Häagen-Dazs

shops

The Häagen-Dazs Shoppe Company, Inc.

(a wholly owned subsidiary of Dreyer's Grand Ice Cream, Inc.)

Financial Statements

As of and for the 52-week period ended December 30, 2006, 53-week period ended December 31, 2005 and 44-week period ended December 25, 2004

March 26, 2007

KPMG

KPMG LLP
55 Second Street
San Francisco, CA 94105

Independent Auditor's Report

The Board of Directors
The Häagen-Dazs Shoppe Company, Inc.:

We have audited the accompanying balance sheets of The Häagen-Dazs Shoppe Company, Inc. (the Company) (a wholly owned subsidiary of Dreyer's Grand Ice Cream, Inc.) as of December 30, 2006 and December 31, 2005, and the related statements of income, change in stockholder's equity, and cash flows for the 52-week period ended December 30, 2006, the 53-week period ended December 31, 2005, and the 44-week period ended December 25, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Häagen-Dazs Shoppe Company, Inc. as of December 30, 2006 and December 31, 2005, and the results of its operations and its cash flows for the 52-week period ended December 30, 2006, the 53-week period ended December 31, 2005, and the 44-week period ended December 25, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements include a significant number of transactions with related parties and are not necessarily indicative of the financial condition and results of operations that would have existed if the Company had been operated as an independent entity.

KPMG LLP

San Francisco, California
March 26, 2007

STATEMENTS OF INCOME

	December 30, 2006	December 31, 2005	December 25, 2004
Revenues:			
Royalty, franchise fee and other	$ 3,020,429	$ 2,890,672	$ 2,438,960
Commissions earned from Dreyer's Grand Ice Cream, Inc.	1,457,202	1,438,582	1,080,909
Total revenues	4,477,631	4,329,254	3,519,869
Expenses:			
Selling, general and administrative expenses	3,499,909	3,174,113	2,470,689
Income before income taxes	977,722	1,155,141	1,049,180
Income tax expense	393,700	459,185	417,839
Net income	$ 584,022	$ 695,956	$ 631,341

See accompanying Notes to Financial Statements.

BALANCE SHEETS

	December 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash	$ 10,730	$ 1,351
Trade accounts receivable, net	109,098	183,478
Note receivable, current	16,390	—
Prepaid expense and other	84,316	81,676
Deferred income taxes	18,626	4,843
Total current assets	239,160	271,348
Due from Dreyer's Grand Ice Cream, Inc.	2,243,184	1,078,744
Property and equipment, net	77,159	140,696
Note receivable, non-current	183,610	—
Deferred income taxes	—	10,268
Goodwill ...	165,000	165,000
Total assets	$ 2,908,113	$ 1,666,056
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Accrued liabilities	$ 714,953	$ 274,758
Deferred revenue	277,550	64,000
Total current liabilities	992,503	338,758
Deferred income taxes	4,290	—
Total liabilities	996,793	338,758
Commitments and Contingencies		
Stockholder's Equity:		
Common stock, no par value (authorized, issued and outstanding 100 shares) and additional paid-in capital	1	1
Retained earnings	1,911,319	1,327,297
Total stockholder's equity	1,911,320	1,327,298
Total liabilities and stockholder's equity	$ 2,908,113	$ 1,666,056

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Shares	Common Stock	Additional Paid in Capital	Retained Earnings	Total
Balances at February 17, 2004	100	$ —	$ 1	$ —	$ 1
Net income				631,341	631,341
Balances at December 25, 2004	100	—	1	631,341	631,342
Net income				695,956	695,956
Balances at December 31, 2005	100	—	1	1,327,297	1,327,298
Net income				584,022	584,022
Balances at December 30, 2006	100	$ —	$ 1	$1,911,319	$ 1,911,320

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	December 30, 2006	December 31, 2005	December 25, 2004
Cash flows from operating activities:			
Net income	$ 584,022	$ 695,956	$ 631,341
Adjustments to reconcile net income to cash flows from operations:			
Depreciation and amortization	66,689	108,516	65,368
Allowance for doubtful accounts	3,570	—	—
Deferred income taxes	775	(60,935)	45,824
Changes in assets and liabilities:			
Trade accounts receivable	70,810	6,588	85,450
Prepaid expense and other	(2,640)	(5,858)	(70,118)
Accrued liabilities	440,195	(190,144)	34,868
Deferred revenue	213,550	24,000	40,000
	1,376,971	578,123	832,733
Cash flows from investing activities:			
Purchase of property and equipment	(3,152)	(5,139)	(229,300)
Due from Dreyer's Grand Ice Cream, Inc	(1,164,440)	(572,730)	(602,336)
Issuance of note receivable	(200,000)	—	—
	(1,367,592)	(577,869)	(831,636)
Increase in cash	9,379	254	1,097
Cash, beginning of period	1,351	1,097	—
Cash, end of period	$ 10,730	$ 1,351	$ 1,097

See accompanying Notes to Financial Statements.

The Häagen-Dazs Shoppe Company, Inc.

Notes to Financial Statements

1) Organization

The Häagen-Dazs Shoppe Company, Inc. (the Company) is a wholly owned subsidiary of Dreyer's Grand Ice Cream, Inc. (Dreyer's). On February 17, 2004, Dreyer's acquired all of the equity interest of the Company from The Pillsbury Company. Upon the change in ownership, the Company continued to account for its assets and liabilities at historical book values. The Company has been the franchisor of the United States Häagen-Dazs parlor business since the early 1980's. Dreyer's manufactures and distributes frozen dessert products in the United States.

2) Summary of Significant Accounting Policies

a) Basis of Presentation

The accompanying financial statements are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

b) Property and Equipment

Property and equipment is carried at cost.

Property and equipment is depreciated using the straight-line method over the assets' estimated useful lives, currently ranging from 3 to 8 years. Leasehold improvements are amortized over the shorter of their useful lives or the term of the respective leases.

c) Impairment or Disposal of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. For the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, the Company had no impairment of long-lived assets.

d) Goodwill

Goodwill is tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company operates as a single segment with one reporting unit. The Company's impairment tests each year reported a fair value in excess of the carrying value for its reporting unit. For the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, the Company had no impairment of goodwill. A decline in the estimated fair market value of the Company's reporting unit could result in a goodwill impairment charge and that impairment charge could be material. Goodwill at December 30, 2006 and December 31, 2005 was $165,000.

e) **Royalty, Commission, Franchise Fee and Other**

The Company earns royalty income when franchisees purchase frozen dessert products from Dreyer's (a "Purchase-based Royalty") or when franchisees sell items to customers (a "Sales-based Royalty"). The Purchase-based Royalty rate is included in the gross purchase price of the frozen dessert products.

The Company earns commissions from Dreyer's in connection with purchases by franchisees of Häagen-Dazs ice cream from Dreyer's. The commission rates per unit of product which the Company receives are comparable to the rates Dreyer's pays to franchisors who are not affiliated with Dreyer's. Commissions that Dreyer's owes to the Company are included in the Due from Dreyer's Grand Ice Cream, Inc. account in the accompanying balance sheet.

The Company recognizes franchise fees and successor fees from the franchisees after pre-opening services have been performed in accordance with the franchise agreements. Franchise fees and successor fees collected from franchisees before pre-opening services have been performed are presented as Deferred revenue in the accompanying balance sheet.

f) **Marketing Funds**

The Company acts as an agent for franchisees in the management of certain marketing funds pursuant to its franchise agreements. The Company collects specified amounts from franchisees and enters into marketing programs for the benefit of the franchise system. The Company has discretion as to how the funds are spent, provided the funds are spent in accordance with the franchise agreements. The Company accounts for receipts and expenditures on a net basis in its statements of income. To the extent the Company incurs marketing expenses in advance of receipts received from franchisees, such amounts are recognized as expense.

g) **Income Taxes**

The results of the Company's operations are included in the consolidated Federal income tax return of its ultimate United States parent company, Nestlé Holdings, Inc. Income tax expense is provided as if the Company filed a separate tax return.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

h) **Fiscal Year**

The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in December. The financial statements for 2006 include the results of the Company for the 52-week period from January 1, 2006 through December 30, 2006. The financial statements for 2005 include the results of the Company for the 53-week period from December 26, 2004 through December 31, 2005. The financial statements for 2004 include the results of the Company for the 44-week period from February 17, 2004 through December 25, 2004.

i) **Use of Accounting Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

3) Trade Accounts Receivable, Net

Trade accounts receivable, net at December 30, 2006 and December 31, 2005 consisted of the following:

	2006	2005
Trade accounts receivable	$ 112,668	$ 183,478
Allowance for doubtful accounts	(3,570)	—
	$ 109,098	$ 183,478

4) Note Receivable

In 2006, the Company issued a promissory note with a principal balance of $200,000 and an interest rate of 4.65% to a franchisee to fund certain design costs of the franchisee's shop. The promissory note requires the franchisee to make annual principal and interest payments to the Company over a ten-year period. The first payment is due in 2007. The current portion of the note receivable was $16,390 at December 30, 2006. The noncurrent portion of the note receivable was $183,610 at December 30, 2006.

5) Franchise Activity

The following is the summary of franchised shops for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004:

	Franchised Shops
Shops at February 17, 2004	235
New	13
Closings	(12)
Shops at December 25, 2004	236
New	16
Closings	(24)
Shops at December 31, 2005	228
New	29
Closings	(25)
Shops at December 30, 2006	232

6) Property and Equipment, Net

Property and equipment, net at December 30, 2006 and December 31, 2005 consisted of the following:

	Lives	2006	2005
Machinery and equipment	3 to 5 years	$ 104,054	$ 100,902
Leasehold improvements	1 to 7 years	114,641	114,641
Furniture and fixtures	3 to 8 years	100,629	100,629
		319,324	316,172
Accumulated depreciation and amortization		(242,165)	(175,476)
		$ 77,159	$ 140,696

Depreciation and amortization expense for property and equipment was $66,689, $108,516 and $65,368 for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, respectively.

7) Related-party Transactions

In addition to the commissions earned from Dreyer's (Note 2), Dreyer's manages the Company's cash activities. The net amounts due from Dreyer's are the result of Dreyer's managing the Company's cash activities under a centralized cash management system. The balance due from Dreyer's as of December 30, 2006 and December 31, 2005 was $2,243,184 and $1,078,744, respectively. The balance due from Dreyer's is non-interest bearing.

During the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, Dreyer's charged the Company management fees of $187,561, $187,300 and $162,587, respectively, which are included in Selling, general and administrative expenses. The management fee is comprised of the base salary, bonus and benefits for individuals providing services to the Company.

The Häagen-Dazs trademark is owned by HDIP, Inc. (unrelated party), and, in the United States, with respect to frozen dessert products, is licensed exclusively to Nestec Ltd. and Société Des Produits Nestlé S.A. (affiliates of Dreyer's and the Company) and sublicensed to Dreyer's. The Company grants use of the trademark to franchises under the authority of the trademark owner. The Company is not required to pay royalties for the use of the trademark.

Certain marketing costs are allocated to the Company by Dreyer's based on the nature of the marketing activity and the planned marketing programs of the Company. Marketing costs incurred by Dreyer's to increase the sale of Häagen-Dazs frozen dessert products, which may provide an indirect benefit to the Company, are not allocated to the Company.

Trade accounts receivable are allocated to the Company by Dreyer's for sales of frozen dessert products sold to franchisees and customers. The calculation of the allocation is based on the percentage of sales earned by Dreyer's that is paid to the Company as a royalty (Note 2).

8) Income Taxes

The Company was included in a consolidated income tax return with Nestlé Holdings, Inc. Dreyer's charges or credits the Company an allocated portion of the consolidated federal income tax expense equivalent to the amount which would have resulted had the Company filed a separate federal income tax return. Income taxes are paid on behalf of the Company through the due to/from Dreyer's intercompany account.

Income tax expense for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004 consisted of the following:

	2006	2005	2004
Current Federal	$ 329,264	$ 438,337	$ 312,877
Current State	63,661	81,783	59,138
Deferred	775	(60,935)	45,824
	$ 393,700	$ 459,185	$ 417,839

Deferred income tax assets at December 30, 2006 and December 31, 2005 consisted of the following:

	2006	2005
Deferred income tax assets - Current accrued bonus and vacation expense	$ 17,234	$ 4,843
Deferred income tax assets - bad debt expense	1,392	—
Deferred income tax (liabilities) assets - noncurrent depreciation	(4,290)	10,268
	$ 14,336	$ 15,111

A reconciliation of the federal statutory rate to the effective income tax rate for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004 is as follows:

	2006	2005	2004
U.S. federal statutory rate	35.00%	35.00%	35.00%
State income taxes, net of federal benefit	4.13	4.08	4.09
Other	1.14	.67	.74
Effective income tax rate	40.27%	39.75%	39.83%

9) Retirement Benefits

The Company participates in a defined contribution retirement plan (the Pension Plan) and salary deferral plan (the 401(k) Plan) for salaried employees sponsored by the Company and maintained by Dreyer's. The Pension Plan provides retirement and other benefits based upon the assets of the Pension Plan held by the trustee. Under the 401k Plan, the Company may make a matching contribution of a percentage of each participant's annual deferred salary amount. Pension expense was $64,153, $54,665 and $37,810 for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, respectively. 401(k) Plan expense was $49,682, $57,195 and $47,107 for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, respectively.

10) Commitments and Indemnifications

Future minimum rental payments required under the Company's noncancelable operating leases at December 30, 2006 are as follows:

Year	
2007	$ 102,923
2008	86,392
2009	64,794
	$254,109

Rental expense under all operating leases, both cancelable and noncancelable, were $134,016, $127,211 and $74,397 for the periods ended December 30, 2006, December 31, 2005 and December 25, 2004, respectively.

The Company indemnifies franchisees related to claims, demands and causes of action challenging the use and display of the Häagen-Dazs trademark and trade name permitted by the franchise agreements. The terms of the indemnification will expire at the end of the franchise agreements. For the periods ended December 30, 2006 and December 31, 2005, the Company was not subject to claims or demands pertaining to the Häagen-Dazs trademark or trade name. As such, the Company has not recorded any expense or liability related to the indemnifications in the periods presented.

11) Legal Proceedings

The Company may be subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its financial position, results of operations or cash flows.

KPMG

KPMG LLP
55 Second Street
San Francisco, CA 94105

Independent Auditor's Consent

The Board of Directors
The Häagen-Dazs Shoppe Company, Inc.:

We agree to the inclusion of our report dated March 26, 2007, with respect to the financial statements of The Häagen-Dazs Shoppe Company, Inc. (a wholly owned subsidiary of Dreyer's Grand Ice Cream, Inc.) as of December 30, 2006 and December 31, 2005, and for the 52-week period ended December 30, 2006, the 53-week period ended December 31, 2005, and the 44-week period ended December 25, 2004, in The Häagen-Dazs Shoppe Company, Inc. Uniform Franchise Offering Circular dated March 26, 2007. This letter should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

KPMG LLP

San Francisco, California
March 28, 2007