

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

JAB Holding Company S.à r.l.
Luxembourg

Interim Condensed Financial Statements
as at and for the six months period ended 30 June 2016

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

Index	Page
Interim Condensed Balance Sheet as of 30 June 2016	3
Interim Condensed Statement of Comprehensive Income for the six months period ended 30 June 2016	4
Interim Condensed Statement of Changes in equity for the six months period ended 30 June 2016	5
Interim Condensed Cash Flow Statement for the six months period ended 30 June 2016	6
Notes to the interim condensed financial statements	7

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

Interim Condensed Balance Sheet as of 30 June 2016

	Note	30 June 2016		31 December 2015	
		in \$k	in \$k	in \$k	in \$k
<u>Non-current assets</u>					
Subsidiaries	5	<u>18,584,708</u>		<u>18,181,654</u>	
			18,584,708		18,181,654
<u>Current assets</u>					
Other receivables	6	5,010		2,141	
Cash and cash equivalents	7	<u>3,682</u>		<u>53</u>	
			8,692		2,194
			<u>18,593,400</u>		<u>18,183,848</u>
<u>Shareholder's equity</u>					
Issued share capital	8	8,800		8,800	
Share premium		9,901,230		9,967,580	
Fair value reserve		8,397,269		7,899,387	
Retained earnings		<u>-1,875,041</u>		<u>-1,992,063</u>	
			16,432,258		15,883,704
<u>Non-current liabilities</u>					
Redeemable shares	9	0		153,570	
Other liabilities	10, 11	<u>103,760</u>		<u>1,245,823</u>	
			103,760		1,399,393
<u>Current liabilities</u>					
Redeemable shares	9	1,004,453		899,730	
Other liabilities	10, 11	<u>1,052,929</u>		<u>1,021</u>	
			2,057,382		900,751
			<u>18,593,400</u>		<u>18,183,848</u>

The notes on pages 7 to 17 are an integral part of these financial statements

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

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

	Note	For the six months ended June 30, 2016 in \$k
Finance income	12	<u>42,196</u>
Finance result		<u>42,196</u>
General and administrative expenses	13	<u>-20,168</u>
Other income	10, 14	<u>94,998</u>
Result before income taxes		<u>117,026</u>
Income tax expense	15	<u>-4</u>
Result for the period		<u>117,022</u>
Items that may be reclassified subsequently to profit and loss:		
Net change in fair value of available-for-sale financial assets	8.2	<u>497,882</u>
Other comprehensive income		<u>497,882</u>
Total comprehensive income attributable to equity holder		<u>614,904</u>

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

Interim Condensed Statement of Changes in Equity for the six months period ended 30 June 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 2015		8,800	9,967,580	7,899,387	-1,992,063	15,883,704
Net change in the fair value of available-for-sale financial assets	8	0	0	497,882	0	497,882
Total income and expense recognised directly in equity		0	0	497,882	0	497,882
Result for the period		0	0	0	117,022	117,022
Total recognised income and expense		0	0	497,882	117,022	614,904
Repayment of share premium	8	0	-66,350	0	0	-66,350
Balance as of 30 June 2016		8,800	9,901,230	8,397,269	-1,875,041	16,432,258

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

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

	Note	For the six months ended June 30, 2016 in \$k
Cash flows from operating activities		
Result for the period		117,022
Adjustments for:		
Share based payment transactions		(93,552)
Tax expense		4
Finance income	12	(42,195)
		<u>-18,721</u>
Change in other receivables	6	-2,062
Change in other current liabilities	11	4,334
Net foreign exchange loss		-37
Income taxes paid		-4
		<u>-16,490</u>
Net cash from / (used in) operating activities		
Cash flows from investing activities		
Capital repayments from subsidiaries	5	29,400
		<u>29,400</u>
Net cash from / (used in) investing activities		
Cash flows from financing activities		
Payments from issue of redeemable shares	9	217
Capital repayments on redeemable shares	9	-9,498
		<u>-9,281</u>
Net cash from / (used in) financing activities		
Movement in cash and cash equivalents		
		3,629
Cash and cash equivalents as of 31 December 2015		53
Effects of exchange rate changes on cash and cash equivalents		0
		<u>3,682</u>
Cash and cash equivalents as of 30 June 2016		<u>3,682</u>

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

Notes to the financial statements

1. Reporting entity

JAB Holding Company S.à r.l. (formerly Joh. A. Benckiser 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 Company is formed for an unlimited period.

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 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 Company's financial position and performance since the last financial statements.

2. Statement of compliance

The interim condensed financial statements for the six months period ended 30 June 2016 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 include explanatory notes and other disclosures as required by IAS 34 for the current interim period. However they do not include interim statements of profit and loss and other comprehensive income, statements of changes in equity, statements of cash flows, explanatory notes and other disclosure for the comparable year-to-date period of the immediately preceding financial year. The interim financial statements for the six months period ended 30 June 2016 therefore have not been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

3. Basis of preparation

The financial statements are presented in thousands of US-Dollar's (USD), 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.

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

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. Actual results may differ from these 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 revision and future periods if the revision affects both current and future periods.

Changes in accounting policies and disclosures

The accounting policies applied by the Company for the Interim Condensed Financial Statements are consistent with those described on page 8 to 13 of the Financial Statements 2015, as are the methods of computation.

New and amended standards adopted by the Company

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

These include Amendments to IAS 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 financial statements of the Company but may impact the accounting for future transactions or arrangements.

New standards and interpretations not yet adopted by the Company

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 *Financial Instruments (2014)*, which becomes mandatory for the Company's 2018 financial statements. 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 Company 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.

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

5. Subsidiaries

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

	30 June 2016	31 December 2015
	%	%
JAB Investments S.à r.l., 4, Rue Jean Monnet, 2180 Luxembourg	100.0	100.0

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

	JAB Investments S.à r.l. in \$k
Balance as of 31 December 2015	18,181,654
Contribution	500
Capital repayment	-95,329
Fair Value Adjustment	<u>497,883</u>
Balance as of 30 June 2016	<u>18,584,708</u>

In the six months period ended 30 June 2016, the Company received capital repayments from JAB Investments S.à r.l. in the amount of \$95.3m and contributed a loan to JAB Investments S.à r.l. with an amount of \$0.5m. Thereof capital repayments amounting to \$65.9m were directly made to shareholders of the Company.

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

6. Other receivables

	30 June 2016	31 December 2015
	in \$k	in \$k
JAB Holding Company LLC	4,686	2,140
JAB Investments S.à r.l.	300	0
JAB Luxury GmbH	24	0
Deposits	0	1
	<u>5,010</u>	<u>2,141</u>

7. Cash and cash equivalents

Cash and cash equivalents as of 30 June 2016 in the amount of \$3.7m (31 December 2015: \$0.1m) only include bank deposits available on demand.

8. Shareholder's equity

8.1 Share capital and share premium

Issued capital comprises:

	30 June 2016		31 December 2015	
	Number	Nominal Value in \$k	Number	Nominal Value in \$k
Ordinary Class A shares	8,800,200	8,800	8,800,200	8,800
Ordinary Class B shares	398,892	399	398,092	398
Special Class S shares	698,135	698	698,135	698
Issued share capital	<u>9,897,227</u>	<u>9,897</u>	<u>9,896,427</u>	<u>9,896</u>

Class A Shares are recognised as equity. Class B shares and Class S shares are redeemable under certain conditions that are out of the Company's control. The redeemable shares have been classified as liabilities (see note 9).

In the six months period ended 30 June 2016, no dividend was paid to the Class A shareholders. Capital repayments out of the share premium in the amount of \$65.9m were made directly from JAB Holdings B.V. to shareholders of Class A shares (see note 5).

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

8.2 Fair value reserve

The available-for-sale reserve in the amount of \$8,397.3m (31 December 2015: \$7,899.4m) records the fair value change in the Company's subsidiary JAB Investments S.à r.l. The available-for-sale reserve includes income tax relating to the fair value change in the amount of \$0.0 (31 December 2015: \$0.0m).

9. Redeemable shares

The redeemable shares are carried at \$1,004.5m (31 December 2015: \$1,053.3m), including shares held by the management in the amount of \$859.1m (31 December 2015: \$899.7m).

Shares with a redemption amount of \$153.6m are redeemable from January 2017 on and were presented as non-current liabilities as of 31 December 2015. As of 30 June 2016, all redeemable shares are redeemable in short-term, if specific criteria are met and therefore are presented as current liabilities (\$1,004.5m; 31 December 2015: \$899.7m). 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 \$4.1m were made in 2016.

10. 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 the potential redemption amount (see note 9).

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 amount 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.

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

All options related to share based compensation plans were granted at the redemption amount of the underlying shares (see note 9). 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 (31 December 2015: \$1,245.8m). As of 30 June 2016, options amounting to \$1,047.6m (31 December 2015: \$0.0m) are qualified as current and \$103.2m (31 December 2015: \$1,245.8m) 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 period was \$95.0m.

11. Other liabilities

	30 June 2016 in \$k	31 December 2015 in \$k
Share-based transactions	1,150,825	1,245,823
Trade and other payables	5,864	1,021
	<u>1,156,689</u>	<u>1,246,844</u>
thereof current	1,052,929	1,021
thereof non current	103,760	1,245,823

12. Finance income

Finance income can be specified as follows:

	For the six months ended 30 June 2016 in \$k
Change in redemption amount of redeemable shares	41,811
Net foreign exchange gain	385
	<u>42,196</u>

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

13. General and administrative expenses

General and administrative expenses can be detailed as follows:

	For the six months ended 30 June 2016
	in \$k
Salary and personnel related expenses	-644
Service fees	-19,257
Legal, tax, audit and consultancy fees	-255
Others	-12
	<u><u>-20,168</u></u>

Service and other fees include expenses for share-based payment transactions in the amount of \$1.4m.

14. Other income

In 2016 the Company incurred other income in the amount of \$95.0m from the remeasurement of share-based payment transactions.

15. Taxes on income

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

16. Related parties

The related parties are disclosed in the Financial Statements 2015. 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.

17. Contingent liabilities

At 30 June 2016 the Company provides a guarantee to banks for credit facilities of its affiliated Company JAB Holdings B.V. amounting to €2,100.0m (31 December 2015: €2,100.0m). Furthermore, the Company provides an unconditional and irrevocable guarantee for bond liabilities of its affiliated company JAB Holdings B.V. amounting to €3,000.0m (31 December 2015: €2,100.0m).

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

18. Financial instruments – Fair Value and Risk Management

18.1 Financial instruments and fair value hierarchy

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

	30 June 2016			31 December 2015		
	Loans and Receivables	Available-for- sale	Total	Loans and Receivables	Available-for- sale	Total
	in \$k	in \$k	in \$k	in \$k	in \$k	in \$k
Assets as per balance sheet						
Subsidiaries	0	18,584,708	18,584,708	0	18,181,654	18,181,654
Other Receivables	5,010	0	5,010	2,141	0	2,141
Cash and cash equivalents	3,682	0	3,682	53	0	53
Total	8,692	18,584,708	18,593,400	2,194	18,181,654	18,183,848

	30 June 2016			31 December 2015		
	Financial liabilities at amortised cost	Redeemable shares	Total	Financial liabilities at amortised cost	Redeemable shares	Total
	in \$k	in \$k	in \$k	in \$k	in \$k	in \$k
Liabilities as per balance sheet						
Redeemable shares	0	1,004,453	1,004,453	0	1,053,300	1,053,300
Other liabilities	5,864	0	5,864	1,021	0	1,021
Total	5,864	1,004,453	1,010,317	1,021	1,053,300	1,054,321

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

Financial instruments in level 1

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

Financial instruments in level 2

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

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

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Financial instruments included in Level 3 comprise shares in JAB Investments and shares of the Company containing put features.

The table below analyses financial instruments carried at fair value by valuation technique. It does not include fair value information of financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximate of fair values.

	30 June 2016			Total in \$k
	Level 1 in \$k	Level 2 in \$k	Level 3 in \$k	
Available-for-sale financial assets				
Subsidiaries				
Unlisted equity investments	0	0	18,584,708	18,584,708
Total financial assets	0	0	18,584,708	18,584,708
Other liabilities				
Redeemable shares	0	0	1,004,453	1,004,453
Total financial liabilities	0	0	1,004,453	1,004,453

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

There were no transfers between the levels for the periods ended 30 June 2016 and 31 December 2015.

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

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

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

Subsidiaries	
Unlisted equity investments	
30 June 2016	
in \$k	
Balance as of 1 January	18,181,654
Contributions	500
Capital repayment	-95,329
Fair value adjustment	497,883
Balance as of 30 June	<u><u>18,584,708</u></u>

As of 30 June 2016 and 31 December 2015 the unlisted equity investments relate to the 100% participation in JAB Investments S.à r.l. JAB Investments S.à r.l. is a holding company with direct participation in JAB Holdings B.V. As of 30 June 2016 and 31 December 2015 the fair value was determined by using valuation techniques. The valuation accounts for JAB Investments' objective to act as a holding company. JAB Investments fair value is estimated as its net asset value and is calculated as the total fair value of its assets and liabilities. The main asset of JAB Investments is its participation in JAB Holdings B.V. with a diversified investment portfolio that includes assets that are traded on a securities exchange (level 1) as well as assets and liabilities that are valued by valuation techniques (level 2 and level 3). The assets are generally valued by objective criteria on an evaluation by the management.

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

	30 June 2016	31 December 2015
	in \$k	in \$k
Equity investments measured using level 1	12,679,044	13,775,830
Derivative instruments measured using level 2	-105,597	-121,135
Equity investments measured using level 3	9,663,685	5,970,985
Loans receivable	125,549	91,622
Loans payable	-4,854,325	-2,258,494
Cash and cash equivalents	1,092,062	714,388
Other assets and liabilities	-15,710	8,458
Net asset value	<u><u>18,584,708</u></u>	<u><u>18,181,654</u></u>

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

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

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

The following table shows the movements of redeemable shares.

	Redeemable shares 30 June 2016 in \$k
Balance as of 1 January	1,053,300
Capital Increase	1,518
Capital Repayment	-9,499
Change in Fair Value	-40,866
Balance as of 30 June	<u><u>1,004,453</u></u>

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

18.2 Overview of financial risk factors

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

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

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 2015 financial statements. There have been no changes in risk management policy and procedures since year-end.

Luxembourg, September 26, 2016

Managing Directors:

M. Hopmann

J. Creus