JAB Holdings B.V., Amsterdam

JAB Holdings B.V.

Amsterdam

Interim Condensed Financial Statements

as at and for the six months period ended 30 June 2017

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Report of the Board of Directors

Management of JAB Holdings B.V. (the "Company") hereby presents its interim condensed financial statements as at and for the six months period ended 30 June 2017.

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 30 June 2017 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 cash flows from investing activities include received dividends (€63.1m), capital transactions with subsidiaries (€24.1m), loan transactions (€-35.0m) and interests received (€0.5m).

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.

As of 30 June 2017 the shares in JAB Forest B.V. were valued at €11,141.3m. A fair value adjustment of €250.3m 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.

<u>Acorn Holdings B.V.:</u>

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

As of 31 December 2016 and 30 June 2017, the JDE and KGM fair value were calculated applying multiples that were derived from selected publicly listed companies with 50% EBITDA and 50% P/E multiple weighting.

As of 30 June 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of December 2016. The multiples applied to the LTM figures ending June 2017 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 16.0x (31 December 2016: 15.6x) and P/E multiple of 24.1x (31 December 2016: 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 14.3x (31 December 2016: 14.5x) and P/E multiple of 22.2x (31 December 2016: 20.1x).

<u>JAB Beech Inc.:</u>

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 2016 and 30 June 2017 Peet’s and Caribou fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

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. As of 31 December 2016 management assessed the original acquisition cost to be the best fair value estimate.

For 30 June 2017 Krispy Kreme fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

The multiples applied to the LTM figures ending June 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

For Peet’s the following LTM multiples were used for the valuation: EBITDA multiple of 16.5x (31 December 2016: 15.7x), P/E multiple of 28.3x (31 December 2016: 31.1x) and sales multiple of 4.1x (31 December 2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.9x (31 December 2016: 15.5x), P/E multiple of 30.2x (31 December 2016: 31.2x) and sales multiple of 1.4x (31 December 2016: 1.9x).

For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 17.0x, P/E multiple of 28.9x and sales multiple of 3.4x.

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies:

Peet's NTM multiples: EBITDA multiple of 14.3x (31 December 2016: 14.7x), P/E multiple of 23.6x (31 December 2016: 26.1x) and Sales multiple of 3.7x (31 December 2016: 3.6x).

Caribou NTM multiples: EBITDA multiple of 14.7x (31 December 2016: 14.6x), P/E multiple of 24.9x (31 December 2016: 25.9x) and Sales multiple of 1.1x (31 December 2016: 1.7x).

Krispy Kreme NTM multiples: EBITDA multiple of 15.4x, P/E multiple of 24.9x and Sales multiple of 3.4x.

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").

As of 30 June 2017 and 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.

The multiples applied to the LTM figures ending June 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of Espresso House: Sales multiples of 2.8x (31 December 2016: 2.4x), EBITDA multiple of 16.2x (31 December 2016: 14.5x) and P/E multiple of 25.7x (31 December 2016: 27.4x).

For further information, we also include the related NTM multiples for the same peer group of selected publicly listed companies: Sales multiple of 2.2x (31 December 2016: 2.1x), EBITDA multiple of 11.8x (31 December 2016: 12.9x) and P/E multiple of 18.5x (31 December 2016: 20.8x).

Labelux Group GmbH

The Company is the sole owner of Labelux Group GmbH, Switzerland. This entity is a direct shareholder of further interim holding companies and their investments in Jimmy Choo Plc., Bally International AG and Belstaff Group SA. The Company has the intention to dispose of its investment in Labelux Group GmbH and therefore classified the shares as assets held for sale.

As of 30 June 2017 the shares in Labelux Group GmbH were valued at €810.8m. A fair value adjustment of €40.0m was recognised in other comprehensive income.

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.

The multiples applied to the LTM figures ending June 2017 are the median of the LTM multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation: Bally sales multiple of 0.90x (31 December 2016: 0.95x) and Belstaff sales multiple of 0.56x (31 December 2016: 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 0.84x (31 December 2016: 0.86x) and Belstaff sales multiple of 0.55x (31 December 2016: 0.73x).

Financing

As of 30 June 2017 the Company has borrowings of in total €4,456.7m (31 December 2016: €3,734.3m). The outstanding amount in the current period consists of long-term notes with a carrying value of €4,456.7m (31 December 2016: €2,974.3m). Thereof, long-term notes with an aggregate principal amount of €1,500.0m were issued in the six months period ended 30 June 2017.

As of 31 December 2016 the Company has unused credit facilities, which reduce liquidity risk. There are no outstanding amounts under the credit facilities as of 30 June 2017 (31 December 2016: €760.0m).

The cash flows from financing activities include capital transactions with the shareholder (€-116.8m), interest and bank fees paid (€-51.0m) and the net change in borrowings (€727.8m).

In the six months period ended 30 June 2017 the Company's equity increased from €17,421.4m to €17,805.1m, mainly due to a increase in the value of the Company’s investment portfolio.

Financial information

The result for the six months period ended 30 June 2017 amounts to €-52.0m, mainly relating to the dividends received from Reckitt Benckiser Group Plc. in 2017 which amount to €63.1m. Finance expenses of €116.1m include €46.0m interest expense and €80.7m net foreign exchange loss.

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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 July 2017 JAB Holdings B.V. has made a capital contribution amounting to $1,655m to the newly established investment Beech I G.P. for the acquisition of Panera Bread Company. In addition JAB Holdings B.V. has provided a loan for the acquisition amounting to $104m that is expected to be repaid in short-term. The acquisition of Panera Bread Company was closed on 18 July 2017.

It is planned to contribute the existing JAB Beech Inc. participation of JAB Forest B.V. to Beech I G.P. to integrate Panera Bread Company into JAB Beech Group.

In July 2017 it was announced that Michael Kors Holdings Limited and Labelux Group GmbH indirect subsidiary Jimmy Choo PLC have reached agreement on the terms of a recommended cash acquisition by which the entire issued and to be issued ordinary share capital of Jimmy Choo PLC will be acquired by a wholly-owned subsidiary of Michael Kors Holdings Limited for GBP 2.30 per share.

In August 2017 JAB Holdings B.V. has made a contribution to JAB Cosmetics B.V. for the acquisition of 2.6 million Coty Inc. shares for an amount of $42m.

On 14 September 2017 JAB Holdings B.V. has notified that 0.8m Reckitt Benckiser Group plc shares were sold after the balance sheet date until 12 September 2017.

Amsterdam, September 15, 2017

Managing Directors:

J. Creus

M. Hopmann

C. Thun-Hohenstein

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Interim Condensed Balance Sheet as of 30 June 2017
(after appropriation of result)

	Note	30 June 2017		31 December 2016	
		in €k	in €k	in €k	in €k
Non-current assets					
Subsidiaries	6	15,665,617		16,407,053	
Other investments	7	5,033,120		4,575,915	
Prepayments	9	5,422		6,035	
			20,704,159		20,989,003
Current assets					
Loans	8	84,025		89,167	
Derivatives	10	1,982		442	
Other receivables	11	1,635		527	
Cash and cash equivalents	12	777,125		179,506	
Assets held-for-sale	5	846,009		0	
			1,710,776		269,642
			22,414,935		21,258,645
Shareholder's equity	13				
Issued share capital		18		18	
Share premium		6,337,591		6,452,510	
Fair value reserve		9,392,725		8,842,076	
Retained earnings		2,074,800		2,126,796	
			17,805,134		17,421,400
Non-current liabilities					
Borrowings	14	4,456,714		3,734,278	
			4,456,714		3,734,278
Current liabilities					
Derivatives	15	127,066		79,935	
Other current liabilities	16	26,021		23,032	
			153,087		102,967
			22,414,935		21,258,645

The notes on pages 12 to 28 are an integral part of these interim condensed financial statements.

JAB Holdings B.V., Amsterdam

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the six months period ended 30 June 2017

	Note	For the six months ended 30 June 2017 in €k	For the six months ended 30 June 2016 in €k
Dividend income	17	**63,129**	**63,947**
Finance income	18	**1,759**	**913,144**
Finance expenses	18	**-116,145**	**-379,915**
General and administrative expenses	19	**-739**	**-430**
Result before income taxes		**-51,996**	**596,746**
Income tax expense	20	**0**	**0**
Result for the period		**-51,996**	**596,746**
Items that may be reclassified subsequently to profit and loss:			
Available-for-sale financial assets - net change in fair value	6,7	**550,649**	**445,521**
Available-for-sale financial assets - reclassification to profit or loss	7,13	**0**	**-907,836**
Other comprehensive income		**550,649**	**-462,315**
Total comprehensive income attributable to equity holder		**498,653**	**134,431**

The notes on pages 12 to 28 are an integral part of these interim condensed financial statements.

JAB Holdings B.V., Amsterdam

Interim Condensed Statement of Changes in Equity for the six months period ended 30 June 2017

	Note	Issued share capital in €k	Share premium in €k	Fair value reserve in €k	Retained earnings in €k	Total equity in €k
Balance as of 1 January 2016		**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	-462,315	0	-462,315
Total income and expense recognised directly in equity		0	0	-462,315	0	-462,315
Result for the period		0	0	0	596,746	596,746
Total recognised income and expense		0	0	-462,315	596,746	134,431
Contributions	13.2	0	81,077	0	0	81,077
Repayment of share premium	13.2	0	-93,083	0	0	-93,083
Balance as of 30 June 2016		**18**	**6,446,900**	**8,153,930**	**2,116,342**	**16,717,190**
Balance as of 1 January 2017		**18**	**6,452,510**	**8,842,076**	**2,126,796**	**17,421,400**
Net change in the fair value of available-for-sale financial assets		0	0	550,649	0	550,649
Total income and expense recognised directly in equity		0	0	550,649	0	550,649
Result for the period		0	0	0	-51,996	-51,996
Total recognised income and expense		0	0	550,649	-51,996	498,653
Contributions	13.2	0	377,414	0	0	377,414
Repayment of share premium	13.2	0	-492,333	0	0	-492,333
Balance as of 30 June 2017		**18**	**6,337,591**	**9,392,725**	**2,074,800**	**17,805,134**

The notes on pages 12 to 28 are an integral part of these interim condensed financial statements.

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Interim Condensed Cash Flow Statement for the six months period ended 30 June 2017

	Note	For the six moths ended 30 June 2017 in €k	For the six moths ended 30 June 2016 in €k
Cash flows from operating activities			
Result for the period		**-51,996**	596,746
Adjustments for:			
Dividend income	17	**-63,129**	-63,947
Realised gain on investments	18	**0**	-910,501
Finance income and expenses		**114,386**	377,273
		-739	-429
Change in other receivables		**5**	84
Change in other current liabilities		**-414**	787
Net foreign exchange loss/gain		**-4,807**	-79,345
Net cash from / (used in) operating activities		**-5,955**	-78,903
Cash flows from investing activities			
Dividends received		**63,129**	63,947
Capital repayments from subsidiaries		**114,087**	28,745
Contribution payments to subsidiaries		**-89,997**	-3,235,541
Disposal of other investments		**0**	1,400,099
Interest received		**480**	1,351
New loans to subsidiaries	8	**-35,020**	-30,022
Net cash from / (used in) investing activities		**52,679**	-1,771,421
Cash flows from financing activities			
Repayment of share premium	13.2	**-492,333**	-93,083
Contribution from shareholders	13.2	**375,555**	0
Interest paid (including settlement of derivatives)		**-48,054**	-23,306
Bank fees		**-2,909**	-5,623
New borrowings	14	**1,840,343**	2,997,687
Repayment borrowings	14	**-1,112,500**	-700,000
Net cash from / (used in) financing activities		**560,102**	2,175,675
Movement in cash and cash equivalents		**606,826**	325,351
Cash and cash equivalents as of 1 January		**179,506**	656,184
Effects of exchange rate changes on cash and cash equivalents		**-9,207**	-411
Cash and cash equivalents as of 30 June	12	**777,125**	981,124

The notes on pages 12 to 28 are an integral part of these interim condensed financial statements.

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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.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2016, as they provide an update of previously reported information. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

2. Statement of compliance

The interim condensed financial statements for the six months period ended 30 June 2017 have been prepared applying the same accounting policies as are applied in the Company's annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

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

The interim financial statements for the six months period ended 30 June 2017 have been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

3. Basis of preparation

The interim condensed 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.

4. Significant accounting policies

The interim condensed financial statements require the management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The significant judgements made by management in applying the Company‘s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2016.

The Company is not subject to seasonal fluctuations.

Changes in accounting policies and disclosures

The accounting policies applied by the Company for the Interim Condensed Financial Statements are consistent with those described in the Financial Statements 2016, as are the methods of computation.

New and amended standards adopted by the Company

No 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 2017.

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 2017, and have not been applied in preparing these interim condensed 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)* and the amendments to IAS 7 *Statement of Cash Flows*.

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for how an entity should classify and measure financial assets, requires changes to the reporting of “own credit” with respect to issued debt liabilities that are designated at fair value and includes new requirements for hedge accounting and changes the current rules for impairment of financial assets. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 9 has been endorsed by the EU and is effective for annual periods beginning on or after 1 January 2018. The Company is reviewing the impact of IFRS 9. It believes that IFRS 9 will not have material impact on measurement but might impact results following the classification rules for financial instruments and may require some further disclosure. The Company will adopt the new rules retrospectively from 1 January 2018.

The amendments to IAS 7, which become mandatory for the Company's 2017 financial statements, but yet has to be endorsed by the EU, require additional 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 IAS 7.

5. Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets must be actively marketed at a reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current assets which meet the criteria for held-for-sale classification are presented separately from other assets in the balance sheet.

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

As at 30 June 2017, the non-current assets held-for-sale comprised assets of €846.0m detailed as follows:

	30 June 2017
	in €k
Subsidiary Labelux Group GmbH	810,790
Loan to JAB Luxury GmbH	35,000
Loan to Labelux Group GmbH	219
Total	**846,009**

6. Subsidiaries

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

	30 June 2017	**31 December 2016**
	%	**%**
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 2016	4,709,690	10,926,556	770,807	16,407,053
Contribution in cash	74,822	15,175	0	89,997
Repayment share premium	-63,391	-50,696	0	-114,087
Change in fair value	-196,794	250,254	39,983	93,444
Reclassification to non-current assets held-for-sale	0	0	-810,790	-810,790
Balance as of 30 June 2017	**4,524,327**	**11,141,289**	**0**	**15,665,617**

The investment in Labelux Group GmbH was classified as non-current asset held-for-sale due to the management's intention to dispose of this investment.

7. Other investments

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

	Reckitt Benckiser Group Plc. in €k	Others in €k	Total in €k
Balance as of 31 December 2016	4,556,941	18,974	4,575,915
Change in fair value	458,654	-1,449	457,205
Balance as of 30 June 2017	**5,015,595**	**17,525**	**5,033,120**

The Company is a minority investor in Reckitt Benckiser Group Plc. with a share of approximately 8.1% as of 30 June 2017 (31 December 2016: 8.1%). Reckitt Benckiser Group Plc. is a listed Company (London Stock Exchange).

8. Loans

The movements in the loans were as follows:

	JAB Management	JAB Luxury GmbH (CH)	Labelux Group GmbH (AT)	Total
	in €k	in €k	in €k	in €k
Balance as of 31 December 2016	88,969	0	198	89,167
Additions	1,958	35,000	21	36,979
Translation differences	-6,902	0	0	-6,902
Reclassification to non-current assets held-for-sale	0	-35,000	-219	-35,219
Balance as of 30 June 2017	**84,025**	**0**	**0**	**84,025**
Thereof current	84,025	0	0	84,025
Thereof non-current	0	0	0	0

9. Prepayments

The prepayments amounting to €5.4m 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.

10. Derivatives

As of 30 June 2017 the Company holds foreign exchange contracts with a fair value of €2.0m (31 December 2016: €0.4m).

11. Other receivables

	30 June 2017	**31 December 2016**
	in €k	in €k
Accrual interest	1,628	515
Others	7	12
	1,635	**527**

12. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2017 include bank deposits and liquidity funds available on demand in the amount of €777.1m (31 December 2016: €179.5m).

13. Shareholder's equity

13.1 Share capital

The authorised share capital amounts to €90,000 (1,800 shares), of which 363 shares of €50 each (31 December 2016: 363) have been issued and fully paid.

As of 30 June 2017 and 31 December 2016 no shares in the entity are held by the Company or by its subsidiaries or associates.

13.2 Share premium

In the six months period ended 30 June 2017 the Company received contributions in cash of €375.6m and contributions in kind of €1.8m. In the reporting period, the Company made share premium cash repayments to JAB Investments S.à r.l. amounting to €492.3m.

13.3 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 30 June 2017, the fair value reserve amounts to €9,392.7m (31 December 2016: €8,842.1m). The change in the fair value reserve in the six months period ended 30 June 2017 comprises the increase in the fair value of available-for-sale financial assets of €550.6m (2016: €445.5m). In the six months period ended 30 June 2016 a reclassification to profit or loss due to disposals of Reckitt Benckiser shares in the amount of €-907.8m was made.

13.4 Retained earnings

In the six months period ended 30 June 2017 no dividend was paid to the parent company JAB Investments out of retained earnings (2016: €0.0).

14. Borrowings

	Credit Facilities Bank Consortium	Long-term Notes	Total
	in €k	in €k	in €k
Balance as of 31 December 2016	760,000	2,974,278	3,734,278
Additions/Repayments	-760,000	1,480,391	720,391
Amortisation disagio and fees		2,045	2,045
Balance as of 30 June 2017	**0**	**4,456,714**	**4,456,714**
Thereof current	0	0	0
Thereof non-current	0	4,456,714	4,456,714

As of 30 June 2017, the Company has no outstanding payables under its credit facilities (31 December 2016: €760.0m).

In May 2017, the Company issued long-term notes in the aggregate principal amount of €750.0m (DE000A19HCW0) and €750.0m (DE000A19HCX8). The notes are traded on the EuroMTF Market, operated by the Luxembourg Stock Exchange. The notes are unconditionally and irrevocably guaranteed by JAB Holdings Company S.à r.l. As of 30 June 2017, thereof notes with a carrying value of €741.7m are maturing in May 2024 and notes with a carrying value of €738.8m are maturing in May 2028.

15. Derivatives

	30 June 2017 in €k	31 December 2016 in €k
Interest rate contracts	65,773	79,935
Foreign exchange contracts	61,293	0
	127,066	**79,935**

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 30 June 2017 would have been €65.8m loss (31 December 2016: €79.9m loss). The agreements were not held for trading purposes and the Company has no current intention to terminate any swap agreements prior to maturity.

As of 30 June 2017 the Company holds foreign exchange contracts with a fair value of €61.3m (31 December 2016: €0).

16. Other current liabilities

	30 June 2017 in €k	31 December 2016 in €k
Accrued interest and other bank fees	25,552	22,150
Other liabilities	469	882
	26,021	**23,032**

17. Dividend income

In the six months period ended 30 June 2017, the Company received a total dividend of £53.8m (€63.1m) from Reckitt Benckiser Group Plc (six months ended 30 June 2016: £50.3m (€63.9m)).

18. Finance income and expense

Finance income can be specified as follows:

	For the six months ended 30 June 2017 in €k	For the six months ended 30 June 2016 in €k
Interest income on loans and receivables	1,240	1,242
Interest income on bank deposits	519	1,401
Income from disposal of investments	0	910,501
	1,759	**913,144**

The income from disposal of investments in the six months period ended 30 June 2016 results from the sale of 17,334,327 Reckitt Benckiser shares following a reclassification from the fair value reserve (see note 13.3).

Finance expenses can be specified as follows:

	For the six months ended 30 June 2017 in €k	For the six months ended 30 June 2016 in €k
Interest expense on financial liabilities	-46,049	-39,786
Bank fees	-3,522	-4,657
Valuation of interest rate contracts	14,162	-15,357
Net foreign exchange loss including foreign exchange contracts	-80,736	-48,724
Impairment on investment	0	-271,391
	-116,145	**-379,915**

The impairment on investment in the six months period ended 30 June 2016 relates to Labelux Group GmbH, Austria.

19. General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2017 in €k	For the six months ended 30 June 2016 in €k
Salary and personnel related expenses	-239	-43
Legal, tax, audit and consultancy fees	-492	-379
Others	-8	-8
	-739	**-430**

20. Taxes on income

The taxable amount for the six months period ended 30 June 2017 amounts to zero (six months ended 30 June 2016: zero) and therefore no corporate income tax expense was recognised.

21. 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 6, 7 and 8.

22. Related parties and transactions with related parties

The related parties are disclosed in the Company's annual financial statements for the year ended 31 December 2016. Related party transactions which have taken place in the period and have materially affected the interim condensed financial statements are disclosed in the notes to the interim condensed financial statements.

23. Financial instruments – Fair Value and Risk Management

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

	30 June 2017				31 December 2016			
	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	Financial assets at fair value through profit or loss in €k	Total in €k
Assets as per balance sheet								
Subsidiaries	0	15,665,617	0	15,665,617	0	16,407,053	0	16,407,053
Other investments	0	5,033,120	0	5,033,120	0	4,575,915	0	4,575,915
Loans	84,025	0	0	84,025	89,167	0	0	89,167
Prepayments	5,422	0	0	5,422	6,035	0	0	6,035
Derivatives	0	0	1,982	1,982	0	0	442	442
Other receivables	1,635	0	0	1,635	527	0	0	527
Cash and cash equivalents	777,125	0	0	777,125	179,506	0	0	179,506
Non-current assets held-for-sale	35,219	0	810,790	846,009	0	0	0	0
Total	**903,426**	**20,698,737**	**812,772**	**22,414,935**	**275,235**	**20,982,968**	**442**	**21,258,645**

	30 June 2017			31 December 2016		
	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	Total in € k
Liabilities as per balance sheet						
Borrowings	4,456,714	0	4,456,714	3,734,278	0	3,734,278
Derivatives	0	127,066	127,066	0	79,935	79,935
Other current liabilities	26,021	0	26,021	23,032	0	23,032
Total	**4,482,735**	**127,066**	**4,609,801**	**3,757,310**	**79,935**	**3,837,245**

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 €4,456.7m (31 December 2016: €2,974.3m), the fair value is €4,642.6m (31 December 2016: €3,123.3m) based on dealer-quotes (Level 2). For all other financial assets and liabilities the carrying amounts are a reasonable approximate of fair values.

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	30 June 2017			
	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	9,539,922	0	0	9,539,922
Unlisted equity investments	0	0	11,158,815	11,158,815
Non-current assets held-for-sale				
Unlisted equity investments	0	0	810,790	810,790
Financial assets at fair value through profit or loss				
Foreign exchange contracts	0	1,982	0	1,982
Total assets	**9,539,922**	**1,982**	**11,969,605**	**21,511,509**
Financial liabilities at fair value through profit or loss				
Interest rate contracts	0	65,773	0	65,773
Foreign exchange contracts	0	61,293	0	61,293
Total liabilities	**0**	**127,066**	**0**	**127,066**

	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**

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

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	**Other investments**	**Non-current assets held-for-sale**
	Unlisted equity investments	Unlisted equity investments	Unlisted equity investments
	30 June 2017	**30 June 2017**	**30 June 2017**
	in €k	in €k	in €k
Balance as of 1 January	11.697.363	18.974	0
Acquisition	15.175	0	0
Contributions	0	0	0
Repayment share premium	-50.696	0	0
Fair value adjustment	290.237	-1.449	0
Reclassification to non-current assets held-for-sale	-810.790	0	810.790
Balance as of 30 June	**11.141.289**	**17.525**	**810.790**

There were no transfers from or to Level 3 in the period ended 30 June 2017.

Subsidiaries and other investments categorised in Level 3

The Company's investments include 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 30 June 2017 the shares in JAB Forest B.V. were valued at €11,141.3m. A fair value adjustment of €250.3m 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 investments in Jacob Douwe Egberts B. V. (JDE) and Keurig Green Mountain Inc. (KGM).

As of 30 June 2017 and 31 December 2016, the JDE and KGM fair value were calculated applying multiples that were derived from selected publicly listed companies with 50 % EBITDA and 50 % P/E multiple weighting.

As of 30 June 2017, JDE and KGM fair value is based on the same peer group as the previous JDE and KGM valuation of December 2016. The multiples applied to the LTM figures ending June 2017 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 16.0x (31 December 2016: 15.6x) and P/E multiple of 24.1x (31 December 2016: 23.3x).

JAB Beech Inc.:

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

For 30 June 2017 and 31 December 2016 Peet’s and Caribou fair value were calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

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. As of 31 December 2016 management assessed the original acquisition cost to be the best fair value estimate.

For 30 June 2017 Krispy Kreme fair value was calculated applying multiples that were derived from selected publicly listed companies with 40% EBITDA, 40% P/E and 20% Sales multiple weighting.

The multiples applied to the LTM figures ending June 2017 are the median of the LTM multiples of the peer group of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

For Peet’s the following LTM multiples were used for the valuation: EBITDA multiple of 16.5x (31 December 2016: 15.7x), P/E multiple of 28.3x (31 December 2016: 31.1x) and sales multiples of 4.1x (31 December 2016: 4.2x).

For Caribou the following LTM multiples were used for the valuation: EBITDA multiple of 15.9x (31 December 2016: 15.5x), P/E multiple of 30.2x (31 December 2016: 31.2x) and sales multiples of 1.4x (31 December 2016: 1.9x).

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For Krispy Kreme the following LTM multiples were used for the valuation: EBITDA multiple of 17.0x, P/E multiple of 28.9x and sales multiples of 3.4x.

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”).

As of 30 June 2017 and 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.

The multiples applied to the LTM figures ending June 2017 are the median of the last twelve months (LTM) multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation of Espresso House: Sales multiples of 2.8x (31 December 2016: 2.4x), EBITDA multiple of 16.2x (31 December 2016: 14.5x) and P/E multiple of 25.7x (31 December 2016: 27.4x).

Labelux Group GmbH

The Company is the sole owner of Labelux Group GmbH, Switzerland. This entity is a direct shareholder of further interim holding companies and their investments in Jimmy Choo Plc., Bally International AG and Belstaff Group SA. The investment in Labelux Group GmbH with a carrying amount of €810.8m was reclassified to non-current assets held-for-sale (see note 5).

As of 30 June 2017 the shares in Labelux Group GmbH were valued at €810.8m. A fair value adjustment of €40.0m was recognised in other comprehensive income.

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.

The multiples applied to the LTM figures ending June 2017 are the median of the last twelve months (LTM) multiples of the peer group consisting of comparable publicly listed companies. In addition, adjustments between the enterprise value and the equity value were made for financial debt, and, where relevant, for minorities and financial assets.

The following LTM multiples were used for the valuation: Bally sales multiple of 0.90x (31 December 2016: 0.95x) and Belstaff sales multiple of 0.56x (31 December 2016: 0.76x).

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 €1,321.4m (31 December 2016: €1,114.5m). As of 31 December 2016 and 30 June 2017, 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.

Overview financial risk factors

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

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

The interim condensed financial statements do not include all financial risk management information and disclosure required in annual financial statements, and should be read in conjunction with the Company's 31 December 2016 financial statements. There have been no changes in risk management policies and procedures since year-end .

24. Subsequent events

In July 2017 JAB Holdings B.V. has made a capital contribution amounting to $1,655m to the newly established investment Beech I G.P. for the acquisition of Panera Bread Company. In addition JAB Holdings B.V. has provided a loan for the acquisition amounting to $104m that is expected to be repaid in short-term. The acquisition of Panera Bread Company was closed on 18 July 2017.

It is planned to contribute the existing JAB Beech Inc. participation of JAB Forest B.V. to Beech I G.P. to integrate Panera Bread Company into JAB Beech Group.

In July 2017 it was announced that Michael Kors Holdings Limited and Labelux Group GmbH indirect subsidiary Jimmy Choo PLC have reached agreement on the terms of a recommended cash acquisition by which the entire issued and to be issued ordinary share capital of Jimmy Choo PLC will be acquired by a wholly-owned subsidiary of Michael Kors Holdings Limited for GBP 2.30 per share.

JAB Holdings B.V., Amsterdam

In August 2017 JAB Holdings B.V. has made a contribution to JAB Cosmetics B.V. for the acquisition of 2.6 million Coty Inc. shares for an amount of $42m.

On 14 September 2017 JAB Holdings B.V. has notified that 0.8m Reckitt Benckiser Group plc shares were sold after the balance sheet date until 12 September 2017.

Amsterdam, September 15, 2017

Managing Directors:

J. Creus

M. Hopmann

C. Thun-Hohenstein

KPMG

Review report

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

Introduction

We have reviewed the accompanying Interim Condensed Financial Statements as at and for the six months period ended 30 June 2017 of JAB Holdings B.V., Amsterdam, which comprises the Interim Condensed Balance Sheet as at 30 June 2017, the Interim Condensed Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity, and the Cash Flow Statement for the six months period ended 30 June 2017, and the notes to the Interim Condensed Financial Statements. The Board of Directors of the Company is responsible for the preparation and presentation of these Interim Condensed Financial Statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this Interim Condensed Financial Statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Financial Statements as at and for the six months period ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 15 September 2017

KPMG Accountants N.V.

L.A Ekkels RA