Fan Milk International A/S

Sofiendalsvej 88A, 9200 Aalborg SV
CVR no. 44 32 67 28

Annual report for 2019

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Company information etc.

The company

Fan Milk International A/S
Sofiendalsvej 88A
9200 Aalborg SV
Denmark
Tel.: 98 18 90 00
Registered office: Aalborg
CVR no.: 44 32 67 28
Financial year: 01.01 - 31.12

Executive Board

Ziobeieton Yeo

Board of Directors

Marina Alejandra Sagramoso
Frédéric Michel Xavier Leblan
Olivier Marie Michel Denis Klein

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.19 - 31.12.19 for Fan Milk International A/S.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.19 and of the results of the company's activities for the financial year 01.01.19 - 31.12.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, August 31, 2020

Executive Board

Ziobeieton Yeo

Board Of Directors

Marina Alejandra Sagramoso Chairman	Frédéric Michel Xavier Leblan	Olivier Marie Michel Denis Klein

Independent auditor's report

To the Shareholder of Fan Milk International A/S

Opinion

We have audited the financial statements of Fan Milk International A/S for the financial year 01.01.19 - 31.12.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.19 and of the results of the company's operations for the financial year 01.01.19 - 31.12.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

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

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 about 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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.

Aalborg, August 31, 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33771231

Rasmus Mellergaard Stenskrog
State Authorized Public Accountant
mne34161

Primary activities

The main activities of the Fan Milk Group are production, distribution and sale of dairy products such as yoghurt, ice cream, flavoured milk etc. as well as juice and fruit drinks in West Africa. Furthermore, the Danish subsidiary of the Group carry out a number of supporting activities, such as procurement and shipment of raw materials and packagingmaterials, business development assistance, consultancy services and management support.

Furthermore, the Company holds the shares in the subsidiaries stated in note 7.

Special non-recurring items

For the financial year 2019 the "income from equity investments in group enterprises" is significantly impacted by special non-recurring items or one-offs costs occurring in the subsidiaries with a total amount of DKK'000 55.548.

These costs relates to restructurings of the subsidiaries in Ghana, Ivory Coast, Togo and Denmark in order to align organization and operational structure with the strategy.

Development in activities and financial affairs

The income statement for the period 01.01.19 - 31.12.19 shows a profit/loss of DKK'000 -39.348 against DKK'000 5.661 for the period 01.01.18 - 31.12.18. The balance sheet shows equity of DKK'000 178.441.

Subsequent events

The management refers to Note 14 - Subsequent Events for further commenting on our expectations.

Income statement

Note		2019 DKK '000	2018 DKK '000
	Gross profit	**12.621**	**3.584**
1	Staff costs	-868	-2.239
	Profit before depreciation, amortisation, write-downs and impairment losses	**11.753**	**1.345**
	Income from equity investments in group enterprises	-50.383	3.771
2	Financial income	278	1.945
3	Financial expenses	-2.715	-2.668
	Profit/loss before tax	**-41.067**	**4.393**
4	Tax on profit or loss for the year	1.719	1.268
	Profit/loss for the year	**-39.348**	**5.661**

Proposed appropriation account

Proposed dividend for the financial year	0	5.661
Retained earnings	-39.348	0
Total	**-39.348**	**5.661**

Balance sheet

ASSETS

Note		31.12.19 DKK '000	31.12.18 DKK '000
	Trademarks	0	0
5	**Total intangible assets**	**0**	**0**
	Other fixtures and fittings, tools and equipment	0	0
6	**Total property, plant and equipment**	**0**	**0**
7	Equity investments in group enterprises	306.270	352.483
8	Receivables from group enterprises	0	1.843
	Total investments	**306.270**	**354.326**
	Total non-current assets	**306.270**	**354.326**
	Receivables from group enterprises	10.780	12.339
	Deferred tax asset	5.000	5.000
	Income tax receivable	2.792	2.359
	Other receivables	424	198
	Prepayments	16	15
	Total receivables	**19.012**	**19.911**
	Cash	**653**	**655**
	Total current assets	**19.665**	**20.566**
	Total assets	**325.935**	**374.892**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.19 DKK '000	31.12.18 DKK '000
	Share capital	13.080	13.080
	Retained earnings	159.667	227.108
	Proposed dividend for the financial year	0	5.661
	Total equity	**172.747**	**245.849**
9	Provisions relating to investments in group enterprises	51.897	13.109
	Total provisions	**51.897**	**13.109**
10	Payables to other credit institutions	0	6.250
10	Other payables	18	0
	Total long-term payables	**18**	**6.250**
10	Short-term part of long-term payables	6.250	6.250
	Payables to other credit institutions	13.107	25.642
	Trade payables	117	5.149
	Payables to group enterprises	72.657	61.547
	Income taxes	655	736
	Other payables	8.487	10.360
	Total short-term payables	**101.273**	**109.684**
	Total payables	**101.291**	**115.934**
	Total equity and liabilities	**325.935**	**374.892**

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Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.01.18 - 31.12.18				
Balance as at 01.01.18	13.080	236.663	0	249.743
Foreign currency translation adjustment of foreign enterprises	0	-9.264	0	-9.264
Other changes in equity	0	-291	0	-291
Net profit/loss for the year	0	0	5.661	5.661
Balance as at 31.12.18	13.080	227.108	5.661	245.849
Statement of changes in equity for 01.01.19 - 31.12.19				
Balance as at 01.01.19	13.080	227.108	5.661	245.849
Foreign currency translation adjustment of foreign enterprises	0	-28.248	0	-28.248
Dividend paid	0	0	-5.661	-5.661
Other changes in equity	0	155	0	155
Net profit/loss for the year	0	-39.348	0	-39.348
Balance as at 31.12.19	13.080	159.667	0	172.747

Notes

	2019 DKK '000	2018 DKK '000

1. Staff costs

	2019 DKK '000	2018 DKK '000
Wages and salaries	825	2.192
Pensions	39	38
Other social security costs	4	9
Total	868	2.239
Average number of employees during the year	1	2

2. Financial income

	2019 DKK '000	2018 DKK '000
Interest, group enterprises	278	1.830
Foreign currency translation adjustments	0	115
Total	278	1.945

3. Financial expenses

	2019 DKK '000	2018 DKK '000
Interest, group enterprises	1.099	1.042
Foreign currency translation adjustments	1.044	0
Other financial expenses	572	1.626
Total	2.715	2.668

4. Tax on profit or loss for the year

	2019 DKK '000	2018 DKK '000
Tax on profit or loss for the year	-1.719	-1.268

5. Intangible assets

Figures in DKK '000	Trademarks
Cost as at 01.01.19	1.879
Cost as at 31.12.19	1.879
Amortisation and impairment losses as at 01.01.19	-1.879
Amortisation and impairment losses as at 31.12.19	-1.879
Carrying amount as at 31.12.19	0

6. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01.01.19	29
Cost as at 31.12.19	29
Depreciation and impairment losses as at 01.01.19	-29
Depreciation and impairment losses as at 31.12.19	-29
Carrying amount as at 31.12.19	0

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.19	540.220
Cost as at 31.12.19	540.220
Depreciation and impairment losses as at 01.01.19	-187.739
Foreign currency translation adjustment of foreign enterprises	-28.248
Net profit/loss from equity investments	-50.383
Dividend relating to equity investments	-10.143
Other equity adjustments relating to equity investments	155
Negative equity value impaired in receivables	3.620
Negative equity value transferred to provisions	38.788
Depreciation and impairment losses as at 31.12.19	-233.950
Carrying amount as at 31.12.19	306.270

Name and Registered office:	Ownership interest
Group enterprises:	
Emidan A/S, Aalborg	100%
Fan Milk West Africa Ltd., Ghana	100%
Fan Milk S.A, Togo	100%
Fan Milk S.A.R.L, Benin	100%
Fan Milk S.A.R.L, Burkina Faso	100%
Fan Milk Côte d' Ivoire, Ivory Coast	100%
Fan Milk PLC, Nigeria	99%
Fan Milk LTD, Ghana	57%

8. Other non-current financial assets

Figures in DKK '000	Receivables from group enterprises
Cost as at 01.01.19	1.843
Foreign currency translation adjustment of foreign enterprises	95
Transfers during the year to/from other items	-1.938
Cost as at 31.12.19	0

	31.12.19 DKK '000	31.12.18 DKK '000

9. Provisions relating to investments in group enterprises

Other provisions are expected to be distributed as follows:

Current liabilities	51.897	13.109

10. Long term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.19	Total payables at 31.12.18
Payables to other credit institutions	6.250	0	6.250	12.500
Other payables	0	0	18	0
Total	6.250	0	6.268	12.500

11. Contingent assets

The company has a deferred tax asset of DKK 19.519k, of which DKK 5.000k has been recognised in the balance sheet. The tax asset can be attributed to tax losses carried forward which are not expected to be utilised within the next 3 years. The tax asset can be carried forward indefinitely.

12. Contingent liabilities

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies.

13. Related parties

Controlling influence	Basis of influence
Ice MidCo Limited S.A., Luxemburg	Parent Company
Danone, Paris, France	Ultimate Parent Company

The company is included in the consolidated financial statements of the parent Danone, Paris, France, reg. no. 552 032 534. The consolidated financial statements of the parent company can be retrieved by contact to Danone HQ, 15, rue du Helder, 75009 Paris, France

14. Subsequent events

No subsequent events that require amendment of the annual report has occurred after the end of the financial year.

The beginning of 2020 has however seen the Covid-19 pandemic affecting most economies around the world negatively.

FMCG food companies, are so far not affected in the same significant manner as many other companies and the experienced impact is highly dependent on both geography and product portfolio. This is mainly because the products produced and sold by FMCG good companies are seen as a necessity for many customers.

The subsidiaries of Fan Milk International A/S operates in markets with customers having a limited disposable income. The job losses and decreases in families household income caused by the Covid-19 pandemic may therefore have an impact on the financial performance of 2020 due to customer prioritization of expenses.

The ultimate parent of Fan Milk International A/S, Danone SA, had in its original outlook for 2020, published 26th of February, communicated -1%-p growth and -1%-p recurring operating margin vs. prior communication as a consequence of Covid-19. Danone SA has as of the published Q1 figures withdrawn its outlook for 2020 due to the increased uncertainties arising from the Covid-19 pandemic.

15. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Danone, Paris, France, CVR no. 552 032 534, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

15. Accounting policies - continued -

CURRENCY

The annual report is presented in Danish kroner (DKK). In the annual report, dots are used as thousands separator.

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

INCOME STATEMENT

Revenue

Revenue contains service, technical and management fees.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Gross profit

Gross profit comprises revenue and other external expenses.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

15. Accounting policies - continued -

Depreciation, amortisation and impairment losses

The depreciation and amortisation of property, plant and equipment aim at systematic depreciation and depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Trademarks	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to the 'Impairment losses on fixed assets' section.

Income from equity investments in group entreprises

For equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

15. Accounting policies - continued -

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Trademarks

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

15. Accounting policies - continued -

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on the divestment of subsidiaries are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

15. Accounting policies - continued -

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments in subsidiaries is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

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

15. Accounting policies - continued -

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.