

DANONE GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2003

Consolidated statements 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

	Euros (millions)		
	<u>JUNE 30, 03</u>	<u>JUNE 30, 02</u>	<u>DEC 31, 02</u>
Net sales	6,622	7,152	13,555
Cost of goods sold.....	(3,036)	(3,443)	(6,442)
Selling expenses	(2,131)	(2,217)	(4,170)
General and administrative expenses	(468)	(516)	(964)
Research and development expenses	(66)	(71)	(133)
Other expense and income.....	(134)	(109)	(256)
Operating income	<u>787</u>	<u>796</u>	<u>1,590</u>
Non-recurring items.....	(29)	(1,039)	458
Interest expense net.....	<u>(41)</u>	<u>(66)</u>	<u>(110)</u>
Income before provision for income taxes and minority interests	717	(309)	1,938
Provision for income taxes.....	<u>(243)</u>	<u>(240)</u>	<u>(490)</u>
Income before minority interests	474	(549)	1,448
Minority interests	(93)	(103)	(182)
Equity in net earnings of affiliated companies	<u>22</u>	<u>22</u>	<u>17</u>
Net income	<u>403</u>	<u>(630)</u>	<u>1,283</u>

PER SHARE INFORMATION

Diluted earnings per share (in euros).....	3,08	(4,50)	9,43
		*	*
* excluding non recurring items.....	3,08	2,94	6,11
Number of shares used in calculating earnings per share	132,742,616	138,708,733	137,241,129

DANONE GROUP

CONSOLIDATED BALANCE SHEETS

ASSETS

	Euros (millions)		
	<u>JUNE 30, 03</u>	<u>JUNE 30, 02</u>	<u>DEC 31, 02</u>
Property, plant and equipment.....	6,880	7,179	6,895
Less : accumulated depreciation	(3,991)	(3,909)	(3,903)
	<u>2,889</u>	<u>3,270</u>	<u>2,992</u>
Brand names	1,243	1,260	1,259
Other intangible assets (net)	246	89	234
Goodwills	<u>3,158</u>	<u>3,499</u>	<u>3,140</u>
	<u>4,647</u>	<u>4,848</u>	<u>4,633</u>
Long-term loans.....	417	399	388
Long-term investments.....	1,133	397	634
Equity in affiliated companies	663	583	660
Other	<u>315</u>	<u>868</u>	<u>284</u>
	<u>2,528</u>	<u>2,247</u>	<u>1,966</u>
Non-current assets	<u>10,064</u>	<u>10,365</u>	<u>9,591</u>
Inventories	619	667	592
Trade accounts and notes receivable.....	962	1,165	947
Other accounts receivable and prepaid expenses.....	925	914	863
Short-term loans.....	88	175	128
Marketable securities	2,514	398	2,801
Cash and cash equivalents.....	<u>478</u>	<u>643</u>	<u>568</u>
Current assets	<u>5,586</u>	<u>3,962</u>	<u>5,899</u>
Total assets	<u>15,650</u>	<u>14,327</u>	<u>15,490</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Capital stock (per value Euro 1 per share).....	138	141	137
Capital surplus.....	681	1,194	649
Retained earnings	6,681	4,655	6,568
Translation adjustments.....	(1,680)	(1,239)	(1,441)
Treasury stock.....	<u>(1,120)</u>	<u>(909)</u>	<u>(826)</u>
Stockholders' equity	<u>4,700</u>	<u>3,842</u>	<u>5,087</u>
Minority interests	665	680	729
Convertible bonds	625	1,000	1,000
Long-term debt	3,771	3,144	3,092
Retirement indemnities, pensions and post-retirement healthcare benefits	280	268	272
Provisions and long-term liabilities	<u>400</u>	<u>504</u>	<u>492</u>
Stockholders' equity and non-current liabilities	<u>10,441</u>	<u>9,438</u>	<u>10,672</u>
Trade accounts and notes payable	1,597	1,524	1,516
Accrued expenses and other liabilities	1,853	1,988	1,756
Short-term debt and bank overdrafts.....	<u>1,759</u>	<u>1,377</u>	<u>1,546</u>
Current liabilities	<u>5,209</u>	<u>4,889</u>	<u>4,818</u>
Total liabilities and stockholders' equity	<u>15,650</u>	<u>14,327</u>	<u>15,490</u>

DANONE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Euros (millions)		
	<u>JUNE 30, 03</u>	<u>JUNE 30, 02</u>	<u>DEC 31, 02</u>
Net income	403	(630)	1,283
Minority interests in net income of consolidated subsidiaries.....	93	104	182
Equity in net earnings of affiliated companies.....	(22)	(22)	(17)
Depreciation and amortization	314	362	721
Other	(100)	877	(591)
Cash flows from operations	688	691	1,578
Net variation in inventories.....	(44)	(28)	11
Net variation in trade accounts and other accounts receivable	(118)	(391)	(109)
Net variation in trade accounts and other accounts payable	222	391	148
Other variations	20	16	13
Net change in current assets and liabilities.....	80	(12)	63
Cash flows from operating activities	768	679	1,641
Capital expenditures	(241)	(253)	(603)
Investment in subsidiaries and affiliated companies.....	(799)	(341)	(495)
Proceeds from the sale of businesses and other investments	99	1,106	3,410
Cash flows from investing activities	(941)	512	2,312
Increase in capital and capital surplus	32	44	47
Purchases of treasury stock	(294)	(306)	(786)
Dividends	(418)	(390)	(404)
Increase in long-term debt	835	(383)	(467)
Increase in long-term loans and other assets	(83)	(191)	(232)
Net change in short-term debt	(234)	10	245
Net change in marketable securities	284	(12)	(2,418)
Miscellaneous.....	(12)	-	-
Cash flows from financing activities	110	(1,228)	(4,015)
Effect of exchange rate changes on cash and cash equivalents	(27)	(33)	(83)
Increase in cash and cash equivalents	(90)	(70)	(145)
Cash and cash equivalents at beginning of year	568	713	713
Cash and cash equivalents at year end / or end of June	478	643	568

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 2002 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

The disposal in 2002 of the Group's beer activities to Scottish & Newcastle and of the domestic retail water business in the United States through agreements with the Coca Cola Company, together with the disposal of Galbani as of May 1st, 2002 have an impact on the comparability of earnings as of June 30, 2003 and 2002.

Since December 31, 2002 the following changes occurred in companies included in the scope of consolidation :

- Consolidation as of January 1st, 2003 of Mashreq (Biscuits in Egypt).
- Consolidation by equity method as of January 1st, 2003 of companies in the Beverages Division : Kirin (Japan), Magyar Viz (Hungary), Naturfruit (France) and Sotherma (Morocco).

3. Non-recurring items

Non-recurring items for the first half of 2003 comprise only restructuring costs for an amount of euros 29 millions in the Biscuits Division.

Non-recurring items for the first half of 2002 included one time negative items of euros 1,032 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 1st 2002, the remaining part being largely made of exceptional goodwill impairment charges on Group activities in emerging markets, mainly in Latin America. Restructuring costs for an amount of euros 9 million in the Biscuit division were also included as non recurring items.

4. Investments in subsidiaries and affiliated companies

During the first half of 2003 investments in subsidiaries and affiliated companies mainly relate to :

- Acquisition of Sparkling Springs (HOD activities in the Canada, USA, Netherlands and United-Kingdom)
- Additional interests in Yakult (Dairy Products in Japan), which the Group holds now up to 20%.

5. Long-term investments in non consolidated companies

As of June 30, 2003 long term investments include :

- Interest in Chateaud'Eau International and Sparkling Springs Europe (Netherlands and United Kingdom) which will be brought in the second half of 2003 to the joint venture between the Group and Eden Springs.
- Minority interest in various companies (notably Yakult and Wimm Bill Dann).

6. Goodwill amortization

Goodwill amortization amounts to euros 49 million (euros 71 million at June 30, 2002) which is recorded as euros 43 million under the caption "other expense and income" (euros 64 million at June 30, 2002) and euros 6 million under the caption "equity in net earnings of affiliated companies" (euros 7 million at June 30, 2002).

7. Stockholders' equity

	Issued	Excluding treasury stock	Capital stock	Surplus	Retained earnings	Translation adjustments	Treasury stock	Stockholder's equity attributable to the Group
	<u>Number of shares</u>			<u>in millions of euros</u>				
Balance at								
December 31, 2002	137,335,122	129,291,833	137	649	6,568	(1,441)	(826)	5,087
Capital stock issues	332,861	332,861	1	32				33
Net income for six month 2003					403			403
Dividends paid					(294)			(294)
Translation adjustments					4	(239)		(235)
Change in treasury stock...		(2,492,708)					(294)	(294)
Balance at								
June 30, 2003	<u>137,667,983</u>	<u>127,131,986</u>	<u>138</u>	<u>681</u>	<u>6,681</u>	<u>(1,680)</u>	<u>(1,120)</u>	<u>4,700</u>

Negative translation adjustments relating to the « Euro area » currencies amount to euros 223 million at June 30, 2003.

The change in the translation adjustments during the first semester come from the negative evolution of the US dollar and currencies pegged against US dollar, as well as from the decrease in currencies in Latin America.

Treasury stock held by the Group as at June 30, 2003 amount to 10,535,997 shares representing 7,7 % of issued capital.

8. Securitization

Since 2001, a securitization program is place within the majority of the operational companies of the Group. At June 30, 2003 trade receivables sold amounted to euros 754 million net of a 90 million warranty deposit. Expenses related to this securitization program are accounted for as financial expenses.

9. Subsequent events

- As of September 1, 2003, the Group has brought its shares in Chateaud'Eau International, Nature Springs Water Company Ltd and Nature Springs Europe BV to the Dutch company "The DANONE Springs of Eden BV". Groupe DANONE holds a 53.2 % stake in this joint venture.
- As the beginning of September 2003, Groupe DANONE and Suntory Limited have signed an agreement to create a joint-venture, which will include all of the activities of Suntory Water Group and the Home and Office Delivery bottled activities of Danone Waters North of America. Each of Groupe DANONE and Suntory Limited will have an equal holding in the new entity.

10. 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 2 billion and no material investment under these agreements is currently planned.

Groupe Danone has also granted a put and holds a call over the 46.8 % interest it does not hold in the new company

DANONE Springs of Eden BV. Those options are based on the economic performances and the earnings of the company, and can be exercised without condition in September 2008 and possibly before this date, under certain conditions.

- 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. At this stage, it is impossible to predict the outcome of these inquiries, the date when they will be concluded, or their eventual effect on the Group, notably in respect of guarantees the Group has granted.

11. Segment information :

<u>(In million of euros)</u>	<u>Dairy Products</u>	<u>Beverages</u>	<u>Biscuits</u>	<u>Other food businesses</u>	<u>Containers</u>	<u>Total Divisions</u>
<u>JUNE 30, 2002</u>						
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
Total assets	3,466	4,651	4,021	375	41	12,554
	<u>Total Divisions</u>			<u>Unallocated items</u>		<u>Total Group</u>
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
Total assets	12,554			1,773		14,327
<u>(In million of euros)</u>	<u>Dairy Products</u>	<u>Beverages</u>	<u>Biscuits</u>	<u>Other food businesses</u>	<u>Containers</u>	<u>Total Divisions</u>
<u>JUNE 30, 2003</u>						
Gross sales	3,365	2,021	1,681	163		7,230
Sales within the divisions	(253)	(156)	(184)	(5)		(598)
Net division sales	3,112	1,865	1,497	158		6,632
Sales within the Group	(10)	-	-	-		(10)
Net sales outside the Group	3,102	1,865	1,497	158		6,622
Operating income	424	270	124	26	-	844
Equity on the earnings of affiliated companies	6	9	7		-	22
Capital expenditures	66	107	59	2	-	234
Depreciation expense	110	117	73	6	-	306
Cash flows from operations	372	295	98	24	-	789
Total assets	3,767	3,745	3,799	345	-	11,656
	<u>Total Divisions</u>			<u>Unallocated items</u>		<u>Total Group</u>
Operating income	844			(57)		787
Equity on the earnings of affiliated companies	22			-		22
Capital expenditures	234			7		241
Depreciation expense	306			8		314
Cash flows from operations	789			(101)		688
Total assets	11,656			3,994		15,650

12. Geographical area information

<u>(In million of euros)</u>	<u>Europe</u>	<u>Asia</u>	<u>Rest of the World</u>	<u>Total</u>	<u>Europe</u>	<u>Asia</u>	<u>Rest of the World</u>	<u>Total</u>
	<u>JUNE 30, 2002</u>				<u>JUNE 30, 2003</u>			
Total sales outside the Group.....	4,555	1,127	1,470	7,152	4,431	1,019	1,172	6,622
Operating income.....	582	149	79	810	609	139	96	844
Equity on the earnings of affiliated companies	8	1	13	22	15	2	5	22
Capital expenditures	108	71	52	231	118	71	45	234
Cash flows from operations	572	154	98	824	537	141	111	789
Total assets.....	8,292	1,791	2,471	12,554	8,037	1,602	2,017	11,656