The current portion of the loans amounts to €89.2m (2015: €84.2m).

In 2016, the Company provided additional loans to JAB Luxury GmbH in the amount of €41.0m (2015: €115.1m). JAB Luxury GmbH repaid all outstanding loans in November 2016.

From 2012 to 2016 JAB Investments contributed several receivables to JAB Management or personal holding companies of JAB Management which were granted in the course of a management participation plan of JAB Holding Company S.à r.l., a related party to the Company. The increase of the loans in 2016 relates to new loans that were contributed and to accrued interest that was charged to the outstanding loans. As of 31 December 2016 short-term loans of $93.8m (€89.0m) (2015: €84.0m) are outstanding, including loans to directors in the amount of €20.6m (2015: €19.5m).

In 2016, the Company granted short-term loans of €271.6m to Krispy Kreme Holdings, Inc., an indirect investment of JAB Forest B.V. The loans were repaid in the amount of €222.5m and contributed to JAB Forest B.V. as share premium in the amount of €57.5m.

In 2015, the Company granted short-term loans of €505.4m to JAB Forest B.V. which were repaid in the amount of €269.6m and contributed to JAB Forest B.V. as share premium in the amount of €103.5m and €141.6m.

In November 2014, the Company granted a short-term loan of $481.5m million to Beech Leaf LLC with a maturity in February 2015. The loan was totally repaid in February 2015.

The interest rate for fixed rate receivables is 2.0% p.a. (2015: 2.0%). Interest rates for floating rate receivables are based on Euribor plus a margin of 2.0% (2015: 2.0%).

8. Prepayments

The prepayments amounting to €6.0m as at 31 December 2016 relate to prepaid bank fees, which are amortised over the period of the terms of the underlying credit facilities, or expensed at early termination of such facilities (2015: €10.4m).

9. Derivatives

As of 31 December 2016 the Company holds foreign exchange contracts with a fair value of €0.4m (2015: €0.0m).

10. Other receivables

	2016 in €k	**2015** in €k
Accrual interest	515	424
Receivable disposal investment	0	6,510
Others	12	0
	527	**6,934**

The receivables from the disposal of investment in 2015 relate to the sale of shares in Reckitt Benckiser Group Plc. in December 2015.

11. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2016 include bank deposits and liquidity funds available on demand (€179.5m, 2015: €366.9m and deposits available in January 2016 €265.7m).

12. Shareholder's equity

12.1 Share capital

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

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

12.2 Share premium

In 2016, notes due to JAB Investments S.à r.l. in the amount of €80.2m were converted into share premium (see note 13), the Company received contributions in kind of €20.1m and made share premium cash repayments to JAB Investments S.à r.l. of in total €106.6m (2015: €119.0m).

In 2015, no contributions to the Company’s share premium were made.

12.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are de-recognised or impaired. As of 31 December 2016, the fair value reserve amounts to €8,842.1m (2015: €8,616.2m). The change in the fair value reserve in 2016 comprises the increase in the fair value of available-for-sale financial assets of €1,133.7m (2015: €3,523.8m) and a reclassification to profit or loss due to disposals of €-907.8m (2015: €-338.1m).

12.4 Retained earnings

In 2016, no dividend was paid to the parent company JAB Investments out of retained earnings (2015: €0.0).

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

13. Borrowings

	Credit Facilities Bank Consortium	Term loans	Long-term Notes	JAB Investments S.à r.l.	Total
	in €k	in €k	in €k	in €k	in €k
Balance as of 31 December 2014	0	750,000	743,143	74,002	1,567,146
Additions/Repayments	0	-750,000	1,329,266	0	579,266
Reclassification interest to loan	0	0	0	1,444	1,444
Amortisation disagio and fees	0	0	2,078	0	2,078
Translation differences	0	0	0	8,524	8,524
Balance as of 31 December 2015	**0**	**0**	**2,074,487**	**83,970**	**2,158,457**
Additions/Repayments	760,000	0	896,221	0	1,656,221
Reclassification to share premium	0	0	0	-80,170	-80,170
Amortisation disagio and fees	0	0	3,570	0	3,570
Translation differences	0	0	0	-3,800	-3,800
Balance as of 31 December 2016	**760,000**	**0**	**2,974,278**	**0**	**3,734,278**

As of 31 December 2016, the Company has an outstanding payable under its credit facilities of €760.0m (2015: €0.0m). The credit facilities have been refinanced in 2016.

In November 2014, the Company issued long-term notes (DE000A1ZSAF4) in the aggregate principal amount of €750.0m. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. As of 31 December 2016 the carrying value of the notes is €745.0m (2015: €744.1m), with a maturity in November 2021.

In April and September 2015, the Company issued further long-term notes in the aggregate principal amount of €600.0m (DE000A1Z0TA4) and €750.0m (DE000A1Z6C06). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. As of 31 December 2016 the carrying value of the notes maturing in April 2025 is €591.5m (2015: €590.6m) and €741.2m (2015:€739.8m) for those maturing in September 2022.

In May 2016, the Company issued long-term notes (DE000A181034) in the aggregate principal amount of €750.0m. In June 2016, the long-term notes were increased by €150.0m having the same terms as the original notes. The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holding Company S.à r.l. As of 31 December 2016 the carrying value of the notes is €896.5m, with a maturity in May 2023.

From 2012 to 2015, the Company issued loan notes, payable to JAB Investments S.à r.l. in exchange for the contribution of several receivables to JAB Management with a balance due of $91.4m (€84.0m) as of 31 December 2015. In 2016, the notes due to JAB Investments S.à r.l. were converted into share premium. Consequently, as of 31 December 2016, the balance due is $0.0m (€0.0m).

Interest rates for fixed rate financial liabilities range from 1.5% to 2.125% p.a (2015: 1.5% to 2.125% p.a.). As of 31 December 2016, the floating rate liabilities were based on Euribor plus a margin of 0.75%. As of 31 December 2015 the Company had no outstanding floating rate financial liabilities.

The Company enters into interest swap agreements to manage its interest rate risk exposures, including exposures from potential transactions. The swap agreements do not qualify for hedge accounting. In 2013, the Company entered into interest rate swap agreements having total nominal amounts of €1,400.0m with a maturity in June 2020. These agreements fix the interest rate exposure at approximately between 1.4% and 1.8% plus applicable borrowing margins.

14. Derivatives

	2016 in €k	2015 in €k
Interest rate contracts	79,935	82,175
Foreign exchange contracts	0	29,091
	79,935	**111,266**

The fair value of an interest rate swap is the amount that the Company would receive or pay to terminate the swap agreement. The approximate cost to terminate the Company's swap agreements at 31 December 2016 would have been €79.9m loss (2015: €82.2m loss). The agreements were not held for trading purposes and the Company has no current intention to terminate any swap agreements prior to maturity.

15. Other current liabilities

	2016 in €k	2015 in €k
Accrued interest and other bank fees	22,150	12,476
Other liabilities	882	298
	23,032	**12,774**

16. Dividend income

During 2016, the Company received a total dividend of £83.2m (€106.2m) from Reckitt Benckiser Group Plc. (2015: €117.3m). Translated at the foreign exchange rate at the record date of the dividend, the Company recognised a dividend of €101.3m (2015: €138.1m). The difference to the net dividend is related to results from GBP f/x deals.

In 2015, the Company received a total dividend of €0.7m from Indivior Plc.

17. Finance income and expense

Finance income can be specified as follows:

	2016 in €k	**2015** in €k
Income from disposal of investments	910,501	338,128
Interest income on loans and receivables	3,301	14,776
Interest income on bank deposits	2,011	199
	915,813	**353,103**

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

The income in 2015 from disposal of investments results for €150.7m from the sale of 2,665,673 Reckitt Benckiser shares and for €187.5m from the sale of 76,659,342 Indivior shares.

Finance expenses can be specified as follows:

	2016 in €k	**2015** in €k
Impairment on investment	-271,391	-114,249
Interest expense on financial liabilities	-86,485	-49,957
Bank fees	-20,093	-9,858
Valuation of derivatives	2,240	6,948
Net foreign exchange loss	-37,430	-10,654
	-413,159	**-177,770**

The impairment on investment in 2016 and 2015 relates to Labelux Group GmbH, Austria. The underlying assumptions are presented in note 22.2.

18. General and administrative expenses

General and administrative expenses can be detailed as follows:

	2016 in €k	2015 in €k
Salary and personnel related expenses	-94	-92
Office expenses	-4	-4
Legal, tax, audit and consultancy fees	-1,251	-450
Others	-290	-234
	-1,639	**-780**

Audit fees charged by KPMG Accountants N.V. or KPMG network for the financial period amount to €179k (2015: €86k). Non-audit services in the financial period amount to €86k (2015: €70k).

19. Taxation

The Company has a net loss carry-forward amounting to approximately €467.5m (2015: €264.2m). The net loss-carry forward expires between 2018 and 2025. A deferred tax asset has not been recognised, due to the uncertainty of the future taxable income.

	2016 in €k	2015 in €k
Accounting profit for the period	607,200	292,568
Tax exempt capital gains from investments	-910,501	-338,128
Tax exempt dividend income	-106,185	-118,015
Non-deductible impairment expenses	271,391	114,249
Other adjustments	-65,254	22,086
Taxable profit / (loss) for the period	**-203,349**	**-27,240**

20. Segment Reporting

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

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

21. Related parties and transactions with related parties

Transactions with related parties are on an arm's length basis. Related parties of the Company are, next to key management personnel (note 21.9), the following companies:

21.1 Agnaten SE, Vienna

The entity is the majority shareholder of JAB Holding Company S.à r.l.

21.2 JAB Holding Company S.à r.l.

This entity is the sole shareholder of JAB Investments S.à r.l.

21.3 JAB Investments S.à r.l.

This entity is the sole shareholder of JAB Holdings B.V.

The total interest expense to JAB Investments S.à r.l. amounts to €0.5m (2015: €1.4m).

21.4 Lucresca SE

The entity is controlled by close members of the family of the shareholders of Agnaten SE.

21.5 Donata Holdings B.V.

The entity is a subsidiary of Lucresca SE. Donata Holdings B.V. is a minority shareholder of JAB Holding Company S.à r.l.

21.6 JAB Consumer Fund

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

21.7 Benckiser Stiftung Zukunft

The members of the "Stiftungsrat" of the Stiftung are appointed by the executive board of Agnaten SE or successor companies. The Stiftung had been set up to serve public interest.

21.8 JAB Service GmbH

This entity is a subsidiary of Donata Holdings B.V.

21.9 JAB Holding Company S.à r.l.`s Management

In the course of JAB Holding Company S.à r.l.´s management participation plan the Company acquired loans to JAB Holding Company S.à r.l.´s Management or personal holding companies of JAB Management. The total interest income amounts to €1.7m (2015: €1.6m).

21.10 Subsidiaries and further group companies

The Company is 100% shareholder of JAB Cosmetics B.V., Amsterdam. The entity is an interim holding and as of 31 December 2016 holds 36.3% (2015: 79.7%) of Coty Inc. The dilution in the ownership percentage is due to the merger between Coty Inc. and Procter & Gamble Specialty Beauty Business.

The Company is 100% shareholder of JAB Forest B.V. The entity holds as of 31 December 2016 58.0% of Acorn Holdings B.V., 58.0% of JAB Beech Inc. and 51.9% of JAB Coffee Holding B.V. Total interest income from a loan provided to JAB Forest B.V. amounts to €0.0m (2015: €2.4m).

Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts B.V. and Keurig Green Mountain Inc.

JAB Beech Inc. is direct shareholder of further interim holding companies and their investments (Caribou Coffee Company Inc., Peet’s Operating Company Inc., Krispy Kreme Doughnuts, Inc.). The total interest income from a loan that was provided to Beech Leaf LLC amounts to €0.0m (2015: €1.6m). Interest income from a loan granted to Krispy Kreme Holdings Inc. amounts to €0.6m (2015: €0.0m).

JAB Coffee Holding B.V. is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB.

The Company is 100% shareholder of Labelux Group GmbH, Vienna. The entity holds the participation in JAB Luxury GmbH, Caslano. JAB Luxury GmbH is a holding company and manages a portfolio of luxury brands. The total interest income from JAB Luxury GmbH amounts to €1.0m (2015: €9.1m).

22. Financial instruments – Fair Value and Risk Management

22.1 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 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 advantages and security afforded by a sound capital position.

JAB Holdings B.V., Amsterdam

22.2 Financial instruments and fair value hierarchy

The Company classifies 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	Financial assets at fair value through profit or loss in €k	Total in €k	Loans and Receivables in €k	Available for sale in €k	Total in €k
Assets as per balance sheet							
Subsidiaries	0	16,407,053	0	16,407,053	0	11,787,373	11,787,373
Other Investments	0	4,575,915	0	4,575,915	0	6,332,233	6,332,233
Loans	89,167	0	0	89,167	84,157	0	84,157
Prepayments	6,035	0	0	6,035	10,381	0	10,381
Derivatives	0	0	442	442	0	0	0
Other Receivables	527	0	0	527	6,934	0	6,934
Cash and cash equivalents	179,506	0	0	179,506	656,184	0	656,184
Total	**275,235**	**20,982,968**	**442**	**21,258,645**	**757,656**	**18,119,606**	**18,877,262**

	31 December 2016			31 December 2015			
	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit and loss in € k	Total in € k	Other financial liabilities at amortised cost in € k	Liabilities at fair value through profit and loss in € k	Derivatives used for hedging in € k	Total in € k
Liabilities as per balance sheet							
Borrowings	3,734,278	0	3,734,278	2,158,457	0	0	2,158,457
Derivatives	0	79,935	79,935	0	108,601	2,665	111,266
Other current liabilities	23,032	0	23,032	12,774	0	0	12,774
Total	**3,757,310**	**79,935**	**3,837,245**	**2,171,231**	**108,601**	**2,665**	**2,282,497**

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

Financial instruments in level 1

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

Financial instruments in level 2

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

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

Financial instruments in level 3

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

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information for financial assets and financial liabilities not measured at fair value. The issued long-term notes have a carrying amount of €2,974.3m (2015: €2,074.5m), the fair value is €3,123.3m (2015: €2,024.7) based on dealer-quotes (Level 2). For all other financial assets and liabilities the 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 and other investments				
Listed equity investments	9,266,632	0	0	9,266,632
Unlisted equity investments	0	0	11,716,336	11,716,336
Financial Assets at fair value through profit or loss				
Foreign exchange contracts	0	442	0	442
Total assets	**9,266,632**	**442**	**11,716,336**	**20,983,409**
Financial Liabilities at fair value through profit or loss				
Interest rate contracts	0	79,935	0	79,935
Total liabilities	**0**	**79,935**	**0**	**79,935**

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

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

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.

	Subsidiaries Unlisted equity investments		**Other investments** Unlisted equity investments	
	2016 in €k	**2015** in €k	**2016** in €k	**2015** in €k
Balance as of 1 January	5,466,138	3,788,564	0	0
Additions	3,665,091	1,552,435	19,150	0
Repayment share premium	-258,672	0	0	0
Impairment	-271,391	-114,249	0	0
Fair value adjustment	3,096,196	239,388	-176	0
Balance as of 31 December	**11,697,362**	**5,466,138**	**18,974**	**0**

Subsidiaries and other investments categorised in Level 3

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

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

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

JAB Forest B.V.

The Company is 100% shareholder of JAB Forest B.V. The entity holds 58.0% of Acorn Holdings B.V. and 58.0% of JAB Beech Inc. Additionally, the Company holds a 51.9% participation in JAB Coffee Holding B.V.

As of 31 December 2016 the shares in JAB Forest B.V. were valued at €10,926.6m. A fair value adjustment of €2,986.6m was recognised in other comprehensive income.

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

Acorn Holdings B.V.:

Acorn Holdings B.V. is direct shareholder of further interim holding companies and their investment in Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

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

As of 30 June 2016, the fair value of JDE was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting. For KGM management assessed the original acquisition cost to be the best fair value estimate.

As of 31 December 2016, JDE and KGM fair value was calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting.

As of 31 December 2016, JDE and KGM fair value is based on the same peer group as the previous JDE valuation of June 2016. The multiples applied to the 2016 figures are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of JDE and KGM: EBITDA multiple of 15.6x and P/E multiple of 23.3x.

JAB Beech Inc.:

JAB Beech Inc. is direct shareholder of further interim holding companies and their investments in Peet's Operating Company Inc. ("Peet's"), Caribou Coffee Company Inc. ("Caribou") and Krispy Kreme Holdings Inc. ("Krispy Kreme").

For 31 December 2015, 30 June 2016 and 31 December 2016 Peet's and Caribou 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.

As of 31 December 2016 Peet's and Caribou fair value is based on the same peer group as the previous valuation of June 2016. The multiples applied to the 2016 figures are the median of the LTM multiples of these comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation: EBITDA multiple of 15.7x (2015: 15.8x) for Peet's and 15.5x (2015: 16.3x) for Caribou, P/E multiple of 31.1x (2015: 32.6x) for Peet's and 31.2x (2015: 32.4x) for Caribou and sales multiple of 4.2x (2015: 3.8x) for Peet's and 1.9x (2015: 2.8x) for Caribou.

JAB Beech Inc.'s investment in Krispy Kreme Holdings Inc, occurred in the second half of 2016 and was used to acquire Krispy Kreme Doughnuts Inc. and Krispy Kreme Holding UK Ltd. Management assessed the original acquisition cost to be the best fair value estimate.

JAB Coffee Holding B.V.:

JAB Coffee Holding B.V is direct shareholder of further interim holding companies and their investment in Espresso House Holding AB ("Espresso House").

For 31 December 2015 management assessed the original acquisition cost of the participation to be the best fair value estimate.

As of 31 December 2016 Espresso House 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.

As of 31 December 2016, Espresso House fair value is based on the same peer group as the previous valuation of June 2016. The multiples applied to the 2016 figures are the median of the last twelve months (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.

The following LTM multiples were used for the valuation of Espresso House: Sales multiple of 2.4, EBITDA multiple of 14.5 and P/E multiple of 27.4

Labelux Group GmbH

The Company is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a shareholder of Jimmy Choo Plc., Bally International AG and Belstaff Group SA.

As of 31 December 2016 the shares in JAB Luxury GmbH were valued at €771.0m.

Jimmy Choo PLC. is publicly traded in an active stock market and, therefore, the valuation method for this subsidiary is based on its market valuation.

The fair value of Bally International AG (Bally) and Belstaff Group SA (Belstaff) was calculated applying sales multiples that were derived from selected publicly listed companies.

As of 31 December 2016, the reference peer group used to estimate Bally and Belstaff fair value has been enlarged (from 5 to 13) in order to provide further benchmark to the valuation analysis. The multiples applied to the 2016 figures are the median of the last twelve months (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.

The following LTM multiples were used for the valuation: Bally sales multiple of 0.95x (2015: 1.07x) and Belstaff sales multiple of 0.76x (2015: 0.85x).

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 €1,114.5m (2015: €230.8m). As of 31 December 2016, the sensitivity to unobservable inputs comprises the investment in Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V. and Labelux Group GmbH (2015: JAB Beech Inc. and Labelux Group GmbH).

Overview financial risk factors

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

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

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.

22.3 Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. It arises principally from the Company's receivables from counterparties, and also from derivative financial assets, cash and cash equivalents and guarantees.

Receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. Risk is limited by the Company’s policy on dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. As all major counterparties are related parties the risk is limited.

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

Derivative financial instruments
The credit risk on derivative financial instruments is limited, because the counterparties are quality financial institutions.

Guarantees and commitments
The Company's policy generally is to avoid providing financial guarantees. As of 31 December 2016, the Company has an outstanding commitment to invest further $20.0m (€19.0)

in You&MrJones LLC. As of 31 December 2016 there are no other significant guarantees or other commitments and contingencies.

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
Loans and receivables	7,10	89,694	91,091
Cash and cash equivalents	11	179,506	656,184
		269,200	**747,275**

22.4 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’s policy and the Management’s approach to managing liquidity is to maintain adequate reserves, banking facilities and reserve borrowing facilities, also with related parties, by ongoing monitoring forecast and cash flows, and by matching the maturity profiles of its financial assets and liabilities. As of 31 December 2016 the Company has unused term loans and credit facilities, which reduce liquidity risk.

The Company’s borrowing agreements with banks are subject to financial covenants. The covenants are monitored regularly and reported to the management to ensure compliance with the agreements. As of 31 December 2015 and 31 December 2016 all covenants were complied with.

22.5 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.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

Exposure to currency risk

The Company invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in USD and GBP. Consequently the Company is exposed to the risk that changes in foreign exchange rates may have a favourable or unfavourable effect on the fair value of its financial instruments and the fair value of its future cash flows.

Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts.

A significant transaction of the Company in GBP is the dividend income from Reckitt Benckiser Group Plc. The Company uses forward exchange contracts to hedge future dividend income.

In respect of the other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

In December 2015, the Company entered into forward currency purchases of $2,305.0m with a maturity in March 2016 to reduce the foreign currency risk. These forward currency purchases do not qualify for hedge accounting.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	2016		**2015**	
	in £k	in $k	in £k	in $k
Loans	0	93,783	0	91,454
Other receivables	0	543	4,778	460
Cash and cash equivalents	4	178,928	60,311	339,019
Borrowings	0	0	0	-91,419
Gross balance sheet exposure	**4**	**273,254**	**65,089**	**339,514**
Forward exchange contracts	-73,000	0	-30,000	2,305,000
Net exposure	**-72,996**	**273,254**	**35,089**	**2,644,514**

The GBP forward exchange contracts expire in May 2017 (£53.0m) and in September 2017 (£20.0m). In 2015, the USD forward exchange contracts expired in March 2016 and the GBP forward exchange contracts expired in May 2016.

The following significant exchange rates applied during the year:

	Average Rate		Year-end rate	
	2016	**2015**	**2016**	**2015**
	1 Euro	1 Euro	1 Euro	1 Euro
USD	1.11	1.11	1.05	1.09
GBP	0.82	0.73	0.86	0.73

Sensitivity analysis

The sensitivity analyses below have been determined on the Company's exposure to currency risk for both, derivative and non-derivative, financial instruments at the end of the reporting period. A 10% increase or decrease represents management's assessment of the reasonably possible change in foreign exchange rates.

A 10% strengthening of the Euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Other comprehensive income	Profit or loss	Other comprehensive income	Profit or loss
	2016	**2016**	**2015**	**2015**
	in €k	in €k	in €k	in €k
USD	0	-25,923	0	-242,630
GBP	8,526	0	4,781	0

A 10% weakening of the Euro against the above currencies as of 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities exposed to interest rate risk include loans receivable and other receivables, derivative financial instruments, borrowings and cash and bank balances.

The Company adopts a policy of ensuring that its exposure to changes in interest rates on borrowings, including exposures from potential transactions is limited. Interest rate risk exposure is managed by the Group by maintaining an appropriate mix between fixed and floating rate financial instruments and, if considered appropriate, by the use of interest rate swap contracts or other interest rate derivatives. Hedging activities are evaluated regularly to align with interest rate views and the Group's investment and risk policies. At the reporting date the Group has interest rate swap agreements with a nominal value of €1,400m (2015: €1,400m).

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount 2016 in €k	2015 in €k
Fixed rate instruments		
Financial assets	268,476	740,187
Financial liabilities	2,974,278	2,158,457
Floating rate instruments		
Financial assets	197	154
Financial liabilities	760,000	0

Floating rate financial assets include cash and cash equivalents. Derivative financial instruments are not included in the table above.

The sensitivity analyses below have been determined on the Company's exposure to interest rates for financial instruments at the end of the reporting period. For the variable rate instruments the analyses are prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Fair value sensitivity analysis for fixed rate instruments

The Company has fixed rate financial assets (interest rate swaps) at fair value through profit or loss. The Company does not designate these derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. A decrease of 50 basis points in the market interest rate at the reporting date would have resulted in an additional loss of approximately €28.3m (2015: €31.8m loss). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Other comprehensive income would not have changed.

Cash flow sensitivity analysis for floating rate instruments

An increase of 50 basis points in the market interest rate during 2016 would have resulted in an additional loss of approximately €3.8m (2015: loss of €0.0m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Other comprehensive income would not have changed.

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all instruments traded in the market.

The Company's exposure to changes in share prices was as follows:

	Carrying amount 2016 in €k	2015 in €k
Investments		
Reckitt Benckiser Group Plc.	4,556,942	6,332,233
JAB Cosmetics B.V. (Coty)	4,709,690	6,321,235
	9,266,632	**12,653,468**

Sensitivity analysis - equity price risk

The sensitivity analyses below have been determined on the exposure to equity price risks at the end of the reporting period.

If share prices had been 5% higher/lower:

- profit for the year ended 31 December 2016 would have been unaffected as the equity investments are classified as available-for-sale and no investments were impaired;
- other comprehensive income for the year ended 31 December 2016 would have increased/decreased by €463.3m as a result of changes in the fair value of these available-for-sale-investments (2015: €632.7m).

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

23. Employees and remuneration of Directors

The Company has three Directors, who received a remuneration of in total €51k (2015: €48k). The Company had two employees in 2016 (2015: two employees).

The Company has no Supervisory Directors.

24. Proposed appropriation of the result

The Board of Managing Directors proposes to bring forward the profit for the year to the retained earnings.

This proposal has been reflected in the balance sheet.

25. Subsequent events

In January and February 2017 the Company has made €115m capital repayments to JAB Investments S.à r.l. and has received contributions to share premium amounting to €2m.

In February 2017 the Company has made a €75m contribution to JAB Cosmetics B.V. share premium that has been partly used by JAB Cosmetics B.V. for the acquisition of Coty Inc. shares.

Amsterdam, February 27, 2017

Managing Directors:

J. Creus

M. Hopmann

C. Thun-Hohenstein

JAB Holdings B.V., Amsterdam

Other information

Independent Auditor's report

The independent auditor's report is presented on the next page.

Provisions in the Articles of Association governing the appropriation of profit

According to article 24 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Independent auditor's report

To: the General Meeting of Shareholders of JAB Holdings B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2016 of JAB Holdings B.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JAB Holdings B.V. as at 31 December 2016 and of its result and its cash flows for the year 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1 balance sheet as at 31 December 2016;

2 the following statements for the year ended 31 December 2016: the statements of comprehensive income, changes in equity and cash flow; and

3 the notes to the financial statements comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of JAB Holdings B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contains other information that consists of:

— report of the Board of Directors;

— other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code;

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

KPMG Accountants N.V., ingeschreven bij het handelsregister in Nederland onder nummer 33263683, is lid van het KPMG-netwerk van zelfstandige ondernemingen die verbonden zijn aan KPMG International Cooperative ('KPMG International'), een Zwitserse entiteit.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the report of the Board of Directors, in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 27 February 2017

KPMG Accountants N.V.

L.A. Ekkels RA