

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

JAB Holding Company S.à r.l.

Luxembourg

Interim Condensed
Consolidated Financial Statements

As at and for the six months period ended 30 June 2016

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

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

Interim Condensed Consolidated Balance Sheet as of 30 June 2016

| | Note | 30 June 2016 | 31 December 2015 |
|--------------------------------------|-----------|-----------------|------------------|
| | | in €m | in €m |
| ASSETS | | | |
| Subsidiaries | 3.1 | 14,972.5 | 11,786.8 |
| Other investments | 3.2 | 5,152.7 | 6,350.6 |
| Loans | 3.3 | 116.2 | 88.1 |
| Other assets | 3.4 | 21.1 | 20.9 |
| Cash and cash equivalents | 3.5 | 987.6 | 657.1 |
| Total assets | | 21,250.1 | 18,903.5 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 3.6 | 14,801.2 | 14,589.6 |
| Attributable to owners of the parent | | 14,801.2 | 14,589.6 |
| Borrowings | 3.9 | 4,372.5 | 2,074.5 |
| Redeemable shares | 3.7 | 904.7 | 967.5 |
| Other liabilities | 3.8, 3.10 | 1,171.7 | 1,271.9 |
| Total liabilities | | 6,448.9 | 4,313.9 |
| Total equity and liabilities | | 21,250.1 | 18,903.5 |

The notes on pages 7 to 26 are an integral part of these consolidated financial statements

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Interim Condensed Consolidated Statement of Comprehensive Income for the six months period ended 30 June 2016

| | Note | For the six months ended 30 June 2016 in €m |
|---|------|--|
| Net gain / (loss) on subsidiaries and other investments | 3.11 | 146.1 |
| Dividend income | 3.12 | 93.0 |
| Finance income | 3.13 | 40.2 |
| Finance expenses | 3.13 | -105.9 |
| General and administrative expenses | 3.14 | -22.5 |
| Other income | 3.15 | 85.1 |
| Result before tax | | 236.0 |
| Taxes on income | 3.16 | 0.0 |
| Result for the period | | 236.0 |
| Attributable to owners of the parent | | 236.0 |
| Currency translation differences | | 36.6 |
| Other comprehensive income | | 36.6 |
| Total comprehensive income | | 272.6 |
| Attributable to owners of the parent | | 272.6 |

The notes on pages 7 to 26 are an integral part of these consolidated financial statements

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Interim Condensed Consolidated Statement of Changes in Equity for the six months period ended 30 June 2016

| | Note | Share capital | Share premium | Foreign currency translation reserve | Retained earnings | Total equity |
|--|-------|---------------|----------------|--------------------------------------|-------------------|-----------------|
| | | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2015 | | 6.6 | 7,716.7 | -236.5 | 7,102.8 | 14,589.6 |
| Issue of share capital | 3.6.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total income and expense recognised directly in equity | | 0.0 | 0.0 | 36.6 | 0.0 | 36.6 |
| Result for the period | | 0.0 | 0.0 | 0.0 | 236.0 | 236.0 |
| Total recognised income and expense | | 0.0 | 0.0 | 36.6 | 236.0 | 272.6 |
| Repayment of share premium | 3.6.1 | 0.0 | -61.0 | 0.0 | 0.0 | -61.0 |
| Balance as of 30 June 2016 | | 6.6 | 7,655.7 | -199.9 | 7,338.8 | 14,801.2 |

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Interim Condensed Consolidated Cash Flow Statement for the six months period ended 30 June 2016

| | Note | For the six months ended 30 June 2016 in €m |
|--|----------|--|
| Cash flows from operating activities | | |
| Result before tax | | 236.0 |
| Finance expenses | 3.13 | 105.9 |
| (Net gain) / loss from change in fair value and sale of subsidiaries and other investments | 3.11 | -146.1 |
| Payments on acquisition of subsidiaries and other investments | 3.1 | -3,235.5 |
| Proceeds from sale of subsidiaries and other investments | 3.1, 3.2 | 1,400.1 |
| Adjustment for share-based payment transactions | | -83.8 |
| Changes in other assets and liabilities from operating activities | | |
| (Net increase) / decrease in loans | 3.3 | -29.1 |
| (Net increase) / decrease in other assets | 3.4 | -4.1 |
| Net increase / (decrease) in other liabilities | 3.10 | 5.0 |
| Other non-cash expenses / (income) | | -37.6 |
| Net cash from / (used in) operating activities | | -1,789.2 |
| Cash flows from financing activities | | |
| Repayment of share premium to owners of the parent | 3.6.1 | -61.0 |
| Changes in borrowings | 3.9 | 2,297.7 |
| Finance expenses paid | | -108.2 |
| Proceeds from issue of redeemable shares | 3.7 | 0.2 |
| Capital repayments on redeemable shares | 3.7 | -8.5 |
| Net cash from / (used in) financing activities | | 2,120.2 |
| Cash and cash equivalents at beginning of period | 3.5 | 657.1 |
| Net cash from / (used in) operating activities | | -1,789.2 |
| Net cash from / (used in) financing activities | | 2,120.2 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | -0.5 |
| Cash and cash equivalents at end of period | 3.5 | 987.6 |

The notes on pages 7 to 26 are an integral part of these consolidated financial statements

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Notes to the Interim Condensed Consolidated Financial Statements

1. General information

JAB Holding Company S.à r.l. (the "Company") is a Company domiciled in Luxembourg. The address of the Company's registered office is 4, Rue Jean Monnet, 2180 Luxembourg. The Company's object is to act as a holding company and therefore the acquisition of participations. The Company is focused on generating superior returns from long-term investments in companies with premium brands and strong growth and margin dynamics.

The interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2015, 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 Group's financial position and performance since the last financial statements.

2. Accounting policies

2.1 Statement of compliance

The interim condensed consolidated financial statements for the six months period ended 30 June 2016 have been prepared applying the same accounting policies as are applied in the Group's annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statement that are to be reflected in the next annual financial statements.

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

The interim consolidated financial statements include explanatory notes and other disclosures as required by IAS 34 for the current interim period. However they do not include interim consolidated statements of profit and loss and other comprehensive income, statements of changes in equity, statements of cash flows, explanatory notes and other disclosures for the comparable year-to-date period of the immediately preceding financial year. The interim consolidated financial statements for the six months period ended June 2016 therefore have not been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

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2.2 Basis of preparation

The consolidated financial statements are prepared on the historical cost basis except for the following material items:

- derivative financial instruments at fair value through profit or loss
- non-derivative financial instruments at fair value through profit or loss.

2.3 Significant accounting judgements, estimates and assumptions

The interim condensed consolidated 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 the revision and future periods if the revision affects both current and future periods.

2.4 Consolidation

There were no material changes in the composition of the Group in the half year ended 30 June 2016.

2.5 Foreign currency transactions

The consolidated financial statements are presented in Euro (€), which is different from JAB Holding Company S.à r.l.'s functional currency which is US-Dollar (\$).

2.6 Accounting policies and disclosures

The accounting policies applied by the Group for these Interim Condensed Consolidated Financial Statements are consistent with those described in the Consolidated Financial Statements 2015, as are the methods of computation.

New and amended standards adopted by the Group

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

These include Amendments to IAS 27 – Equity Method in Separate Financial Statements, IAS 1 – Disclosure Initiative, IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations, IAS 16 and IAS 41 – Bearer Plants as well as the Annual Improvement Projects to IFRS 2012-2014. Their adoption has not had any significant impact on the consolidated financial statements of the Group but may impact the accounting for future transactions or arrangements.

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New standards and interpretations not yet adopted by the Group

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 consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments (2014), which becomes mandatory for the Group's 2018 consolidated 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 Group does not plan to adopt these standards early and is currently assessing the impact of IFRS 9. The standard has yet to be endorsed by the EU.

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3. Notes to the Consolidated Financial Statements

3.1 Subsidiaries

The following table gives an overview of material subsidiaries as of 30 June 2016:

| | 30 June 2016 | 31 December 2015 |
|--------------------------------------|--------------|------------------|
| Subsidiaries | % | % |
| Coty Inc., USA | 79.6 | 79.7 |
| Acorn Holdings B.V., Netherlands | 58.3 | 64.7 |
| JAB Beech Inc., USA | 64.6 | 71.7 |
| JAB Coffee Holding B.V., Netherlands | 52.0 | 52.0 |
| JAB Luxury GmbH, Switzerland | 100.0 | 100.0 |

The movements in subsidiaries can be detailed as follows:

| | Coty Inc. | Acorn Holdings B.V. | JAB Beech Inc. | JAB Coffee Holding B.V. | JAB Luxury GmbH | Total |
|---------------------------------------|----------------|------------------------|-------------------|----------------------------|--------------------|-----------------|
| | in €m | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2015 | 6,320.8 | 2,658.5 | 1,774.1 | 140.5 | 892.8 | 11,786.8 |
| Acquisitions | 0.0 | 34.3 | 0.0 | 0.0 | 0.0 | 34.3 |
| Contributions | 0.0 | 3,201.2 | 0.0 | 0.0 | 0.0 | 3,201.2 |
| Change in fair value | -35.3 | 206.8 | 24.1 | 26.0 | -271.4 | -49.8 |
| Balance as of 30 June 2016 | 6,285.5 | 6,100.8 | 1,798.2 | 166.5 | 621.4 | 14,972.5 |

Acorn Holdings B.V.

In the six months period ended 30 June 2016, the Group made a capital contribution to Acorn Holdings B.V. amounting to €3,201.2m for the acquisition of Keurig Green Mountain Inc.

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3.2 Other investments

The following table gives an overview of other investments (including associates) as of 30 June 2016:

| | 30 June 2016 | 31 December 2015 |
|----------------------------------|--------------|------------------|
| Other investments | % | % |
| Reckitt Benckiser Group Plc., UK | 8.0 | 10.5 |
| You&MrJones LLC, USA | 13.3 | 13.3 |

The movements in other investments can be detailed as follows:

| | Reckitt Benckiser Group Plc. | Others | Total |
|---------------------------------------|------------------------------------|-------------|----------------|
| | in €m | in €m | in €m |
| Balance as of 31 December 2015 | 6,332.2 | 18.4 | 6,350.6 |
| Disposals | -1,393.6 | 0.0 | -1,393.6 |
| Change in fair value | 196.0 | -0.4 | 195.6 |
| Balance as of 30 June 2016 | 5,134.6 | 18.0 | 5,152.7 |

Reckitt Benckiser Group Plc.

17,334,327 Reckitt Benckiser Group Plc. shares were sold in 2016 for an amount of €1,393.6m. At 30 June 2016 the Group holds 56,659,342 shares.

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3.3 Loans

The movements in the loans were as follows:

| | JAB Luxury GmbH (CH) | JAB Management | JAB Partners S.à r.l. | JAB Holding Company, LLC | Total |
|---------------------------------------|----------------------------|-------------------|-----------------------------|--------------------------------|--------------|
| | in €m | in €m | in €m | in €m | in €m |
| Balance as of 31 December 2015 | 0.0 | 84.0 | 0.7 | 3.3 | 88.1 |
| Additions | 30.0 | 0.5 | 0.1 | 0.0 | 30.6 |
| Repayments/disposal | 0.0 | 0.0 | -0.8 | 0.0 | -0.8 |
| Translation Differences | 0.0 | -1.6 | 0.0 | -0.1 | -1.7 |
| Balance as of 30 June 2016 | 30.0 | 82.9 | 0.0 | 3.3 | 116.2 |
| Thereof current | 0 | 82.9 | 0.0 | 3.3 | 86.2 |
| Thereof non-current | 30.0 | 0.0 | 0.0 | 0.0 | 30.0 |

3.4 Other assets

| | 30 June 2016 in €m | 31 December 2015 in €m |
|--------------------------------|-----------------------|---------------------------|
| Prepayments | 11.3 | 10.4 |
| JAB Holding Company LLC | 4.2 | 2.0 |
| Foreign exchange contracts | 2.4 | 0.0 |
| Accrued interest | 1.6 | 0.5 |
| Receivable disposal investment | 0.0 | 6.5 |
| Other | 1.6 | 1.5 |
| Total | 21.1 | 20.9 |

3.5 Cash and cash equivalents

Cash and cash equivalents as of 30 June 2016 include bank deposits available on demand (€597.6m) and deposits available in August 2016 (€390.0m).

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3.6 Shareholder's equity

3.6.1 Share capital and share premium

Issued capital comprises:

| | 30 June 2016 | | 31 December 2015 | |
|-----------------------------|------------------|----------------------|------------------|----------------------|
| | Number | Nominal Value in \$m | Number | Nominal Value in \$m |
| Ordinary Class A shares | 8,800,200 | 8.8 | 8,800,200 | 8.8 |
| Ordinary Class B shares | 398,892 | 0.4 | 398,092 | 0.4 |
| Special Class S shares | 698,135 | 0.7 | 698,135 | 0.7 |
| Issued share capital | 9,897,227 | 9.9 | 9,896,427 | 9.9 |

Class A Shares are recognised as equity, Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control. The redeemable shares have been classified as liabilities (see note 3.7).

In the six months period ended 2016, no dividend was paid to the Class A shareholders. Capital repayments out of the share premium in the amount of \$65.9m (€61.0m) were made to shareholders of Class A shares.

3.7 Redeemable shares

The redeemable shares are carried at €904.7m (31 December 2015: €967.5m), including shares held by the management in the amount of €773.8m (31 December 2015: €826.4m).

Shares with a redemption amount of €141.1m are redeemable from January 2017 on and were presented as non-current liabilities as of 31 December 2015. As of 30 June 2016, all redeemable shares are redeemable in short-term, if specific criteria are met and presented as current liabilities (€904.7m; 31 December 2015: €826.4m). However, the Company does not expect that such criteria will be met in the short-term.

In the six months period ended 30 June 2016, 800 redeemable ordinary shares and 0 redeemable special shares with a nominal value of \$1.00 each and a total share premium of \$1.5m were issued.

In the six months period ended 30 June 2016, no dividend was paid to Class B and special Class S shareholders out of retained earnings. Capital repayments to these shareholders in the amount of €3.7m were made.

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3.8 Share-based payments

The Company has share purchase agreements with the members of the Advisory Committee as well as with members of its management team and executives and senior managers of the Company and its affiliates. The shares contain put features to sell shares back to the Company for cash. As such the shares are recorded as a liability at potential redemption amount (see note 3.7).

Further the Company has share option schemes for the members of the Advisory Committee as well as members of its management team and executives and senior managers of the Company and its affiliates. Options may be exercised at any time from the date of vesting to the date of their expiry. The exercise of an option will be suspended if the redemption would lead to a default under the financing agreements of the indirect subsidiary JAB Holdings B.V. The options are settled in cash by payment of the net value of the option.

All options related to share based compensation plans were granted at the redemption amount of the underlying shares (see note 3.7). In 2016, the total number of options changed as follows:

| Options granted | Number of Options | Vesting Conditions | Contractual Life of Options |
|--|-------------------|--|-----------------------------|
| Total number of Options as of 31 December 2015 | 1,378,269 | | |
| 2016 | 2,400 | Vesting after 5 years' service from grant date | 10 years |
| Total number of Options as of 30 June 2016 | 1,380,669 | | |

The carrying amount of the liability relating to the share option schemes as of 30 June 2016 is \$1,150.8m (€1,036.6m; 31 December 2015: \$1,245.8m, €1,144.3m). As of 30 June 2016, options amounting to €943.6m (31 December 2015: €0.0m) are qualified as current and €93.0m (31 December 2015: €1,144.3m) as non-current. No options had vested as of 30 June 2016 (31 December 2015: 0). The income recognised for the period arising from the share-option schemes during the year was \$95.0m (€85.1m).

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3.9 Borrowings

| | Credit Facilities Bank Consortium in €m | Notes in €m | Total in €m |
|---------------------------------------|---|----------------|-----------------------|
| Balance as of 31 December 2015 | 0.0 | 2,074.5 | 2,074.5 |
| Additions / Repayments | 1,400.0 | 896.4 | 2,296.4 |
| Amortisation disagio and fees | 0.0 | 1.6 | 1.6 |
| Balance as of 30 June 2016 | 1,400.0 | 2,972.5 | 4,372.5 |
| Thereof current | 0.0 | 0.0 | 0.0 |
| Thereof non-current | 1,400.0 | 2,972.5 | 4,372.5 |

As of 31 December 2015, the Group had no outstanding amount under its credit facilities. As of 30 June 2016, the Group has an outstanding payable under its credit facilities of €1,400.0m. The maturity date of the credit facilities is February 2020.

In May 2016, the Group issued long-term notes in the aggregate principal amount of €750.0m (DE000A181034). 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. As of 30 June 2016 the carrying value of the notes is €896.4m, with a maturity in May 2023.

3.10 Other liabilities

| | 30 June 2016 in €m | 31 December 2015 in €m |
|--------------------------|-----------------------|---------------------------|
| Share-based transactions | 1,036.6 | 1,144.3 |
| Derivatives | 97.5 | 111.3 |
| Accrued interest | 28.2 | 12.5 |
| Trade and other payables | 9.4 | 3.8 |
| Total | 1,171.7 | 1,271.9 |
| Thereof current | 1,077.8 | 127.6 |
| Thereof non-current | 93.9 | 1,144.3 |

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3.11 Net gain / (loss) on subsidiaries and other investments

For the six
months ended
30 June 2016
in €m

Net gain / (loss) on subsidiaries

(at fair value through profit and loss)

| | |
|-------------------------|--------|
| Coty Inc. | -35.3 |
| Acorn Holdings B.V. | 206.8 |
| JAB Beech Inc. | 24.1 |
| JAB Coffee Holding B.V. | 26.0 |
| JAB Luxury GmbH | -271.4 |

Net gain on other investments

(at fair value through profit and loss)

| | |
|------------------------------|-------|
| Reckitt Benckiser Group Plc. | 196.0 |
|------------------------------|-------|

Total

146.1

3.12 Dividend income

In the six months period ended 30 June 2016, the Group received dividend income from the following investments, designated at fair value through profit or loss:

For the six
months ended
30 June 2016
in €m

| | |
|------------------------------|------|
| Reckitt Benckiser Group Plc. | 64.0 |
| JAB Beech Inc. | 29.0 |

Total

93.0

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3.13 Finance income and expense

Finance income can be specified as follows:

| | For the six months ended 30 June 2016 in €m |
|--|---|
| Change in redemption amount of redeemable shares | 37.5 |
| Interest income | 2.7 |
| Total | <u>40.2</u> |

Finance expenses can be specified as follows:

| | For the six months ended 30 June 2016 in €m |
|---|---|
| Interest expense on financial liabilities | -39.3 |
| Bank fees | -4.6 |
| Net foreign exchange loss | -46.0 |
| Valuation of interest rate contracts | -15.4 |
| Other | -0.6 |
| Total | <u>-105.9</u> |

3.14 General and administrative expenses

General and administrative expenses can be detailed as follows:

| | For the six months ended 30 June 2016 in €m |
|--|---|
| Service fees | -18.3 |
| Legal, tax, audit and consultancy fees | -2.9 |
| Salary and personnel related expenses | -0.6 |
| Others | -0.7 |
| Total | <u>-22.5</u> |

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3.15 Other income

In 2016, the Group incurred other income in the amount of €85.1m from the remeasurement of share-based payment transactions.

3.16 Taxes on income

No income tax (other than minimum corporate tax) was recognised in the six months period ended 30 June 2016.

3.17 Related parties

The related parties are disclosed in the Consolidated Financial Statements 2015. Related party transactions which have taken place in the period and have materially affected the Interim Condensed Consolidated Financial Statements are disclosed in the notes to the Interim Condensed Consolidated Financial Statements.

3.18 Contingent liabilities

As of 30 June 2016 the Group provides no guarantees for third parties.

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4. Financial instruments – Fair Value and Risk Management

4.1 Financial instruments and fair value hierarchy

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

| | 30 June 2016 | | | 31 December 2015 | | |
|-----------------------------|-----------------------------------|---|-----------------|-----------------------------------|---|-----------------|
| | Loans and Receivables in €m | Financial assets at fair value through profit or loss in €m | Total in €m | Loans and Receivables in €m | Financial assets at fair value through profit or loss in €m | Total in €m |
| Assets as per balance sheet | | | | | | |
| Subsidiaries | 0.0 | 14,972.5 | 14,972.5 | 0.0 | 11,786.8 | 11,786.8 |
| Other investments | 0.0 | 5,152.7 | 5,152.7 | 0.0 | 6,350.6 | 6,350.6 |
| Loans | 116.2 | 0.0 | 116.2 | 88.1 | 0.0 | 88.1 |
| Other Receivables | 18.7 | 2.4 | 21.1 | 20.9 | 0.0 | 20.9 |
| Cash and cash equivalents | 987.6 | 0.0 | 987.6 | 657.1 | 0.0 | 657.1 |
| Total | 1,122.5 | 20,127.6 | 21,250.1 | 766.1 | 18,137.4 | 18,903.5 |

| | 30 June 2016 | | | | 31 December 2015 | | | |
|-------------------------------------|---|--|-------------------------------|----------------|---|--|-------------------------------|----------------|
| | Financial liabilities at amortised cost in €m | Financial liabilities at fair value through profit or loss in €m | Redeemable shares in €m | Total in €m | Financial liabilities at amortised cost in €m | Financial liabilities at fair value through profit or loss in €m | Redeemable shares in €m | Total in €m |
| Liabilities as per balance sheet | | | | | | | | |
| Borrowings | 4,372.5 | 0.0 | 0.0 | 4,372.5 | 2,074.5 | 0.0 | 0.0 | 2,074.5 |
| Redeemable shares | 0.0 | 0.0 | 904.7 | 904.7 | 0.0 | 0.0 | 967.5 | 967.5 |
| Other liabilities | 37.7 | 97.5 | 0.0 | 135.2 | 16.4 | 111.3 | 0.0 | 127.6 |
| Total | 4,410.2 | 97.5 | 904.7 | 5,412.4 | 2,090.9 | 111.3 | 967.5 | 3,169.6 |

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

Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

The following table analyses financial instruments carried at fair value by valuation technique. It does not include fair value information of financial assets and liabilities not measured at fair value. The issued long-term notes have a carrying amount of €2,972.5m (31 December 2015: €2,074.5m), the fair value is €3,088.6m (31 December 2015: €2,024.7m) based on dealer-quotes (level 2). For all other financial assets and liabilities the carrying amounts are a reasonable approximate of fair values.

| | 30 June 2016 | | | Total in €m |
|---|------------------|------------------|------------------|-----------------|
| | level 1 in €m | level 2 in €m | level 3 in €m | |
| Financial assets at fair value through profit or loss | | | | |
| Subsidiaries and other investments | | | | |
| Listed equity investments | 11,420.1 | 0.0 | 0.0 | 11,420.1 |
| Unlisted equity investments | 0.0 | 0.0 | 8,705.1 | 8,705.1 |
| Other assets | | | | |
| Foreign exchange contracts | 0.0 | 2.4 | 0.0 | 2.4 |
| Total financial assets | 11,420.1 | 2.4 | 8,705.1 | 20,127.6 |
| Redeemable shares | | | | |
| Redeemable shares | 0.0 | 0.0 | 904.7 | 904.7 |
| Financial Liabilities at fair value through profit or loss | | | | |
| Interest rate contracts | 0.0 | 97.5 | 0.0 | 97.5 |
| Total financial liabilities | 0.0 | 97.5 | 904.7 | 1,002.2 |

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| | 31 December 2015 | | | Total in €m |
|---|------------------|------------------|------------------|-----------------|
| | Level 1 in €m | Level 2 in €m | Level 3 in €m | |
| Financial assets at fair value through profit or loss | | | | |
| Subsidiaries and other investments | | | | |
| Listed equity investments | 12,653.1 | 0.0 | 0.0 | 12,653.1 |
| Unlisted equity investments | 0.0 | 0.0 | 5,484.3 | 5,484.3 |
| Total financial assets | 12,653.1 | 0.0 | 5,484.3 | 18,137.4 |
| Redeemable shares | | | | |
| Redeemable shares | 0.0 | 0.0 | 967.5 | 967.5 |
| Financial Liabilities at fair value through profit or loss | | | | |
| Interest rate contracts | 0.0 | 82.2 | 0.0 | 82.2 |
| Foreign exchange contracts | 0.0 | 29.1 | 0.0 | 29.1 |
| Total financial liabilities | 0.0 | 111.3 | 967.5 | 1,078.8 |

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

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

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

| | Subsidiaries | | Other investments | |
|--|-----------------------------|----------------|-----------------------------|-------------|
| | Unlisted equity investments | | Unlisted equity investments | |
| | 30 June 2016 | 2015 | 30 June 2016 | 2015 |
| | in €m | in €m | in €m | in €m |
| Balance as of 1 January | 5,465.9 | 3,788.3 | 18.4 | 0.0 |
| Acquisition | 34.3 | 275.0 | 0.0 | 18.4 |
| Contributions | 3,201.2 | 1,399.3 | 0.0 | 0.0 |
| Disposals | 0.0 | -130.0 | 0.0 | 0.0 |
| Fair value adjustment | -14.4 | 133.3 | -0.4 | 0.0 |
| Balance as of 30 June / 31 December | 8,687.1 | 5,465.9 | 18.0 | 18.4 |

Level 3 valuation techniques of equity investments are appropriate in the circumstance and reflect recent transactions and market multiples.

At 30 June 2016, there were no significant changes in the business or economic circumstances that affect the determination of fair value of the Group's financial assets and liabilities.

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

Subsidiaries categorised in level 3

The Group's investments include equity participations in Acorn Holdings B.V., JAB Beech Inc., JAB Coffee Holding B.V., JAB Luxury GmbH and You&MrJones LLC, which are not quoted in active markets. The Group uses a market based valuation technique or, if appropriate, third-party transactions (at-arms length) for measuring its 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 Group's equity investments:

Acorn Holdings B.V.

The Group holds 58.3% of Acorn Holdings B.V., Netherlands. This entity is a holding company and 100% shareholder of further interim holding companies and their investment in Jacobs Douwe Egberts B.V. and Keurig Green Mountain Inc.

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

As of 30 June 2016 the shares in Acorn Holdings B.V. were valued at €6,100.8m. A fair value adjustment of €206.8m was recognised in profit and loss.

The investments' fair value was calculated applying the following multiples for its participation in Jacobs Douwe Egberts B.V.:

- EBITDA multiples of 15.8 and;
- net income multiples of 22.8, both weighed equally (50:50).

The calculation was based on the expected EBITDA and net income figures for 2016. The multiples were derived from selected publicly listed companies and weighted equally. Adjustments between the enterprise value and the equity value were made for financial debt.

Acorn Holdings B.V.'s investment in Keurig Green Mountain Inc. was acquired in March 2016. Management assessed the original acquisition cost to be the best fair value estimate as of 30 June 2016.

JAB Beech Inc.

The Group holds 64.6% of JAB Beech Inc. This entity is a direct shareholder of further interim holding companies and their investments (Caribou Coffee Company Inc., Peet's Operating Company Inc., Einstein Noah Restaurant Group Inc.).

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As of 30 June 2016 the shares in JAB Beech Inc. were valued at €1,798.2m. A fair value adjustment of €24.1m was recognised in profit and loss.

The investments' fair value was calculated applying the following multiples:

- EBITDA multiples ranged from 16.3 to 17.6 with a weight of 40% (31 December 2015: 15.8 to 16.3 with a weight of 40%);
- net income multiples ranged from 32.7 to 33.8 with a weight of 40% (31 December 2015: 32.4 to 32.6 with a weight of 40%);
- sales multiples ranged from 2.4 to 4.2 with a weight of 20% (31 December 2015: 2.8 to 3.8 with a weight of 20%).

The calculation was based on the figures for the last twelve months ending June 2016 (31 December 2015: December 2015). The multiples were derived from selected publicly listed companies as of 30 June 2016 and 31 December 2015. Adjustments between the enterprise value and the equity value were made for financial debt.

In 2015, JAB Forest B.V. entered into an agreement with its investment JAB Beech Inc. and non-controlling shareholders of JAB Beech Inc. Upon this agreement, JAB Forest B.V. may be obliged, at the option of a number of warranted non-controlling shareholders, to purchase about further 15.8% of the share capital of JAB Beech Inc. for a fixed amount in two tranches as of 31 December 2022 and 31 December 2023. This obligation is conditional on the non-occurrence of a complete sale of JAB Beech Inc. to a person other than JAB Forest B.V. or its affiliates or an IPO of JAB Beech Inc. before 31 December 2022. JAB Forest B.V. has substantial drag-along rights with regard to all other shares in JAB Beech Inc., therefore a complete sale of JAB Beech Inc. is at JAB Forest B.V.'s sole discretion. In the event of a complete sale JAB Forest B.V. is obliged to pay an additional amount to the warranted non-controlling shareholders if their aggregate consideration for the sale is less than a pre-defined minimum amount. It further has the right to pass these obligations directly to JAB Beech Inc. JAB Forest B.V. qualified the obligations and rights from this agreement as derivative financial instruments. The obligation to purchase the shares and to compensate in the event of a complete sale is classified as financial liability. The right to pass the obligations to JAB Beech Inc. is classified as financial asset. The derivative financial instruments are measured at fair value in accordance with IFRS 13. Their fair value is the amount to be paid in the event of a presumed sale of JAB Beech Inc. at the date of measurement. As of 31 December 2015 this amount is 0, since the fair value of JAB Beech Inc. attributable to the warranted non-controlling-shareholders exceeds the pre-defined minimum consideration.

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.

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

As of 30 June 2016 the shares in JAB Coffee Holding B.V. were valued at €166.5m. A fair value adjustment of €26.0m was recognised in profit and loss.

The investment's fair value was valued applying the following multiples:

- EBITDA multiples of 15.8 with a weight of 40%;
- net income multiples of 27.7 with a weight of 40%;
- sales multiples of 2.5 with a weight of 20%.

The calculation was based on the figures for the last twelve months ending June 2016. The multiples were derived from selected publicly listed companies. Adjustments between the enterprise value and the equity value were made for financial debt.

JAB Luxury GmbH

The Group is the sole owner of JAB Luxury GmbH, Switzerland. This entity is a holding company and manages a portfolio of luxury brands. The company holds and administers the shares in its subsidiaries which mainly manufacture and sell luxury footwear, ready to wear men's and women's fashion.

As of 30 June 2016 the subsidiary was valued at €621.4m. A fair value adjustment of €271.4m was recognised in profit and loss.

The investment's fair value was calculated as the net asset value of JAB Luxury GmbH's different businesses and considering JAB Luxury GmbH's financial debt. One of JAB Luxury GmbH's subsidiaries (Jimmy Choo Plc.) is publicly traded in an active stock market and therefore valuation method for this subsidiary is based on its market valuation. Valuation models based on multiples were applied for the other subsidiaries of JAB Luxury GmbH. The valuation is based on revenue multiples. Revenue multiples ranged from 0.82 to 0.87 based on the revenues of the last twelve months ending June 2016. No illiquidity discount was considered. As of 31 December 2015 revenue multiples ranged from 0.85 to 1.07 based on the expected revenues 2015.

You&MrJones LLC

The investment in You&MrJones LLC, was acquired in June 2015. Management assessed the original acquisition cost to be the best fair value estimate as of 30 June 2016 and 31 December 2015.

As of 30 June 2016 and 31 December 2015, the Group has an outstanding commitment to invest further \$20.0m (€18.0m) in You&MrJones LLC.

Sensitivity to unobservable inputs

Changes in the valuation methodologies or assumptions could lead to different measurements of fair value. The most significant unobservable inputs are the applied multiples. The estimated fair value would increase (decrease) if the adjusted market multiples were higher (lower). A change of

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the applied multiples by 10% would change the fair value estimate in the amount of €686.0m (31 December 2015: €230.8m). As of 31 December 2015, the sensitivity to unobservable inputs comprises the investment in JAB Beech Inc. and Labelux Group GmbH.

Redeemable shares

The following table shows the movements of redeemable shares.

| | Other liabilities - Redeemable shares 30 June 2016 in €m |
|--|---|
| Balance as of 1 January | 967.5 |
| Capital Increase | 1.4 |
| Capital Repayment | -8.6 |
| Change in Fair Value | -36.8 |
| Exchange rate differences | -18.7 |
| Balance as of 30 June / 31 December | <u>904.7</u> |

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

4.2 Overview of financial risk factors

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

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

Moreover, the Group is subject to inherent risks due to its investment activities and concentration risk within its investment portfolio. The value development of the investments depends on various external and internal factors which also might lead to negative variances from the expected developments.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Group's 31 December 2015 consolidated financial statements. There have been no changes in the risk management policies and procedures since year-end.

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5. Subsequent Events

After 30 June 2016 JAB Group has increased its stake in JAB Beech Inc. by \$169m for the acquisition of Krispy Kreme Inc. by JAB Beech Group. In addition a short-term loan amounting to \$50m was provided to JAB Beech Group. The loan is expected to be largely repaid from proceeds of a Krispy Kreme long-term incentive plan. The remaining amount of the loan may be converted to equity before yearend.

In August 2016 JAB Group has purchased Coty Inc. shares for an amount of \$73m.

In September 2016 JAB Group has sold Acorn Holdings BV shares to JAB management for an amount of €30m.

Luxembourg, September 26, 2016

Managing Directors:

M. Hopmann

J. Creus