

**DANONE GROUP**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2002**

Consolidated statement of income for the six month period .....	
Consolidated balance sheets at June 30.....	
Consolidated cash flow statements for the six month period .....	
Notes to the condensed interim financial statements .....	

## DANONE GROUP

## CONSOLIDATED STATEMENTS OF INCOME

	<b>Euros (millions)</b>		
	Six month ended June 30 (unaudited) Year ended Dec 31		
	<b><u>JUNE 30, 02</u></b>	<b><u>JUNE 30, 01</u></b>	<b><u>DEC 31, 01</u></b>
<b>Net sales</b> .....	7,152	7,292	14,470
Cost of goods sold .....	(3,443)	(3,647)	(7,196)
Selling expenses .....	(2,217)	(2,215)	(4,331)
General and administrative expenses .....	(516)	(474)	(988)
Research and development expenses .....	(71)	(68)	(126)
Other expense and income .....	(109)	(93)	(220)
<b>Operating income</b> .....	<u>796</u>	<u>795</u>	<u>1,609</u>
Non-recurring items .....	(1,039)	(15)	(757)
Interest expense net .....	<u>(66)</u>	<u>(86)</u>	<u>(180)</u>
<b>Income before provision for income taxes and minority interests</b> .....	<u>(309)</u>	<u>694</u>	<u>672</u>
Provision for income taxes .....	<u>(240)</u>	<u>(256)</u>	<u>(416)</u>
<b>Income before minority interests</b> .....	<u>(549)</u>	<u>438</u>	<u>256</u>
Minority interests .....	(103)	(84)	(163)
Equity in net earnings of affiliated companies .....	<u>22</u>	<u>21</u>	<u>39</u>
<b>Net income</b> .....	<u>(630)</u>	<u>375</u>	<u>132</u>

## PER SHARE INFORMATION

- <b>Diluted earnings per share</b> .....	*		
(in French francs or in euros) .....	(4,50)	<b>2,65</b>	<b>0,97</b>
- Number of shares used in calculating earnings per share .....	138,708,733	141,854,447	142,697,380

\* 2,94 euros excluding non recurring items.

**DANONE GROUP**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<b>Euros (millions)</b>		
	As of June 30 (unaudited)		As of Dec 31
	<b><u>JUNE 30, 02</u></b>	<b><u>JUNE 30, 01</u></b>	<b><u>DEC 31, 01</u></b>
Property, plant and equipment .....	7,179	8,794	8,547
Less : accumulated depreciation .....	(3,909)	(4,497)	(4,473)
	<u>3,270</u>	<u>4,297</u>	<u>4,074</u>
Brand names .....	1,260	1,675	1,615
Other intangible assets (net) .....	89	126	119
Goodwills.....	3,499	5,705	5,074
	<u>4,848</u>	<u>7,506</u>	<u>6,808</u>
Long-term loans.....	399	206	209
Long-term investments.....	397	493	429
Equity in affiliated companies.....	583	468	553
Other .....	868	862	900
	<u>2,247</u>	<u>2,029</u>	<u>2,091</u>
<b>Non-current assets</b> .....	<b><u>10,365</u></b>	<b><u>13,832</u></b>	<b><u>12,973</u></b>
Inventories .....	667	830	764
Trade accounts and notes receivable.....	1,165	1,851	1,289
Other accounts receivable and prepaid expenses.....	914	941	770
Short-term loans .....	175	78	190
Marketable securities.....	398	396	396
Cash and cash equivalents.....	643	617	713
	<u>3,962</u>	<u>4,713</u>	<u>4,122</u>
<b>Current assets</b> .....	<b><u>3,962</u></b>	<b><u>4,713</u></b>	<b><u>4,122</u></b>
<b>Total assets</b> .....	<b><u>14,327</u></b>	<b><u>18,545</u></b>	<b><u>17,095</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Capital stock (per value Euro 1 per share).....	141	149	141
Capital surplus.....	1,194	2,234	1,150
Retained earnings.....	4,655	5,783	5,560
Translation adjustments .....	(1,239)	224	(301)
Treasury stock .....	(909)	(842)	(603)
<b>Stockholders' equity</b> .....	<b><u>3,842</u></b>	<b><u>7,548</u></b>	<b><u>5,947</u></b>
Minority interests .....	680	732	780
Convertible bonds .....	1,000	1,000	1,000
Long-term debt.....	3,144	3,949	4,425
Retirement indemnities, pensions and post-retirement healthcare benefits .....	268	325	334
Provisions and long-term liabilities .....	504	437	542
<b>Stockholders' equity and non-current liabilities</b> .....	<b><u>9,438</u></b>	<b><u>13,991</u></b>	<b><u>13,028</u></b>
Trade accounts and notes payable .....	1,524	1,908	1,715
Accrued expenses and other liabilities.....	1,988	1,818	1,841
Short-term debt and bank overdrafts .....	1,377	828	511
	<u>4,889</u>	<u>4,554</u>	<u>4,067</u>
<b>Current liabilities</b> .....	<b><u>4,889</u></b>	<b><u>4,554</u></b>	<b><u>4,067</u></b>
<b>Total liabilities and stockholders' equity</b> .....	<b><u>14,327</u></b>	<b><u>18,545</u></b>	<b><u>17,095</u></b>

## DANONE GROUP

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Euros**  
**(millions)**

Six month ended June 30 (unaudited)    Year ended Dec 31

	<u><b>JUNE 30, 02</b></u>	<u><b>JUNE 30, 01</b></u>	<u><b>DEC 31, 01</b></u>
Net income.....	(630)	375	132
Minority interests in net income of consolidated subsidiaries .....	104	84	163
Equity in net earnings of affiliated companies .....	(22)	(21)	(39)
Depreciation and amortization.....	362	378	777
Other .....	877	(15)	578
<b>Cash flows from operations.....</b>	<b>691</b>	<b>801</b>	<b>1,611</b>
Net variation in inventories .....	(28)	(59)	(21)
Net variation in trade accounts and other accounts receivable .....	(391)	(35)	460
Net variation in trade accounts and other accounts payable .....	391	225	180
Other variations .....	16	13	10
Net change in current assets and liabilities .....	(12)	144	629
<b>Cash flows from operating activities .....</b>	<b>679</b>	<b>945</b>	<b>2,240</b>
Additions to property, plant and equipment .....	(253)	(290)	(737)
Investment in subsidiaries and affiliated companies .....	(341)	(744)	(1,071)
Proceeds from the sale of businesses and other investments .....	1,106	22	218
<b>Cash flows from investing activities .....</b>	<b>512</b>	<b>(1,012)</b>	<b>(1,590)</b>
Increase in capital and capital surplus .....	44	43	46
Purchases of treasury stock .....	(306)	(59)	(921)
Dividends.....	(390)	(379)	(393)
Increase in long-term debt.....	(191)	798	1,248
Increase in long-term loans and other assets .....	(383)	161	108
Net change in short-term debt.....	10	(296)	(416)
Net change in marketable securities .....	(12)	(156)	(146)
<b>Cash flows from financing activities .....</b>	<b>(1,228)</b>	<b>112</b>	<b>(474)</b>
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>(33)</b>	<b>24</b>	<b>(11)</b>
<b>Increase in cash and cash equivalents.....</b>	<b>(70)</b>	<b>69</b>	<b>165</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>713</b>	<b>548</b>	<b>548</b>
<b>Cash and cash equivalents at year end / or end of June .....</b>	<b>643</b>	<b>617</b>	<b>713</b>

## Notes the to unaudited interim condensed financial statements

### 1. Accounting principles

The interim financial statements have been prepared in accordance with the accounting principles described in the 2001 annual report and in conformity with the regulations CRC 99-02 relating to consolidated financial statements and CRC 99-01 relating to interim financial statements.

### 2. Scope of consolidation

Since December 31, 2001 the following changes occurred in companies included in the consolidation :

- Deconsolidation of Dongxiu (Beer in China) as for 1<sup>st</sup> January 2002, Haomen (Beer in China) as for 1<sup>st</sup> June 2002, Galbani Italy and subsidiaries (Dairy Products in Italy, France, Belgium, England, Germany and Switzerland) as for 1<sup>st</sup> May 2002.
- As for January 1<sup>st</sup> 2002 initial consolidation of Frucor (Beverages in New Zealand).
- Initial consolidation under the equity method of Stonyfield (Dairy Products in United States of America), Djurdjura (Dairy Products in Algeria) and Aquarius (Water in China).

### 3. Non-recurring items

Non-recurring items for the first half of 2002 comprise :

- Exceptional one time items of euros 1,030 million after tax effect including for an amount of euros 325 million the impact of the 51% disposal of the domestic retail water activities in the United States of America according to the agreement concluded with The Coca Cola Company and effective at July 1<sup>st</sup> 2002, the remaining part being largely made of exceptional goodwill impairment charges on Group activities in emerging markets, mainly in Latin America. They have a negative impact on the net income for an amount of euros 1,032 million.
- Restructuring costs for an amount of euros 9 million in the Biscuit. After income tax effect and minority interests restructuring costs have a negative impact on the net income for an amount of euros 6 million.

Non-recurring items for the first half of 2001 comprised restructuring costs for an amount of euros 15 million mainly in the Danone Waters North of America company (Water in the United States of America). After income tax effect and minority interests restructuring costs had a negative impact on net income for an amount of euros 9 million.

### 4. Investments in subsidiaries and affiliated companies

During the first half of 2002 they related mainly to :

- Acquisition of Frucor (Beverages in New-Zealand).
- Additional interests in Zywiec (Water in Poland).
- Acquisition of 10% of National Foods (Dairy Products in Australia) and 4% of Wimm Bill Dann (Beverages in Russia).

### 5. Goodwill amortization

Goodwill amortization amounts to euros 71 million (euros 80 million at June 30 2001) which is recorded as euros 64 million under the caption "other expense and income" (euros 74 million at June 30 2001) and euros 7 million under the caption "equity in net earnings of affiliated companies" (euros 6 million at June 30 2001).

## 6. Stockholders' equity

	<u>Issued</u>	<u>Excluding treasury stock</u>	<u>Capital stock</u>	<u>Surplus</u>	<u>Retained earnings</u>	<u>Translation adjustments</u>	<u>Treasury stock</u>	<u>Stockholder's equity attributable to the Group</u>
	<u>Number of shares</u>					<u>in millions of euros</u>		
<b>Balance at December 31, 2000</b> .....	149,086,208	140,980,336	149	2,191	5,696	(63)	(784)	7,189
Capital stock issues .....	447,219	447,219		45				45
Capital stock reduction .....	(8,500,000)	(8,500,000)	(8)	(1,086)				(1,094)
Net income for 2001 .....					132			132
Dividends paid .....					(268)			(268)
Translation adjustments .....						(238)		(238)
Change in treasury stock .....		1,760,193					181	181
<b>Balance at December 31, 2001</b> .....	141,033,427	134,687,748	141	1,150	5,560	(301)	(603)	5,947
Capital stock issues .....	468,620	468,620	0	44				44
Net income for six month 2002 .					(630)			(630)
Dividends paid .....					(275)			(275)
Translation adjustments .....						(938)		(938)
Change in treasury stock .....		(2,265,282)					(306)	(306)
<b>Balance at June 30, 2002</b> .....	<u>141,502,047</u>	<u>132,891,086</u>	<u>141</u>	<u>1,194</u>	<u>4,655</u>	<u>(1,239)</u>	<u>(909)</u>	<u>3,842</u>

Negative translation adjustments relating to the « Euro area » currencies amount to euros 235 million at June 30, 2002.

The change in the translation adjustments during the first semester come from the negative evolution of the US\$ and currencies pegged against Euro and the negative evolution of the currencies of Latin America and particularly the Argentinian peso against Euro.

Treasury stock held by the Group amounted to 8,610,961 shares representing 6,1 % of issued capital.

## 7. Securitization

Since 2001, a securitization program is in progress with the majority of the operational companies of the Group. At June 30, 2002 trade receivables sold amounted to euros 865 million in which euros 106 million are considered as a warranty deposit that remains under the caption "Trade accounts and notes receivable" of the balance sheet. The balance of euros 759 million corresponds to the amount of the effective transaction. Expenses related to this securitization program are accounted for as financial expenses.

## 8. Subsequent events

On June 2002, the Group declared its decision to exercise the option to sell to Scottish & Newcastle its remaining assets in the European Beer activity (except its 33,33% ownership in Mahou).

As a result, at the end of September 2002, the Group received a cash proceed of approximately euros 2,300 million.

## 9. Contingencies :

- Commitments relating to investments in subsidiaries :

The Group has entered into agreements to purchase interests held by third party stockholders in certain consolidated subsidiaries, should these stockholders wish to sell their interests. In any event the potential cost of purchasing these shares will be dependent upon the rate of return and the financial situation of the subsidiary in question. At June 30, these financial commitments do not exceed Euro 1,800 million and no material investment under these agreements is currently planned.

- Disposal of the beer activities

Under its agreement with Scottish & Newcastle, the Group may be exposed to certain liabilities relating to the European Commission's investigation concerning alleged anti-competitive practices in France and Belgium in contravention to Article 81 of the Treaty of Rome. Concerning Belgium, a fine of Euro 44 million charged to the results in 2001 has been paid during the first semester of 2002. The investigation initiated in January 2000 in France, to which Brasseries Kronenbourg is subject, is still in process, and management cannot predict with certainty the outcome or the financial consequences of the proceedings.

**10. Segment information :**

<u>(In million of euros)</u>	<u>Dairy Products</u>	<u>Beverages</u>	<u>Biscuits</u>	<u>Grocery Products</u>	<u>Containers</u>	<u>Total Divisions</u>
<b><u>JUNE 30, 2001</u></b>						
Gross sales.....	3,757	2,284	1,765	197		8,003
Sales within the divisions .....	(280)	(279)	(134)	(9)		(702)
Net division sales .....	3,477	2,005	1,631	188	-	7,301
Sales within the Group .....	(9)	-	-	-	-	(9)
Net sales outside the Group.....	3,468	2,005	1,631	188	-	7,292
Operating income.....	383	242	136	28	-	789
Equity on the earnings of affiliated companies	1	11	6	-	3	21
Capital expenditures .....	109	140	30	2	-	281
Depreciation expense.....	145	134	89	5	-	373
Cash flows from operations .....	355	268	151	22	-	796
<b>Total assets .....</b>	<b>6,035</b>	<b>5,452</b>	<b>4,581</b>	<b>436</b>	<b>62</b>	<b>16,566</b>
	<b><u>Total Divisions</u></b>			<b><u>Unallocated items</u></b>		<b><u>Total Group</u></b>
Operating income.....	789			6		795
Equity on the earnings of affiliated companies	21			-		21
Capital expenditures .....	281			9		290
Depreciation expense.....	373			5		378
Cash flows from operations .....	796			5		801
<b>Total assets .....</b>	<b>16,566</b>			<b>1,979</b>		<b>18,545</b>

  

<u>(In million of euros)</u>	<u>Dairy Products</u>	<u>Beverages</u>	<u>Biscuits</u>	<u>Grocery Products</u>	<u>Containers</u>	<u>Total Divisions</u>
<b><u>JUNE 30, 2002</u></b>						
Gross sales.....	3,638	2,316	1,724	189		7,867
Sales within the divisions .....	(274)	(277)	(146)	(7)		(704)
Net division sales .....	3,364	2,039	1,578	182	-	7,163
Sales within the Group .....	(11)	-	-	-	-	(11)
Net sales outside the Group.....	3,353	2,039	1,578	182	-	7,152
Operating income.....	413	238	129	30	-	810
Equity on the earnings of affiliated companies	7	32	6	-	(23)	22
Capital expenditures .....	76	120	33	2	-	231
Depreciation expense.....	123	144	82	6	-	355
Cash flows from operations .....	371	301	126	26	-	824
<b>Total assets .....</b>	<b>3,466</b>	<b>4,651</b>	<b>4,021</b>	<b>375</b>	<b>41</b>	<b>12,554</b>
	<b><u>Total Divisions</u></b>			<b><u>Unallocated items</u></b>		<b><u>Total Group</u></b>
Operating income.....	810			(14)		796
Equity on the earnings of affiliated companies	22			-		22
Capital expenditures .....	231			22		253
Depreciation expense.....	355			7		362
Cash flows from operations .....	824			(133)		691
<b>Total assets .....</b>	<b>12,554</b>			<b>1,773</b>		<b>14,327</b>



# 11. Geographical area information

<u>(In million of euros)</u>	<u>France</u>	<u>Rest of Western Europe</u>	<u>Rest of the World</u>	<u>Total</u>	<u>France</u>	<u>Rest of Western Europe</u>	<u>Rest of the World</u>	<u>Total</u>
	<u>JUNE 30, 2001</u>				<u>JUNE 30, 2002</u>			
Total sales by geographical area of origin.....	2,080	2,704	3,219	8,003	2,148	2,617	3,102	7,867
Intra-Group sales within geographical areas .....	(22)	(180)	(32)	(234)	(24)	(182)	(37)	(243)
Net sales by geographical area of origin.....	2,058	2,524	3,187	7,769	2,124	2,435	3,065	7,624
Intra Group sales between geographical areas.....	(357)	(109)	(11)	(477)	(361)	(101)	(10)	(472)
Total sales outside the Group .....	1,701	2,415	3,176	7,292	1,763	2,334	3,055	7,152
Operating income.....	221	266	302	789	248	293	269	810
Equity on the earnings of affiliated companies .....	3	15	3	21	(23)	36	9	22
Capital expenditures .....	51	71	159	281	31	59	141	231
Cash flows from operations .....	258	243	295	796	263	244	317	824
<b>Total assets .....</b>	<b>4,106</b>	<b>5,809</b>	<b>6,651</b>	<b>16,566</b>	<b>3,720</b>	<b>3,584</b>	<b>5,250</b>	<b>12,554</b>