



DANONE

Letter to shareholders

March 2002

Dear shareholder,



Despite doubts expressed during the year, results posted by Groupe DANONE in 2001 speak for themselves and confirm that our strategy is a strategy of the future, regardless of the environment. They are also a reminder that DANONE's unique corporate culture continues to make its mark in France and around the world.

We have built our identity on this culture and its dual commitment to personal fulfillment and economic success, underpinning our capacity to be a world leader in three fast-growing business lines. Innovation and research are the drivers for our top-ranking performance in these markets.

Highlights of 2001 include reorganization of our biscuit operations in Europe. This will continue to affect business for the two years ahead as we seek—and find—a solution for each employee concerned. Today, twelve months on, we are engaged in talks with trade unions and are making every effort to comply with relevant legislation and regulations.

For there can be no doubt: Groupe DANONE has met and will continue to meet its commitments, finding alternate employment for all employees and ensuring the industrial redevelopment of our former sites.

In a year marked by turmoil in the international arena, other developments brought further confirmation of the effectiveness of our growth model as we:

- consolidated our positions in new countries by acquiring majority and minority interests in existing businesses
- strengthened our position in Water, becoming the world's no. 1 volume supplier with 12.5% of the market as sales rose more than 7%.

- expanded in emerging markets with young populations, which now account for 31% of our revenues

- scored new successes based on innovation including Actimel, Taillefine, Volvic Fruité, Volvic 5-liter bottles, La Crème and Petit Déjeuner breakfast biscuits.

Our results place us at the forefront of the world's food companies. They were achieved through restructuring and a policy of vigorous expansion.

Today DANONE offers outstanding growth potential, along with substantial scope for improvement in financial ratios, and a people culture that is quite simply unique.

Shareholders' Meeting

The combined ordinary and extraordinary general meeting of shareholders will take place on Thursday, 25 April 2002 at 4:00 p.m. at the Carrousel du Louvre, 99, rue de Rivoli, 75001 Paris. Full information on page 8.

Franck Riboud

Key indicators

Sales
(like-for-like) **+5.1%**

Operating profit
(up from 10.8% in 2000) **11.1%**

Net earnings per share (diluted)
(excluding non-recurring exceptional items) **+8.3%**

Results

2001 AT A GLANCE

Performance right on track

In 2001 organic sales growth came to 5.1%, while operating margin rose for the seventh consecutive year, from 10.8% to 11.1%. Net earnings per share on ordinary business jumped 8.3% over the full period and more than 10.4% in the second half, in keeping with targets announced last year.

DANONE's strategic model proved its effectiveness once again in 2001. This is built on a portfolio of prestigious brands backed by extensive advertising and a steady flow of new and successful product, as well as leadership positions in core markets and a product mix spanning all of the food industry's fastest-growing segments. Geographical spread also played a role, as momentum from emerging markets and persistently strong demand in Europe proved a winning combination.

Finances remained robust, with the equity ratio at 72%.

Strong 2001 performances are all the more impressive given unsettled conditions, both internal and external. Plans for restructuring of biscuit operations in Europe were announced and the price of main raw materials used by the Group headed up, while upheavals in Argentina and the world economic slowdown in the second half took a toll.

At the general meeting of shareholders to be held on April 25 this year, the Board will propose payment of a €2.06 dividend for 2001, up 8.4% on the 2000 figure.

In focus

Emerging markets fuel growth

- A sweeping acquisitions program in recent years has given Groupe DANONE a strong presence in emerging markets, which now account for over 31% of total sales. We lead the field in each of our three core businesses, with sales volumes twice those of our closest rival in Biscuits and Cereal Snacks, and more than four times the number-two player in Dairy Products and Bottled Water. Positions like these are a major strategic asset for the years ahead: growth potential in emerging markets is enormous.

Business lines

Dairy Products

• Sales rose steadily during the year, with organic growth reaching 6.8%. Operating margin jumped from 10.9% to 11.4% despite a rise in milk prices.

Highlight

• Actimel continued to make waves, with sales up 40% in 2001.

Beverages

• Beverage sales were up 7.1% like for like and operating margin rose 11.4% —up 22 basis points at constant scope of consolidation and exchange rates. Brewery operations in Europe were removed from consolidation for the full year; since these generate above-average profitability, this automatically led to a decline in operating margin.

Highlight

• In 2001, DANONE became the world's leading supplier of packaged water in volume terms.

Biscuits and Cereal Snacks

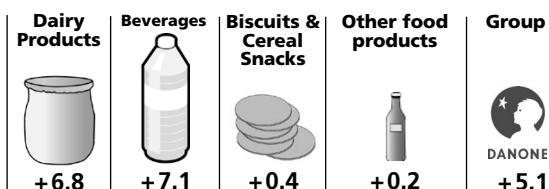
• With markets unsettled, sales of Biscuits and Cereal Snacks showed an organic rise of 0.4% with operating margin up from 8.7% to 9.4%. Major developments included the announcement of plans to reorganize production in Europe and difficulties in Argentina.

Highlight

• Petit Déjeuner breakfast cookies and diet products Taillefine/Vitalinea scored successes.

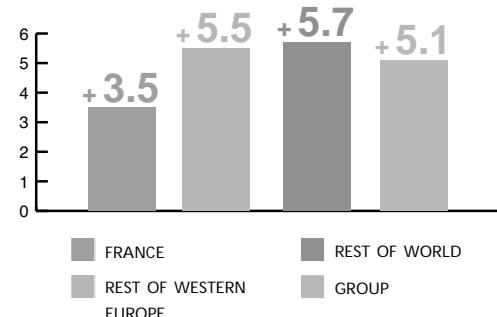
Sales growth*

by business line (%)



Sales growth*

by region (%)



* At constant scope of consolidation and exchange rates.

Key figures

(€ millions)

	2000	2001	Rise
Sales	14,287	14,470	+5.1% (like-for-like)
Operating income	1,550	1,609	+9.8% (like-for-like)
Operating margin	10.8%	11.1%	
Net income (excluding minorities)	721	132	
Net income excluding exceptional provisions⁽¹⁾	720	780	+8.3%
Cash flow from operations	1,558	1,611	
Capital expenditure	798	737	
Investment in subsidiaries and affiliates	2,849	1,071	
Net earnings per share (diluted), excl. exceptional items	€5.09	€5.51	+8.3%
Dividend per share⁽²⁾	€1.90	€2.06	+8.4%
Return on capital invested	9.0%	9.3%	
Debt ratio	55%	72%	
Number of shares at Dec. 31 ('000)	149,086	141,033	
Share price at Dec. 31 (€)	€160.6	€137.0	-14.7%
Market capitalization at Dec. 31	23,943	19,322	

(1) 2001 figure includes provision for restructuring biscuit operations and exceptional amortization of goodwill for Galbani.

(2) 2001: proposed figure submitted to the General Meeting of Shareholders (April 2002) for approval.



Energy drinks—a strategic segment for DANONE

DANONE confirmed its interest in the energy drink sector with a successful takeover bid for New Zealand's Frucor in January 2002. Frucor is front-runner in the energy drink market in Australia with its "V" brand. Sales totaled €105 million in 2001, with growth averaging more than 40% over the past three years. Groupe



Upcoming events

25 April 2002

Annual general meeting in Paris
(Carrousel du Louvre)

4 June 2002

Dividend payable

24 July 2002

Provisional sales & results for 1st-half 2002

17 October 2002

9-month sales

DANONE plans to move Frucor's already impressive drive in the Asia-Pacific region up a gear. And we have the resources to do so: DANONE is no. 1 in bottled water in both China and Indonesia, and leads the segment in Asia-Pacific as a whole.

No.1

in Poland—DANONE moves out ahead following acquisition of a controlling interest in market leader Zywiec Zdroj and confirms its leading position in all three business lines.

STONYFIELD FARMS and DANNON US

In October 2001 DANONE entered into a strategic partnership with Stonyfield Farms, taking a 40% equity interest in the US market leader in organic dairy products. Natural and organic brands represent 5% of all dairy products sold in the United States. Stonyfield Farms has grown from regional roots to become the country's fourth largest yogurt company. Growth came to over 20% in the past decade, underpinned by an image based on good corporate citizenship and environmental responsibility—values shared by DANONE.

During the year, DANNON US confirmed its strong performance, building on La Crème—a yogurt dessert launched in January 2001—to become co-leader of the US Dairy Product market.

KUDOS

Products of the year



French consumers voted two Danone specialties "products of the year" in 2002. On the podium: PIM's Délice cookies—available in two flavors, chocolate mousse with hazelnuts, and coffee mousse—and Evian bottled water. Innovative features included PIM's crisp chocolate topping with its distinctive insignia and Evian's sleek, easy-to-carry "Nomade" bottle. Behind the scenes, the prizes are also a reward for Groupe DANONE's investment in innovation. In 1999 the company filed a new patent for the process used to apply PIM's unique chocolate coating, and last summer launched a major advertising campaign in a bid to make Nomade bottles the fashion accessory of choice for consumers on the move.

Prince **SUPER-CHARGED WITH VITAMINS!**



In February Bolshevik, our Russian subsidiary, rolled out a new version of Prince cookies with extra vitamins. There are 20 million children in Russia, and the original Prince was

already a big hit, representing 10% of total sales at Bolshevik. The new version is the first Russian cookie designed especially for healthy eating. Its grain-based recipe comes from the Russian Academy for Medical Science and includes vitamin, calcium and iron complex Vitacaltsin.

40% *sales growth at Actimel in 2001, for a total €351 million.*

MERCHANDISING In-store displays One-stop lunch for Taillefine



A new refrigerated display case is set to revolutionize in-store offerings of the Taillefine diet range. Shown above, it carries the range colors and brings together all three Taillefine products. A refrigerated compartment at the base stores yogurts at 4°C, a cooler section in the middle keeps beverages

NEW HORIZONS in North Africa and the Middle East

Group DANONE has long been present in North Africa and the Middle East through equity interests in market leaders in Tunisia, Morocco, Turkey, Israel and Saudi Arabia. Al Safi-DANONE is our standard-bearer in Saudi Arabia, selling Dairy Products to a market of nearly 40 million consumers since November 2000.

In December 2001, new horizons opened as DANONE signed a partnership with Rachid Group, one of Egypt's top consumer goods businesses. The agreement covers all three business lines: Dairy Products, Biscuits and Cereal Snacks, and Water. Biscuits will be first off the mark, under the LU banner. With a population of 65 million and total biscuit sales estimated at 80,000 tons, Egypt offers exciting growth potential.

chilled, while biscuits are displayed at room temperature on top and around the exterior.

Now being tested at the sandwich counter of Monoprix's Paris stores, the case is a one-stop lunch display for fitness-conscious consumers, who can stock up on Taillefine yogurt, mineral water and biscuits in one go.



DANONE RECETTE CRÉMEUSE

Light, luscious eating

November 2001: DANONE France introduces Taillefine Cremosso, a tasty diet dessert that combines creamy yogurt goodness with zero fat.

Diet-conscious consumers can choose from plain, vanilla, strawberry, apricot, cherry and peach. In just three years, regular DANONE Recette Crèmeuse yogurt

captured 20% of the fruit yogurt market, which augurs well for Taillefine Cremosso — the only product of its type in the diet segment.

SALUS

Facelift for Uruguay's top mineral-water brand

In October 2000, DANONE acquired Salus mineral water, long a favorite in its home country—Uruguay—although considered somewhat old-fashioned. As part of a global relaunch, DANONE revamped packaging and visual identity to make Salus the country's only bottled water sold in film-wrapped packs.

To make the most of its facelift, Salus launched its first advertising campaign ever in November on TV, radio and billboards. These featured the brand's trademark puma, a reference to the spring that supplies its water.



AMOY moves into France

New China food—“fried noodles in three minutes!” announced the campaign targeting Paris commuters in the city's metro and press, as Amoy entered the French market. The brand is already well positioned in Asia, the US and the UK. Its drive into France will be spearheaded by easy-to-prepare Asian specialties for French consumers that enjoy Chinese cooking but do not often cook them.

EURO CHANGEOVER A SUCCESS

On January 1, 2001—one full year ahead of the introduction of euro notes and coins—Groupe DANONE switched its accounting, financial and payroll systems to the euro. DANONE France began using euros for its accounts in 1999, as did LU France, which set a year-end 2000 target for shifting contracts with its 250 top suppliers to euros. Other subjects on the euro-agenda: a review of marketing and commercial implications of the changeover, with a particular focus on consumer relations. Special programs were launched to reassure consumers, including undertakings to hold prices steady. A battery of tests focused on consumer behavior, analyzing new psychological thresholds for prices and the role of leading brands. DANONE then drew up an array of initiatives to help consumers come to grips with their new currency. The Group played a key role in a nationwide campaign to hold prices steady in industry and commerce, with a commitment to keep prices and packaging unchanged from November 2001 to the end of March 2002.

To track consumer behavior in France and fine-tune its strategy, DANONE teamed up with French market

research institute Sofres to conduct EuroDANONE surveys. Results sent to retailers since January confirm that shoppers are now at home with the new

currency, and regular EuroDANONE surveys confirmed the speedy changeover in France. Demand has proved resilient in the eurozone as a whole, and Group business is satisfactory: Average spending recorded at supermarket checkout counters is on the rise, as are outlays on barcoded consumer goods, which rose around 4% year-on-year in the first weeks of January. Chilled and fresh products have done particularly well.

**74% said they
were adapting
quickly.**

CONSUMERS TAKE THE CHANGE IN STRIDE

The euro switchover went more smoothly than anticipated from the start. In week one, a full 74% of respondents said they were adapting quickly, and 82% had no intention of cutting back on spending.

■ Four weeks on:

- 46% of respondents (up from 20% three weeks earlier) quoted the amount of their last shopping trip in euros, without prompting
- 69% reported reading euro prices first
- only one in three consumers still used a FRF/euro converter while shopping
- 18% felt that prices had climbed sharply, while 24% had noticed no change.

Clearly, consumers have kept a watchful eye on prices.

■ Surveys showed marked variations by household profile: lower-income families, whose average spending per trip to the store was up 3.5% in early January, reported slowing in the weeks that followed (+1.4%, but down to 1.2% in week 6). Altogether, consumer spending and sales proved resistant in the weeks immediately following the switchover.

Source: Sofres survey conducted from February 14 to 16, 2002. Sample group: 300.

Key facts and figures

Share performance

■ No. OF SHARES AT DEC. 31, 2001

141.03 million

■ NOMINAL

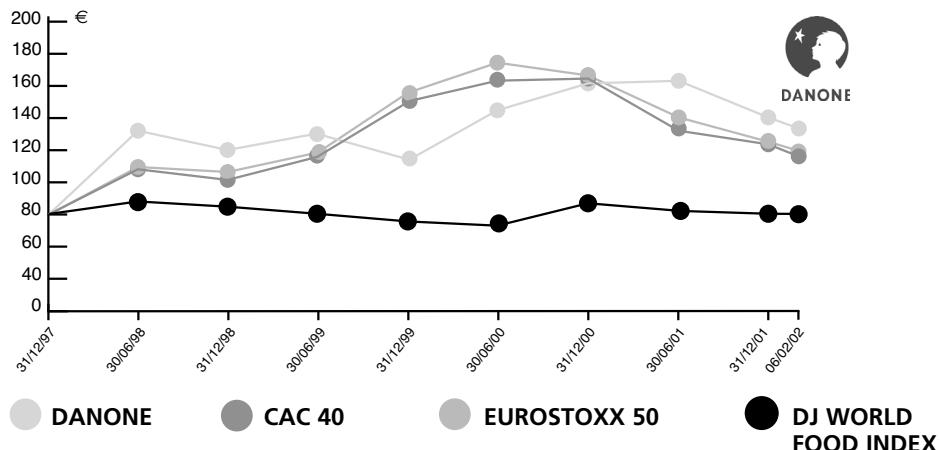
€1 per share
(at Dec. 31, 2001)

■ LISTED ON:

Euronext
(Amsterdam, Brussels,
Paris), London, Swiss
Exchanges, New York

DANONE is a component
share of the CAC 40 and
Eurostoxx 50 indexes

■ STOCK PRICE AND INDEX PERFORMANCE (CAC 40, EUROSTOXX 50, DJ WORLD FOOD)



■ General Meeting of **SHAREHOLDERS**

The General Meeting of Shareholders is an excellent opportunity for discussion and debate between shareholders and management, and we encourage you to attend. To obtain an entry card:

■ If your shares are in registered form

(held either in an account in your name, or in an account administered by a custodian)

You will receive notice of the meeting directly from Banque Lazard. Fill in and return the request for an entry card included with this notice. Your card will be sent to you prior to the date of the meeting.

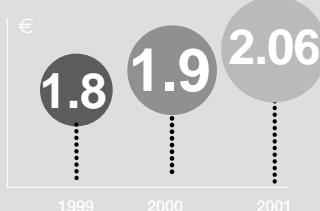
■ If your shares are in bearer form

Ask your bank or custodian to draw up an attestation that your shares have been frozen and have this sent to Banque Lazard, 121, boulevard Haussmann, 75008 Paris, France (fax +33 1 44 13 06 60).

Banque Lazard will send you an entry card in the weeks prior to the meeting. If you fail to receive this on time and wish to attend the meeting, you must arrive one hour before the official start to ensure that your name is registered on the official attendance list.

*For more information on attending the General Meeting, ask your bank or call
our toll-free number: 0 800 320 323 (from fixed line telephones in continental France).*

*Please note that this document constitutes notice only and does not entitle the addressee
to attend the General Meeting.*



Dividends paid
to Groupe DANONE
shareholders

(2001 figure is subject to approval
by the General Meeting called in 2002)

/// contacts

Financial information
www.finance.danone.com

> For the latest
company figures,
news, upcoming
events and more.