Latin American Snack Foods ApS

Holbergsgade 14, 2. tv.
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CVR no. 25 60 05 09

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

26 June 2019

Ole Meier Sørensen
chairman

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Latin American Snack Foods ApS for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 26 June 2019
Executive Board:

Ole Meier Sørensen

Board of Directors:

Olena Bezpala Chairman	Torben Christian Skaanild	Maria Georgalou
Ioannis Voukakis	Ole Meier Sørensen	

Independent auditor's report

To the shareholders of Latin American Snack Foods ApS

Opinion

We have audited the financial statements of Latin American Snack Foods ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that

Independent auditor's report

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

David Olafsson
State Authorised
Public Accountant
mne19737

Management's review

Operating review

Principal activities

The purpose of the Company is to own Chipiga S. de R.L. de C.V., a Mexican manufacturing Company.

Development in activities and financial position

The result for the year is a profit of DKK 35,469 thousand (2017: a loss of DKK 168 thousand).

The subsidiary Chipiga S. de R.L. de C.V. is in the process of being liquidated. This is expected to be finalized during 2019. Management is of the opinion that the proceeds from liquidation will exceed the carrying value of the shares as at 31 December 2018. The value of investment has been updated in the financial statements to reflect the expected liquidation proceeds.

Management is assessing its options in relation to how it will invest the resulting proceeds.

Events after the balance sheet date

No events materially affecting the assessment of the annual report have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2018	2017
Other external costs		-365	-229
Gross loss		-365	-229
Operating loss		-365	-229
Income from equity investments in group entities		35,116	0
Financial income		1,058	24
Financial expenses		-241	-10
Profit/loss before tax		35,568	-215
Tax on profit/loss for the year	2	-99	47
Profit for the year		35,469	-168

Proposed profit appropriation/distribution of loss

Extraordinary dividends	31,857	0
Proposed dividends for the year	48,621	0
Retained earnings	-45,009	-168
	35,469	-168

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2018	31/12 2017
ASSETS			
Fixed assets			
Investments	3		
Equity investments in group entities		48,621	45,774
Total fixed assets		48,621	45,774
Current assets			
Receivables			
Corporation tax		196	296
Prepayments		35	34
		231	330
Cash at bank and in hand		636	0
Total current assets		867	330
TOTAL ASSETS		49,488	46,104
EQUITY AND LIABILITIES			
Equity	4		
Contributed capital	4	315	315
Retained earnings		282	45,291
Proposed dividends for the financial year		48,621	0
Total equity		49,218	45,606
Liabilities			
Current liabilities			
Banks, current liabilities		0	188
Trade payables		95	193
Other payables		175	117
		270	498
Total liabilities		270	498
TOTAL EQUITY AND LIABILITIES		49,488	46,104
Contractual obligations, contingencies, etc.	5		
Related party disclosures	6		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2018	315	45,291	0	45,606
Transferred over the profit appropriation	0	-13,152	48,621	35,469
Extraordinary dividends paid	0	-31,857	0	-31,857
Equity at 31 December 2018	315	282	48,621	49,218

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Latin American Snack Foods ApS for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Latin American Snack Foods ApS and group entities are included in the consolidated financial statements of PepsiCo Inc., 700 Anderson Hill Road, Purchase, New York 0577, USA.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries and associates that are independent entities, the income statements are translated into Danish kroner at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries considered part of the total investment in the subsidiary are recognised directly in equity. Similarly, foreign exchange gains and losses on loans and derivative financial instruments taken out for the purpose of hedging investments in foreign subsidiaries are recognised directly in equity.

Upon recognition of foreign subsidiaries that are integrated entities, monetary items are translated at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the date of acquisition or the date of subsequent revaluations of the asset. Income statement items are translated at the exchange rates at the transaction date, whereas items derived from non-monetary items are translated at historical exchange rates for the non-monetary item.

Income statement

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

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Notes

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Equity investments in group entities and associates

Equity investments in group entities and associates are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between

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1 Accounting policies (continued)

the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

2 Tax on profit/loss for the year

DKK'000	2018	2017
Current tax for the year	99	-47
	99	-47

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3 Investments

Cost at 1 January	124,268
Disposals for the year	-32,269
Cost at 31 December	91,999
Revaluations at 1 January	-78,494
Revaluations for the year, net	35,116
Revaluations 31 December	-43,378
Carrying amount at 31 December	48,621

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK'000	DKK'000
Chipiga S. de R.L. de C.V.	Mexico	99,9999 %	48,872	-1,718
			48,872	-1,718

Chipiga S. de R.L. de C.V. is in the process of being liquidated. Management is of the opinion that the proceeds from liquidation will exceed the carrying value of the shares as at 31 December 2018.

The liquidation plan was approved after 31 December 2018, therefore the value of investment was not updated in these financial statements to reflect the expected liquidation proceeds.

4 Equity

The share capital consists of 4,095 A-shares of a nominal value of DKK 50 each and B-shares of a nominal value of DKK 50 each.

All shares rank equally.

5 Contractual obligations, contingencies, etc.

The Company is jointly taxed with other Danish company PepsiCo Nordic Denmark ApS, with PepsiCo Nordic Denmark ApS being the administrative company. The Company has, together with the administrative company, unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties under the joint taxation scheme. Any subsequent corrections of the taxable jointly taxed income or withholding taxes, etc., may entail an increase in the Company's liability.

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6 Related party disclosures

Latin American Snack Foods ApS' related parties comprise the following:

Control

Pepsico Global Investments B.V., Zonnebaan 35, 3542 EB Utrecht, Holland and Chipita Participations Limited, 11 Boumboulinas Street, C.Y. 1060 Nicosia, Cyprus.

Pepsico Global Investments B.V., holds the majority of the share capital in the Company.

Latin American Snack Foods ApS is part of the consolidated financial statements of PepsiCo Inc., 700 Anderson Hill Road, Purchase, New York 0577, USA, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of PepsiCo Inc. can be obtained by contacting the Company.