DANONE Group 2001 ANNUAL REPORT

2001 Annual Report

DANONE Group

DANONE

Contents

Franck Riboud
Chairman and
Chief Executive Officer

FROM THE CHAIRMAN

Dear Shareholders,

Let me first thank you for your loyalty during what was a highly eventful year in 2001. It was not an easy time for DANONE, but your Group again proved how soundly based it is, drawing strength from the motivation and cohesion of its workforce as well as the outstanding quality of its brands.

The decision to reorganize Biscuit activities in Europe was very difficult for me. I understand the feelings of the employees concerned, but I remain convinced that the decision was the right one to preserve our Group's competitiveness over the longer term. It is essential to anticipate and plan ahead to reduce the social impact of such adjustments, which become inevitable with the constant changes under way in the competitive environment. I am particularly proud that DANONE Group has remained true to its commitments, with an exemplary plan for support measures now unanimously recognized for what it is.

The dual commitment to social progress and business success that defines our business culture gives our Group an undeniable competitive advantage in this new century, where business performance is ever more closely linked to a balanced development model, respectful of people and the environment.

DANONE's success in meeting key targets for 2001 confirmed the pertinence of our strategy and the strength of our model for profitable growth. Organic sales growth topped 5%, one of the strongest performances in the world food industry, and operating margin improved for the seventh year in a row.

The disposal of Galbani's operations marks another important step toward full concentration on our three core business lines, further enhancing the clear business focus that has underpinned our success over recent years. The transaction will also provide a source of new momentum for growth and help raise profitability. It means, too, that we now generate over 45% of all our sales outside Western Europe.

DANONE Group is now one of the world's food industry's finest businesses, boasting leadership positions that place it at the heart of its markets, product categories that are among the most attractive in the industry, a strong international presence and an impressive lineup of prestigious brands associated with health and well-being.

The new era in DANONE's history has only just begun and I feel sure that I can rely on your support as we move ahead into new territory.

HIGHLIGHTS

A WORLD LEADER IN THREE FAST-GROWING BUSINESSES CENTERED ON HEALTH AND WELL-BEING

No. 1 worldwide in fresh dairy products

No. 1 worldwide for packaged water

No. 2 worldwide in biscuits and cereal snacks.

in volume

STRONG LOCAL PRESENCE

In businesses where close ties to consumers are crucial, DANONE has a key advantage: **70%** of our world sales are through **number-one** positions on domestic markets.

2001 SALES ON MAIN MARKETS

€ millions	Sales
France	3,561
US	1,541
Italy*	1,501
Spain	1,270
China	1,182
UK	824
Argentina	629
Mexico	506
Benelux	472
Germany	416

*Sales excluding Galbani €579 million

SIGNIFICANT POTENTIAL FOR EXPANSION BY ACQUISITION

Structurally high **cash flow.**

Proven expertise, with over **35 acquisitions completed** in the past three years.

A wide range of opportunities: **70%** of worldwide volumes in each of our three business lines are still from local suppliers.

HEALTHY ORGANIC GROWTH CENTRAL TO THE DANONE MODEL

Average of **+5.9%** over the past three years, or 7% excluding Galbani.

+5.1% in 2001.

STEADY RISES IN OPERATING MARGIN

Rises in **7** consecutive years.

Group operating margin was up from **10.8%** in 2000 to **11.1%** in 2001.

STRONG BRANDS WITH CONTINUING MOMENTUM

Sales under the DANONE brand came to €**5.1** billion or **35%** of the Group total in 2001. The brand has also benefited from one of the highest growth rates of any major food brand on world markets, with gains averaging **9.5%** over the past **three** years.

Four brands — DANONE, Evian, LU and Wahaha — account for **53%** of Group sales.

DANONE is the world's **top** brand for Fresh Dairy Products.

LU is the world's **number-two** brand for Biscuits and Cereal Snacks.

The Group has **3 of the world's top 4 brands* for bottled water** — Evian, Wahaha (China) and Volvic — and the **world's number-one brand for packaged water**, Aqua of Indonesia.

* volume

WORLDWIDE SCOPE

43% of sales and **72%** of employees are outside Western Europe.

Emerging markets: **31%** of sales and **market leader** in each of our three business lines.

Asia-Pacific countries are our main emerging markets, representing sales of €**1.9** billion or **13%** of the Group total.

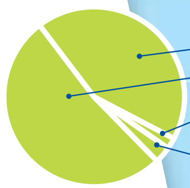
DANONE

DANONE GROUP WORLDWIDE

North America

- Sales €1.7 billion, **12% of consolidated total**
- **No. 1** in fresh dairy products
  No. 2 in bottled water
- **4,910** employees
- Main brands:

SALES BY BUSINESS LINE



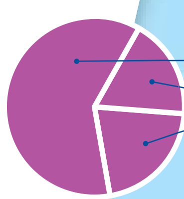
Western Europe

- Sales €8.3 billion, **57% of consolidated total**
- **No. 1** in fresh dairy products
  No. 1 in biscuits and cereal snacks
  No. 2 in bottled water
- **28,302** employees
- Main brands:

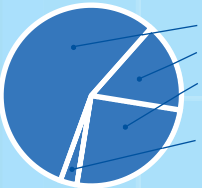
Latin America

- Sales €1.5 billion, **10% of consolidated total**
- **No. 1** in fresh dairy products
  No. 1 in biscuits and cereal snacks
  No. 1 in bottled water
- **12,620** employees
- Main brands:

SALES BY BUSINESS LINE



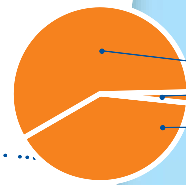
SALES BY BUSINESS LINE



Eastern Europe

- Sales €0.9 billion, 6% of consolidated total
- No. 1 in fresh dairy products
  No. 1 in biscuits and cereal snacks
- 9,987 employees
- Main brands:

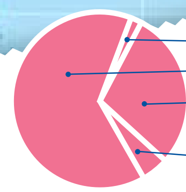
SALES BY BUSINESS LINE



Africa & Middle East

- No. 1 in fresh dairy products in South Africa
- DANONE equity affiliates hold strong positions in Saudi Arabia, Morocco, Tunisia, Algeria, Turkey and Israel
- Main brands:

SALES BY BUSINESS LINE

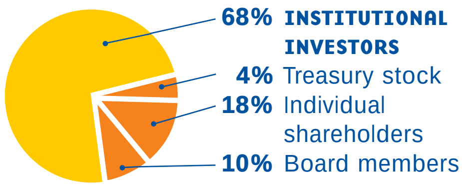


Asia-Pacific

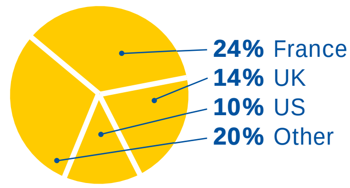
- Sales €1.9 billion, 13% of consolidated total
- No. 1 in packaged water
  No. 1 in biscuits and cereal snacks
- 44,276 employees
- Main brands:

DANONE GROUP KEY FIGURES

SHARE OWNERSHIP at December 31, 2001



INSTITUTIONAL INVESTORS BY COUNTRY

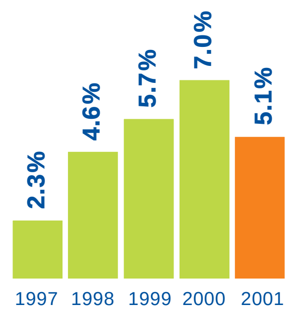


NUMBER OF SHARES LISTED on December 31, 2001: **141 million**

FINANCIAL HIGHLIGHTS

€ millions	2000	2001	Change (%)
Net sales	14,287	**14,470**	+5.1% (1)
Operating income	1,550	**1,609**	+9.8% (1)
Operating margin	10.8%	**11.1%**	+27 bp (1)
Net income (excl. exceptional one-time provisions)	720	**780**	+8.3%
Exceptional items (after tax)	1	**-648**	
Net income (excluding minorities)	721	**132**	
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) (excluding exceptional one-time provisions)	€5.09	**€5.51**	+8.3%
Net dividend per share	€1.90	**€2.06**	+8.4%
Return on capital invested (2)	9.0%	**9.3%**	
Shareholder value created (2)	150	**260**	
Net financial borrowing	4,401	**4,827**	
Stockholders' equity	8,019	**6,727**	
Debt ratio	55%	**72%**	
No. of shares at Dec. 31 ('000)	149,086	**141,033**	
Share price at Dec. 31 (€)	€160.6	**€137.0**	
Market capitalization at Dec. 31	23,943	**19,322**	

ORGANIC GROWTH(1)



PRESENCE at December 31, 2001

Sales: **120** countries
208 production plants

EMPLOYEES at December 31, 2001

100,560 people

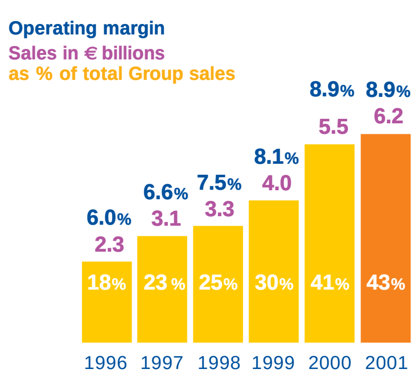
France: 12,275
Rest of Western Europe: 16,027
Rest of World: 72,258

SALES AND OPERATING MARGIN over 5 years

€ millions	1997	1998	1999	2000	2001
Sales	13,488	12,935	13,293	14,287	**14,470**
Change:					
• **published**	+5.4%	(4.1%)	+2.8%	+7.5%	**+1.3%**
• **like for like** (1)	+2.3%	+4.6%	+5.7%	+7.0%	**+5.1%**
Operating margin	9.1%	10.0%	10.5%	10.8%	**11.1%**

INTERNATIONAL BUSINESS

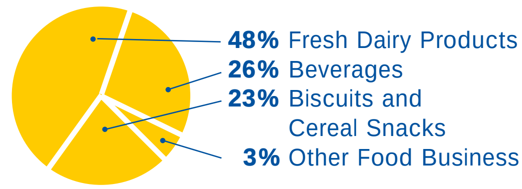
(outside Western Europe)



(1) at constant scope of consolidation and exchange rates
(2) see definition page 28

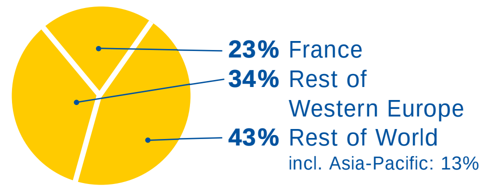
SALES BY BUSINESS LINE

€ millions	2000	2001
Fresh Dairy Products	6,530	**6,945**
Beverages	4,141	**3,796**
Biscuits and Cereal Snacks	3,255	**3,371**
Other Food Business	378	**375**
Intra-Group sales	-17	**-17**
Group total	14,287	**14,470**

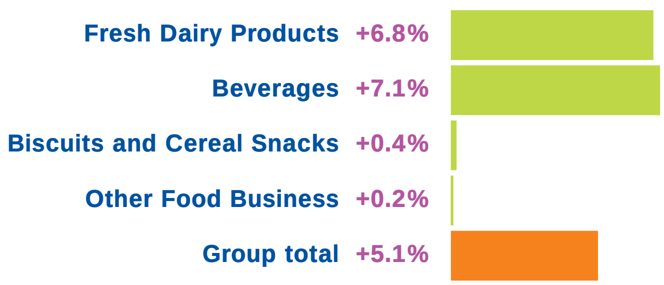


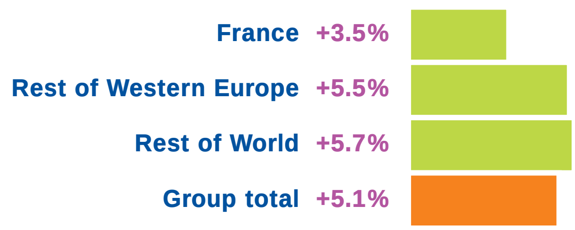
SALES BY REGION

€ millions	2000	2001
France	4,298	**4,022**
Rest of Western Europe	5,273	**5,137**
Rest of World	5,512	**6,192**
Sales within the Group	- 796	**- 881**
Group total	14,287	**14,470**



ORGANIC GROWTH(1) IN 2001 SALES

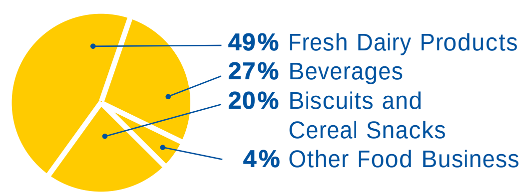




(1) at constant scope of consolidation and exchange rates

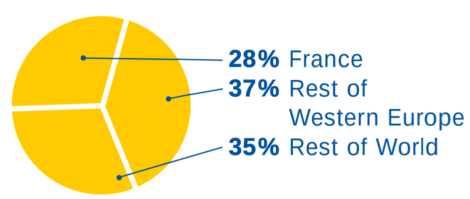
OPERATING MARGIN AND INCOME BY BUSINESS LINE

	OPERATING MARGIN		OPERATING INCOME	
€ millions	2000	**2001**	2000	**2001**
Fresh Dairy Products	10.9%	**11.4%**	712	**790**
Beverages	12.4%	**11.4%**	513	**432**
Biscuits and Cereal Snacks	8.7%	**9.4%**	282	**316**
Other Food Business	13%	**16%**	49	**60**
Intra-Group sales	–	**–**	- 6	**11**
Group total	10.8%	**11.1%**	1,550	**1,609**



GROWTH IN OPERATING INCOME BY REGION

	OPERATING MARGIN		OPERATING INCOME	
€ millions	2000	**2001**	2000	**2001**
France	12.2%	**11.5%**	526	**462**
Rest of Western Europe	10.3%	**11.4%**	541	**584**
Rest of World	8.9%	**8.9%**	489	**552**
Unallocated items	–	**–**	-6	**11**
Group total	10.8%	**11.1%**	1,550	**1,609**



BOARD OF DIRECTORS

Franck Riboud
Born 1955. No. of shares held: 1,000.
Chairman and CEO DANONE Group;
Member of Supervisory Board Accor;
Director Scottish & Newcatle Plc, Renault.

Michel David-Weill
Born 1932. No. of shares held: 40,468.
Vice Chairman, General Partner Maison Lazard SAS;
Chairman Lazard LLC, Lazard Frères & Co, LLC;
Member of Supervisory Board Publicis;
Director Eurazeo.

Jacques Vincent
Born 1946. No. of shares held: 1,000.
Vice Chairman and Chief Operating Officer;
Chairman DANONE (France), DANONE Vitapole;
Director Egidio Galbani SpA.

DIRECTORS

Umberto Agnelli
Born 1934. No. of shares held: 1,000.
Chairman IFIL SpA;
Vice Chairman, Managing Director IFIL SpA;
Vice Chairman Giovanni Agnelli e Sapaz;
Member of the Supervisory Board and Strategy Committee Worms & Cie.

Bruno Bonnell independent*
Born 1958. No. of shares held: 1,000.
Chairman Infogrames;
Member of Supervisory Board Pathé;
Director Eurazeo.

Yves Cannac independent*
Born 1935. No. of shares held: 1,112.
Chairman of Strategy Committee & Director
Caisse des Dépôts – Développement [C3D];
Director Société Générale, AGF.

Emmanuel Faber
Born 1964. No. of shares held: 1,000.
Member of Supervisory Board Legris Industries;
Director BSN Glasspack.

Jean Gandois independent*
Born 1930. No. of shares held: 2,328.
Vice Chairman of Supervisory Board Suez;
Member of Supervisory Board Siemens AG;
Director Institut Curie.

Christian Laubie
Born 1938. No. of shares held: 64,392.
Chairman Alfabanque.

Philippe Lenain
Born 1936. No. of shares held: 1,000.
Director Eco-Emballages, Nord Est.

Jacques Nahmias independent*
Born 1947. No. of shares held: 1,134.
Chairman and CEO Promife SA,
Pétrofrance chimie SA;
Chief Operating Officer and Director Pétrofrance SA;
Director DANONE SA.

Edouard de Royère independent*
Born 1932. No. of shares held: 1,000.
Honorary Chairman and Director L'Air Liquide SA;
Chairman ANSA;
Director L'Oréal, Sodexho, Solvay.

Jérôme Seydoux independent*
Born 1934. No. of shares held: 1,016.
Chairman & CEO Pathé Image Production,
Pathé Distribution;
Member of the Supervisory Board Accor.

HONORARY DIRECTORS

Antoine Riboud Honorary Chairman
Yves Boël
Daniel Carasso
Jean-Claude Haas

*as defined in the Viénot report on corporate governance in France

6 directors of the 13-member Board are independent* (46%)

AND COMMITTEES

at April 25, 2002

2001 ANNUAL COMPENSATION OF MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors:
annual fee €15,245 each(1).

Strategy and Appointments Advisory Committee:
Chairman €7,622 a year, other members €3,811.

Audit Committee:
Chairman €7,622 a year,
other members €3,811 a year.

Compensation Committee:
Chairman €3,049 a year,
members €1,524 a year.

(1) fees waived in the case of DANONE Group executives

EXECUTIVE COMMITTEE

December 31, 2001

Franck Riboud
Chairman
and Chief Executive Officer
Jacques Vincent
Vice Chairman
and Chief Operating Officer
Jean-René Buisson
General Secretary
Emmanuel Faber
Executive Vice President, Finance
Jan Bennink
Executive Vice President,
Fresh Dairy Products
Georges Casala
Executive Vice President,
International Strategy
Jean-Louis Gourbin
Executive Vice President,
Biscuits and Cereal Snacks
Simon Israel
Executive Vice President,
Asia-Pacific
Pedro Medina
Executive Vice President, Water
Bernard Hours
Deputy Executive Vice President,
Fresh Dairy Products, appointed Executive Vice President, Fresh Dairy Products in March 2002

The Executive Committee had **10** members at 31 December 2001: **3** are non-French, **5** have been with DANONE for less than **10** years, and **5** are under **45**.

The average age of Executive Committee members is **47**.

The **10** members in office at December 31, 2001 received compensation(2) totaling €**10** million in 2001.

(2) fixed and variable components received from all DANONE Group companies

COMPENSATION COMMITTEE

Michel David-Weill Chairman
Jean Gandois*
Jérôme Seydoux*

AUDIT COMMITTEE

Jean Gandois Chairman *
Yves Cannac*
Christian Laubie

*independent, as defined in the Viénot report.

APPOINTMENTS ADVISORY COMMITTEE

Michel David-Weill Chairman
Yves Cannac*
Edouard de Royère*
Jérôme Seydoux*

STATUTORY AUDITORS

Auditors:
Befec-Price Waterhouse
Member of
PricewaterhouseCoopers
Mazars & Guérard

Alternate Auditors:
Marc Chauveau
Denis Grison

CORPORATE GOVERNANCE CONSOLIDATED

- **Number of Directors reduced** from 15 in 2001 to 13 in 2002.
- **Proportion of independent members** of Board of Directors and Committees **brought into line** with recommendations of the Viénot report.
- **Directors' Charter** adopted, setting out procedures and obligations for members of the DANONE Board of Directors.

DANONE

DANONE Group

Focusing resources on three high-potential businesses – a unique strategy for profitable growth.

AND ME

A DISTINCTIVE PATTERN OF SUCCESS

Continuing successes with a unique model for profitable growth, building on decisive strategic strengths — and the resources of an efficient, responsive international organization focused on three high-potential businesses.

- A business portfolio focused on **3 fast-growing product categories** attuned to emerging trends in consumer demand and benefiting from growing interest in health and well-being.
- **A broad international presence,** with strong No.1 rankings on **emerging markets.**
- **Powerful, concentrated brands** backed by extensive advertising.
- **Leading world positions** for each of its 3 businesses, reflecting **No.1 rankings on domestic markets.**
- **Highly effective innovation,** with R&D aimed at consumer satisfaction.
- **Flexible, responsive organization** favoring worldwide adoption of best practice and sharing of key know-how.
- A well-established corporate culture underpinning a business model that places equal emphasis on financial success and **social values, with far-reaching implications.**

FOCUS ON THREE FAST-GROWING BUSINESSES CENTERED ON HEALTH AND WELL-BEING

The sale of Galbani, announced at the beginning of 2002, continues the strategic drive for business concentration that has been a priority in recent years. This move will further **sharpen our focus on core businesses offering the most potential.**
Our exclusive commitment to three segments among the most promising in the world food industry — Fresh Dairy Products, Health Beverages, and Biscuits and Cereal Snacks — gives DANONE a decisive edge, offering scope for growth significantly higher than the industry average. In addition to a **close association with health and well-being,** our business can look to opportunities from moves into new markets and the emergence of new patterns of consumption, as well as rapidly expanding demand in developing countries.

A BROAD INTERNATIONAL BASE FOR GROWTH AND BALANCE

Following the successful international expansion of recent years, our Group has the geographical bases it needs to meet the challenges of the future, benefiting from both the **high growth of emerging markets and reliable performances of developed countries.**
Our positions on emerging markets are exceptionally strong, placing us first in each of our businesses.
In industrialized countries, we have won strong places on a number of high-growth segments in North America, while our long-standing strength in Western Europe is associated with robust performances.

BROAD INTERNATIONAL BASE

- **43% of 2001 sales outside Western Europe.**
- **31% of sales from emerging markets.**

THE DANONE BRAND IN 2001

- **€ 5.1 billion sales.**
- **over 35% of Group sales.**
- **9.5% average sales growth over the past three years.**

POWERFUL, CONCENTRATED BRANDS STEADILY GAINING GROUND

With 4 brands — DANONE, LU, Evian and Wahaha — **accounting for over 50% of sales,** DANONE has an important advantage: focus makes it easier to optimize communications with consumers and, by the same token, use of advertising budgets.
To further consolidate this advantage, in 2001 the Group initiated a move to develop the LU brand outside Western Europe while at the same continuing efforts to develop and rationalize signature branding.

TOP WORLDWIDE POSITIONS BUILT ON STRONG DOMESTIC LEADS

DANONE Group is **a world leader in each of its core businesses.** This makes for competitive strengths in areas that include marketing know-how, industrial efficiency, products and R&D. Reflecting our commitment to consumer relations as the key to success, our leading positions are built on **strong number-one rankings in each country.** These are an added advantage in that they provide a firm basis for lasting, balanced relationships with major retailers.

INNOVATION FOR CONSUMER SATISFACTION — A KEY PRIORITY

Successful innovation rewards our continuing efforts to get to know consumers better, leveraging our acknowledged expertise in marketing, effective R&D and top brands. It also naturally benefits from our long **experience and dedication to quality nutrition and active health.** Development is backed by international cross-functional teams and a new worldwide R&D center. Together these help to define the optimum geographical scope for promising new products and concepts, generating substantial savings of time and money.

TEAMING UP FOR SUCCESS

DANONE Group's key strengths have always been **responsiveness and capacity to make change a driver for progress.** These are all the more important at a time when rapid development in information technology offers opportunities to adopt new organizational models and working methods. We have launched a number of important projects to bolster future competitiveness.

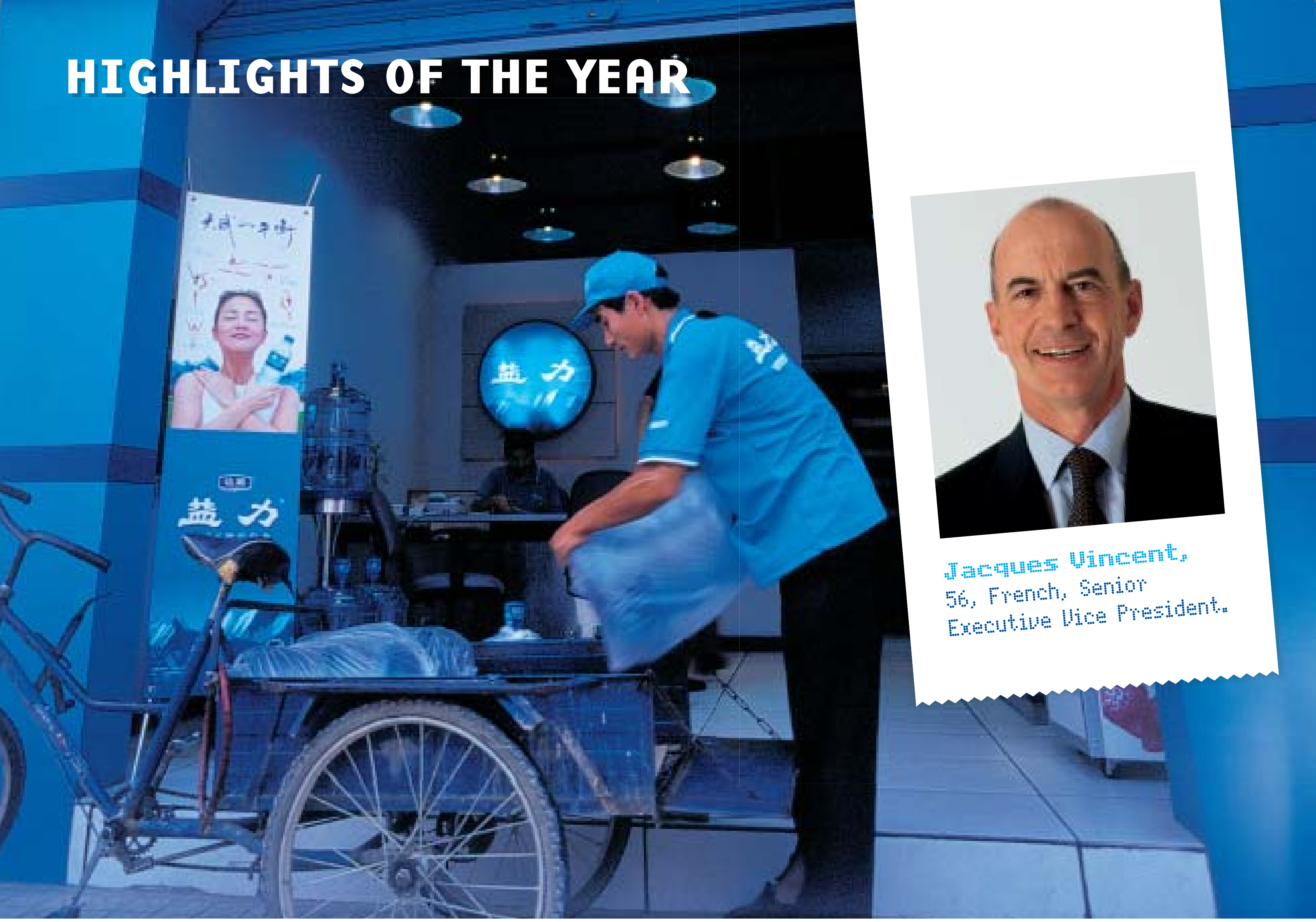
- **CPGmarket.com — a new process in purchasing.** Continuing the moves of recent years to centralize purchasing, DANONE Group is poised to benefit from the worldwide deployment of CPGmarket.com, the on-line purchasing market, of which it was a founder. CPGmarket.com is now a recognized standard-setter for the consumer goods sector.

- **Thémis — enhancing efficiency across the board.** Thémis aims to enhance overall business performance by providing access to best practices, harmonizing procedures and favoring cross-functional approaches. It is based on deployment of the SAP software package.

COMMITMENT TO SUSTAINABILITY

DANONE Group's corporate identity and strength are rooted in a long-standing commitment to **business success that is indissolubly associated with respect for people and the environment.**

HIGHLIGHTS OF THE YEAR



Jacques Vincent,
56, French, Senior Executive Vice President.

2001 TARGETS MET

As predicted, the Group was right on target in 2001, with organic sales growth reaching 5.1% and operating margin up from 10.8% to 11.1%.

PRODUCTION REORGANIZED

March: The Group announces plans to **reorganize production** of Biscuits and Cereal Snacks in Europe. The aim is to cut excess capacity, at the same time favoring specialization and larger production units.

DANONE GROUP TAKES FIRST PLACE WORLDWIDE FOR PACKAGED WATER

Organic sales growth combined with acquisition place DANONE **first on world markets for packaged water.**

EXECUTIVE COMMITTEE

- Jean-René Buisson, formerly Senior Vice President, Human Resources, is appointed to the newly created position of **Group Corporate Secretary.**
- Bernard Hours, formerly Senior Vice President, LU, France, joins the Executive Committee as **Vice President, Fresh Dairy Products.**

NEW RESEARCH CENTER TO SERVE THE GROUP WORLDWIDE

As part of our continuing drive to enhance efficiency, DANONE brings worldwide R&D resources together through a **single, multi-disciplinary research center,** Vitapole, serving each of our three business lines. Vitapole, located near Paris, will open in spring 2002.

STOCK MARKET AND FINANCING

May: The AGM votes in favor of **new share buybacks.**
June: The Group successfully launches a €1 billion **convertible bond issue** redeemable in shares. Carrying a low coupon and redeemable in shares, the issue lengthens the average maturity of debt.
December:
- **8.5 million shares cancelled** following significant buybacks in the second half.
- DANONE shares close the year at **€137,** showing a 12-month decline of 15%. This compares favorably with falls of 22% in the CAC 40 and 18% in the Euro Stoxx 50.

NO LET-UP IN INTERNATIONAL EXPANSION

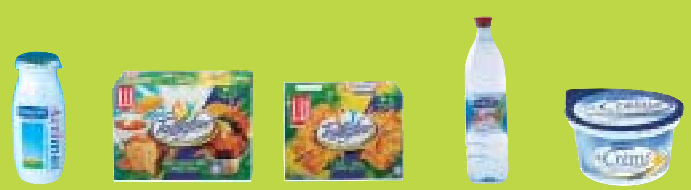
March: DANONE raises its stake from 40 to 74% to takes control of **Aqua**, market leader in Indonesia and the world's top brand for packaged water.
April: Acquisition of 50% of **Zywiec Zdroj**, the leader for bottled water in Poland, Eastern Europe's largest market.
May: Acquisition of 50% of **Pureza Agua**, No. 2 in Mexico for home and office water deliveries.
October:
- Acquisition of an initial interest of 40% in **Stonyfield Farms**, leader on the high-growth US market for organic yogurts.
- DANONE acquires 51% of **Djurdjura**, No.1 for fresh dairy products in Algeria.
- Acquisition in association with ONA of a 35% interest in **Sotherma**, a leader for bottled water in Morocco.
- DANONE makes a public tender offer for all the shares of **Frucor**, No.1 for energy drinks in Australia and New Zealand.

NEW RESOURCES TO MEET NEW CHALLENGES

Thémis is a project designed to enhance overall efficiency through the introduction of SAP software. This got under way in 2001 and has already reached the operational stage at pilot sites. Deployment will be completed by 2003.
CPGmarket.com is an online purchasing center that counts over 2,400 suppliers — and growing. It operates in Western Europe and in 2001 already accounted for 10% of purchasing volumes.

INNOVATING FOR SUCCESS

- **Strong growth for Actimel and low-cal Taillefine - Vitalinea biscuits.**
- **A strong start for La Creme on the US fresh dairy product market**
- **DANONE Activ' water proves a winner with health-conscious consumers in the UK**
- **Strong growth for breakfast biscuits.**



EARLY 2002

- **Galbani's business in Italy sold for €1,015 million.**
- **Success of DANONE's tender offer for Frucor, the New Zealand energy-drink business.**
- **Agreement allowing DANONE to raise its interest in Zywiec Zdroj, number one for bottled water in Poland, to 88%.**
- **Bernard Hours named Executive Vice President, Fresh Dairy Products worldwide, in March 2002.**

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Jean-René Buisson, 54, French, Group Corporate Secretary.

DANONE'S COMMITMENTS

In 2001, DANONE demonstrated its continuing commitment to social and environmental responsibility with four major projects:

- **Measures** to assist employees affected by the reorganization of biscuit operations in Europe.
- Deployment of **DANONE Way**, a program to back the progress of Group companies in all areas of corporate responsibility.
- Adoption of clearly defined, demanding **environmental targets.**
- Initiatives in favor of **food quality and safety.**

Action is at all times guided by a commitment that Franck Riboud has described as the will to **"move ahead with realism, defining targets for competitiveness and social progress under programs involving as many staff members as possible, and ensuring that management teams assume their responsibilities to the full".**

DANONE'S COMMITMENTS AND PROPOSALS FOR EMPLOYEES AFFECTED BY REORGANIZATION OF BISCUIT OPERATIONS

True to our dual emphasis on business success and social responsibility, DANONE Group offered extensive support from the very beginning of the talks with employee representatives concerning the reorganization. In particular, we undertook to maintain **production volumes** in each country as close to previous levels as possible, to offer each employee affected **one alternative position within the Group and two positions with other employers** in the same region, and, finally, to take the initiative in the **industrial redeployment** of closed sites.

These undertakings were confirmed **on October 25, 2001 in an agreement with the representatives of IUTA,** an international labor federation present in 119 countries and representing nearly 10 million workers in the food, farming, catering and tobacco industries.

This provided a basis for successful conclusion of talks at national level, first in Belgium, the Netherlands and Italy, then in Hungary (where an alternative arrangement was adopted) and finally in France. In the UK and Ireland, where three sites are being reorganized but not closed, changes in working methods have been the object of extensive consultation with unions.

In each company concerned, a committee including union representatives was set up to monitor re-employment and **fulfillment of undertakings.**

DANONE Group has also adopted measures to back the search for **businesses to take over closed sites** and encourage the establishment of new businesses. This is to offset the impact on local economies and public finances, as well as to offer new job opportunities for employees.

DANONE WAY — SHARING AND DEVELOPING GOOD PRACTICE

The DANONE Way defines 110 practices that provide a basis for measuring business units' compliance with the standards the Group has set itself **in each area of corporate responsibility.** Examples include food safety, human resource policies, the environment and relationships with suppliers.

The DANONE Way program is based on an intranet site that will be opened up to subsidiaries between now and 2003. **Each is asked to assess its own performance in terms of the 110 practices defined.**
This self-assessment will be carried out jointly by managers and other staff members, then sent on to Group management after validation by the company's Management Committees.

The aims of the DANONE Way are twofold:
- **promote and share DANONE culture** and good practice among all employees;
- provide subsidiaries with a clear view of Group expectations and how they themselves measure up — **identifying strengths as well as areas for improvement,** with concrete examples of how this can be achieved.

The DANONE Way does not set any static, hard and fast rules of conduct. Such an approach would simply not be workable, considering the diversity of Group companies in terms of size, culture, their economic and social environments, and the length of time they have been with DANONE. Instead we provide benchmarks and guidelines for progress.

The DANONE Way was launched as a pilot program in 12 subsidiaries in 2001. First results will be published in DANONE Group's Social Responsibility Report this year. Yet it is already clear that the DANONE Way engages large sections of the workforce in joint consideration of the **values and principles** our business stands for.
To take just one example, at Danone Canada the program involved nearly 20% of employees, representing all levels of the hierarchy.

From 2002 on, this will be backed up with external audits to provide precise, reliable reports on points that are not always easy to quantify. These audits will in time become standard procedure.

CLEARLY DEFINED TARGETS FOR ENVIRONMENTAL STANDARDS

DANONE Group has steadily expanded the scope of environmental initiatives. In September 2001 this process accelerated when the Executive Committee adopted clearly defined targets for Group factories over the next ten years. These include:
- **audits of all factories to be completed in 2002**
- **30%** reduction in use of water and thermal energy per output unit and **20%** cut in the total of thermal and electric energy used from 2000 to 2010
- **10%** reduction in the unit weight of packaging by 2010
- **ISO 14000** certification of all factories by the end of 2004.

DANONE Group publishes a separate annual report on social and environmental responsibility.
This is available on request and can also be downloaded at www.responsibility.danone.com

INNOVATING FOR PROFITABLE GROWTH

Research and development make an essential contribution to the DANONE Group's "Growth Project". They ensure both a steady flow of successful innovation and efficiency of industrial processes. Customer satisfaction is our core priority, calling for constant enhancement of flavor and visual appeal as well added nutritional value and health benefits, and — of course — convenient packaging attuned to changing lifestyles.

NEW MOVES TO FURTHER ENHANCE R&D PERFORMANCES

DANONE Vitapole, the new focus for worldwide R&D

To reinforce efficiency in R&D and speed up related processes, DANONE is bringing R&D teams from around the world together at **a single, multi-disciplinary center serving all three core business lines.** Named Danone Vitapole, the center will begin operation in the first half of 2002. Its brief naturally covers quality and food safety as well. Danone Vitapole will be a driving force for the development of new working methods and, with them, new competitive strengths.

Extending the reach of R&D

DANONE has adopted an innovative approach to broaden and deepen the presence of R&D in Group operations. This involves research teams in all new projects, starting at the **very earliest stages.** They thus participate in **strategic planning,** helping to set priorities for innovation and suggesting new ways to increase customer satisfaction. In production, they help **shape organization** through continuing improvement to existing processes, at the same time monitoring technological developments and anticipating change.
This approach also significantly reduces time to market for new products.

DANONE Danone Vitapole

THE DANONE "GROWTH PROJECT" — A METHODOLOGY TO OPTIMIZE OPERATIONS FOR PROFITABLE GROWTH WORLDWIDE

- **Focus on leading brands for more efficient advertising.**
- **Increasingly close ties and familiarity with consumers to constantly raise satisfaction.**
- **Promotion of genuine breakthroughs.**
- **International, cross-company teams ensuring broader, quicker and more cost-effective sharing of best practice worldwide.**

FIVE PRIORITIES FOR RESEARCH

Nutrivaleur®: constant enhancement of the nutritional value of products to make healthy eating one of life's great pleasures.

Sensovaleur®: understanding sensory qualities to better meet consumer demands.

Vitavaleur®: research into the natural properties of ingredients and ferments to make the most of their potential.

Technovaleur®: innovation to optimize production processes.

Food Safety Center®: developing methods for the systematic identification of risk and implementation of scientific countermeasures.

Strategic strength from partnerships

Partnerships play a central role in DANONE Group's strategy, enabling us to share and consolidate know-how as well as raise overall efficiency. Links include cooperation with many sections of the scientific community, in particular under health and nutrition programs conducted by the 15 DANONE Institutes around the world. We have also forged close ties with key suppliers, aiming for joint progress based on innovative solutions.

ACTIVE HEALTH FOR EXTRA WELL-BEING

- **More energy,** with Prince and LU Petit Déj long-lasting energy biscuits.
- **Lower fat content** and high nutritional value with Taillefine and Vitalinea ranges.
- **Stronger natural defenses** with the scientifically recognized benefits of ferments in Actimel.
- **Better balance** with eating and energy intake more evenly spread over the day (snacks represent a fourth daily "meal").

Nutrition sciences — a key role

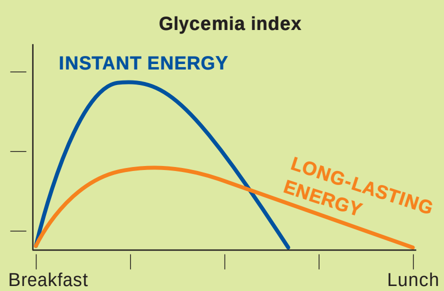
Reflecting our natural focus on nutritional value, DANONE Group actively contributes to **scientific progress in this area, which we put to work in the interest of consumer health.**

Danone Vitapole teams have thus worked on a number of programs involving experts from around the world in research into the **benefits of long-lasting energy foods** and the glycemia index. Alongside the Food and Agricultural Organization (FAO), DANONE also organized an international symposium leading to closer convergence of views on the interest of slow energy foods for public health.

Similarly, research teams are backing up the extension of **Actimel** into new markets by investigating the effects of the probiotic ferments the product contains — thereby consolidating recognition of their benefits for the immune system. This is all more valuable as probiotic ferments offer significant scope for new developments in Fresh Dairy Products.

Our Group has also set up **DANONE Institutes,** an independent network of organizations dedicated to scientific progress and nutritional education. The experts in these institutes help to shape our strategy and pass on research findings to nutrition and health professionals.

LONG-LASTING ENERGY



Grain-based products supplying long-lasting energy contain complex sugars that are digested more slowly. They thus release glucose essential to the body and brain over longer periods.
The nutritional benefits of slow energy have been made available in a number of products such as Lu Petit Déj and Prince breakfast biscuits, which are made according to recipes with special ingredients, preparation and baking procedures.

SCIENTIFIC PROGRESS FOR QUALITY, HEATH AND EFFICIENCY

- **Understanding of fermentation processes in fresh dairy products to combine creamy texture and low fat content.**
- **Accurate knowledge of the processes involved in cooking grain-based products to guarantee the quality of biscuits and ensure optimum utilization of industrial facilities.**
- **Modeling and computerized simulations to design light, environment-friendly plastic packaging.**
- **Design and installation of electronic sensors and statistic monitoring tools to enhance the safety and efficiency of production lines.**

TRANSPARENCY AND EFFECTIVE RISK MANAGEMENT

DANONE GROUP MANAGEMENT

The Board of Directors has three specialized committees providing support for effective analysis, supervision and decision-making.

Appointments Committee

The committee's job is to ensure that **people appointed to key positions** are those best able to meet group targets.

Audit Committee

The committee oversees compliance with **principles of good management and prudence** in in-house standards and procedures, in financial statements and in risk-management policies.

Compensation Committee

The committee monitors the **consistency of management compensation** with market standards for comparable business.

BOARD OF DIRECTORS

13 members, including 6 independent directors*, appointed for renewable terms of 3 years, each the owner of at least 1,000 shares. 6 meetings were held in 2001 with average attendance 80%.

* as defined in the Viénot report on corporate governance in France

COMPENSATION AND STOCK OPTIONS

DANONE Group has adopted compensation policies designed to motivate managers and Executive Committee members in the pursuit of aims which are also in the interest of shareholders.

COMPENSATION OF CORPORATE OFFICERS ON THE EXECUTIVE COMMITTEE

F. Riboud, Chairman and CEO

- **Total compensation in 2001[1]: €2,366,400**
- **Stock options granted in 2001: 50,000 (average exercise price €147.14)**
- **Options exercised in 2001: 1,000 (average exercise price €53.66).**

J. Vincent, Senior Executive Vice President

- **Total compensation in 2001[1]: €1,459,153**
- **Stock options granted in 2001: 30,000 (average exercise price €147.14)**
- **Options exercised in 2001: 6,000 (average exercise price €53.66).**

(1) Including salary, bonuses, profit sharing, indemnities, and social security and related charges.

For additional information, see page 87

STOCK OPTIONS IN THE DANONE GROUP

Granted every two years.
Approximately 950 beneficiaries worldwide.
Vesting period: 6 to 8 years.
Exercise price: equal to the average market price over the 20 trading days preceding the Meeting of the Board of Directors making the grant.
At December 31, 2001: 3,169,425 unexercised options outstanding, including 769,600 held by Executive Committee members, with exercise prices ranging from €49.55 to €155.82.

These policies, which apply to approximately **950 employees**, involve:
• **a bonus representing 20%** of total annual compensation **on average**, with approximately 60% of this bonus calculated on the basis of criteria relating to value creation
• **biennial grant of stock options** in quantities reflecting levels of responsibility and individual performance.

RISK MANAGEMENT

DANONE Group pursues active risk management policies to provide the best protection possible for its employees, consumers, the environment and the assets of its shareholders.

These center on:
• rigorous procedures to **identify risk** through a range of reporting systems and internal controls,
• **preventive measures** to reduce the extent and frequency of the risk identified
• a comprehensive policy of cover to **limit the potential impact of contingencies** on Group finances
• **effective crisis management organization and procedures** for rapid recognition of indications of a possible incident, and to ensure the most effective response possible.

People and property

Safeguarding employees and production facilities from major accidents is a natural priority. Since 1994, DANONE Group has called in independent consultants to carry out annual inspections and evaluations of sites. Their reports enable operational units to adopt preventive measures and remedies.

Political risk

Social conflict, economic strains or currency upsets can make for significant changes in business conditions, especially in developing countries. In some cases, they may also lead to restrictions on transfers of goods or capital, or to the nationalization of assets.
Active on many emerging markets, DANONE Group is naturally **attentive to this form of risk in asset allocation.** We **factor it into financial valuations** so as to ensure an adequate return on capital invested.
By the same token, we aim for a **balanced geographical presence** to diversify and thus limit our overall risk.

No single emerging economy accounted for more than 8% of total Group sales for the 2001 financial year, and none of the major emerging economy regions accounted for more than 13%.

Finally, we have taken out cover to minimize the financial impact of possible nationalizations in the countries where this risk is highest.

Customer risk

DANONE Group's centralized monitoring and supervision procedures ensure a **comprehensive view of exposure** to customer risk on the basis of regular reporting from each operational unit.

Major retailing chains account for a significant proportion of our Group's worldwide sales, and sector concentration over recent years has added to the relative weight of our main customers. However, this also means that exposure to customer risk mainly concerns a limited number of large firms, most with stronger financial bases than in the past. This allows more effective centralized monitoring focused on genuinely important issues.

SAFETY A PRIORITY

• In 2001, 161 independent safety audits were carried out at our sites.
• Ratings from 1 to 5 based on demanding international standards are used to track safety performances.
• The average rating rose from 1.8 in 1994 to 3.47 in 2001 (3.4 in 2000 at constant scope).
• At December 31, 44 sites boasted a 5 rating, enabling them to obtain high risk protection certification.

NEW METHODS TO IDENTIFY AND CONTROL RISK

VESTALIS: a mapping program tracking operational risk worldwide.
• Eases identification of risk at local level and prioritization of action.
• Relates business performance to the level of risk involved.
• Provides a clear overview of major issues at Group level.
• The system is to be deployed at most operational units by the end of 2002.

DANONE Way: a program assessing performance in terms of social responsibility and environmental standards.
• Ensures consistent practice worldwide for balanced development in accordance with Group values.
• Identifies and shares best practice.
• Deployment at most operational entities around the world will be completed by the end of 2003.

In addition, we have taken out cover to minimize the financial impact of any major incident affecting payments.

Raw materials

The nature of the products we buy and our broad geographical presence mean that there is little risk of a major interruption to supplies.

While the products we use are generally not considered speculative, some may be subject to wide price swings as a result of a temporary imbalance between supply and demand, or because of economic or political developments. Such variations can have a significant impact on profitability. Some long-term contracts provide for various forms of cover, limiting the impact of both price rises and falls on Group accounts.

FOOD QUALITY AND SAFETY

Food safety is a longstanding priority for the DANONE Group, as is reflected in action programs not only to safeguard the health of consumers and keep their confidence, but also to contribute to the definition of domestic and international regulations. We aim for cost-effective, consistent management of quality at every stage, factoring in all related environmental issues.

Anticipating risk

We have set up a dedicated **Food Safety Center** within our worldwide research and development facility, DANONE Vitapole. It is charged with identifying and assessing the risks associated with our operations, including related micro-biological, chemical and physical dangers. Since 1998, we have also drawn support from an advisory food safety committee made up of ten internationally recognized experts. These specialists provide management with scientific input on both identified and emerging risks.

Managing identified risk

Ongoing efforts **to ensure full control of the supply chain** are based on advanced product know-how, strict monitoring of distribution channels, and measures to ensure effective upstream traceability of all ingredients. In our own production, we have defined and implemented best practices in key areas such as hygiene and processes, backing this up with the adoption of Hazard Analysis and Critical Control Point (HACCP) procedures.

Certain specific risks — for example, allergies — come in for particular attention. And the standards imposed on all subsidiaries in these areas go well beyond regulatory requirements.

PROTECTING THE ENVIRONMENT

The **environmental impact** of DANONE Group's business is by nature **limited.** We are nonetheless actively committed to keeping this to a minimum, as regards both the operation of our factories and the

RAW MATERIALS

By declining order of importance, main materials purchased by DANONE are milk and milk byproducts, fruit and fruit preparations, plastics, cardboard packaging, sugar and grain.

MAIN CUSTOMERS

Our ten largest customers together account for 34% of worldwide sales. Carrefour is our largest single customer, representing 10% of total sales.

CRISIS MANAGEMENT REINFORCED

In 2001, efforts focused on training for members of crisis management teams at subsidiaries, with new tools made available to ensure effective sharing of best practice.

BUILDING CLOSER TIES TO CONSUMERS

Food safety forums allow consumers to contact DANONE specialists directly, by phone or over the internet, with questions on food safety. Initial tests in France have proved a success.

ISO CERTIFICATION

- **The International Standards Organization adopted its first quality standards (the 9000 series) and environmental standards (14000 series) in 1987.**
- **Certification, valid for periods of three years, is granted by independent experts on the basis of strict criteria and inspections.**

QUALITY — CONTINUING PROGRESS

- **121 of DANONE Group's industrial sites — representing nearly two-thirds of the total — are ISO 9000 certified.**
- **Certification under the 2000 version, which factors in customer satisfaction and improvements in efficiency, has already been obtained by some sites and is now the goal for all our factories.**

packaging we use. We are also working to ensure "thrifty plants" — to reduce consumption of non-renewable resources, in particular energy and water, and to cut back industrial waste.

To do so, we call on the services of a specialized consultancy which carries out annual **environmental audits** of industrial sites to ensure regulatory compliance, effective risk control and continuing reduction of consumption. As a result, more and more of our sites are winning ISO 14001 certification.
Where supplies are concerned, we promote **reasoned, responsible methods in agriculture** — our main source of raw materials — to ensure both the quality of ingredients and compliance with environmental standards.

Packaging is clearly a main focus of environmental policies, with the focus on collection and reuse in recycled form or as a source of energy. In both areas, DANONE Group has been a pace-setter in France since 1992, when it set up Eco-Emballages. In other countries, our Group is an active participant in campaigns for selective waste collection and recycling. Training and other in-house initiatives also encourage awareness of the need to **reduce the weight of packaging** and wrapping. DANONE has thus circulated guidelines for environmentally sound packaging to all group entities since 1998.

CURRENCIES AND INTEREST RATES

In this area, our Group limits intervention to the management of positions resulting from industrial and sales operations, **prohibiting any speculative transactions.** Management of these positions is centralized and is the exclusive responsibility of **specialized staff** in the Group Financial Department applying strict guidelines. Procedures are subject to **regular review by the Audit Committee and by our statutory auditors.**

Since most of our production is for domestic markets, exchange-rate risk relating to export sales is very limited in proportion to the Group's business as a whole. It mainly concerns sales of Evian and Volvic to the US, the UK and Japan.

SWITCH TO THE EURO

With the switchover in systems and transactions anticipated well ahead of the day, we were free to focus much of our preparatory work on marketing and sales implications in relationships with consumers.
This included in particular **a large number of tests to foresee the impact** of new psychological pricing thresholds and the role of leading brands following such an important shift in benchmarks.

Our Group also participated in a variety of programs to **ease the changeover for consumers** in different parts of the euro zone. In France, for example, we were a driving force behind agreements between producers and retailers to hold prices steady and **leave packaging unchanged from the beginning of November 2001 to the end of March 2002.**

We did not observe any significant change in the behavior of euro-zone consumers in the early part of 2002.

ACTIVE COMMITMENT TO ENVIRONMENTAL STANDARDS

46 sites were ISO 14001 certified at December 31, 2001, including 42 factories, 3 administrative headquarters and one research center.

ENVIRONMENTAL STANDARDS A LONGSTANDING PRIORITY

- **1991 — a corporate department set up to define and coordinate group environmental policy.**
- **1996 — adoption of DANONE's Environmental Charter, expressing commitment to respect for the environment, individual responsibility, international action and annual reviews of environmental performance.**
- **2001 — adoption by the Executive Committee of targets for the next 10 years, including a 30% cut in unit consumption of thermal energy and water, and a 10% reduction in the unit weight of packaging.**

Emmanuel Faber,
38, French, Chief Financial Officer.

AN EFFECTIVE MODEL FOR GROWTH

The sound basis of our Group's growth model emerged clearly in the difficult conditions of the past year. Organic sales growth reached 5.1%, operating margin was up 27 basis points and net earnings per share (excluding exceptional provisions) rose 8.3%. Future performances should continue to show the combined benefits of internationalization, a steady flow of innovation and active commitment to continued improvement in overall efficiency.

SALES UP 5.1% LIKE FOR LIKE

• Consolidated sales came to €14,470 million in 2001 after €14,287 million in 2000 – a rise of 1.3% including the impact of changes in the scope of consolidation and exchange-rate variations.

• Main changes in the **scope of consolidation concerned the exclusion of European brewery operations,** counterbalanced by the first full-year consolidation of **McKesson Water** in the US, as well as consolidation of business acquired from **United Biscuits** and **Aqua** (Indonesia).

• Currency translation had a modest positive accounting impact of 0.4%. At constant scope of consolidation and exchange rates, sales grew 5.1%, in line with our target. Volumes contributed 3.2% and prices 1.9% to the overall rise.

• This was achieved despite extremely difficult conditions **within DANONE Group and in its environment.** The announcement of restructuring in our European Biscuit operations proved highly unsettling, while economic trends took an unfavorable turn in Latin America, especially Argentina, and the world economy as a whole slowed in the second half. Overall sales growth reflected firm trends in Western Europe, where there was a 4.7% rise, as well as in Eastern Europe, where sales were up 9.6%.
Sales were generally satisfactory in the US, showing a 3.6% rise, and were up a strong 7.7% in Asia, while a 2.4% rise in Latin America was a respectable performance in the circumstances.
Sales under the DANONE brand, accounting for over 35% of the total, were up nearly 7% like for like.

OPERATING MARGIN UP FROM 10.8% TO 11.1%

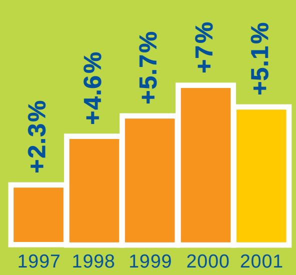
• **Operating income** came to €1,609 million, showing a rise of +9.8% at constant scope and exchange rates.

• **Operating margin** was up for the seventh year in a row, rising from 10.8 to 11.1%. At constant scope and exchange rates, operating margin was up no less than 48 basis points, despite the squeeze resulting from price rises for milk and PET plastic, two of our Group's main raw materials. The negative impact of these increases on margin was around 50 basis points, partly offset by rises in our own prices to customers.

• The **structure of the consolidated income statement** changed significantly from the previous year, given the exclusion from the scope of consolidation of European brewery business, where cost structures are different from those prevailing in current Group operations. This automatically caused a rise in the cost of goods sold and a decline in selling expense in proportion to sales.

• Results reflect a continuing drive to optimize costs in areas including industrial efficiency, supply-chain management, purchasing and administrative expense. Our Group continued the development of cross-company organizations with worldwide scope in fields such as purchasing, information systems and R&D to ensure consistent, broadly based adoption of best practices in all countries. This also favors the smooth integration of newly acquired businesses.

ORGANIC SALES GROWTH*



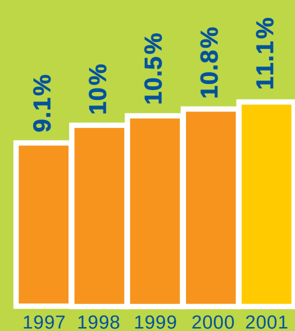
*like for like

	€ millions	change
Sales	14,470	+1.3%
Like for like		+5.1%
Operating income	1,609	+3.8%
Like for like		+9.8%
Operating margin*	11.1%	27 bp

*vs. 10.8% in 2000 and 10.5% in 1999

Net income	132	
Excl. exceptional one-time provisions	780	+8.3%
Net income per share	€0.97	
Excl. exceptional one-time provisions	€5.51	+8.3%

OPERATING MARGIN



NET INCOME PER SHARE UP 8.3% EXCLUDING EXCEPTIONAL ONE-TIME PROVISIONS

• **Net income** for 2001 came to €132 million, a figure which reflects large exceptional items amounting to €648 million or €737 million before tax. Excluding exceptional items, net income came to €780 million, a rise of 8.3% from €720 million in 2000.

• **Exceptional items** principally consist of the exceptional amortization of goodwill on Galbani (€475 million) in preparation for the sale of the company and a provision of €147 million for restructuring of biscuit production in Europe. It was not considered necessary to amortize any goodwill on companies in Latin America, in particular Argentina, given the strength of Group brands and market positions in the region.

• **Net interest expense** eased from €193 million in 2000 to €180 million in 2001, these figures being inclusive of dividends received in connection with the Group's withdrawal from brewery operations in Europe. These dividends amounted to €38 million in 2000 and €68 million in 2001. The amount of net interest expense reflects a rise in the Group's average interest-bearing debt resulting from acquisitions and share buybacks. At the same time, the average interest on financing eased from 5.52% in 2000 to 5.07% in 2001. This was due to the general decline in interest rates over the period as well as the Group's issue of a low-coupon convertible loan in the first half of 2001.

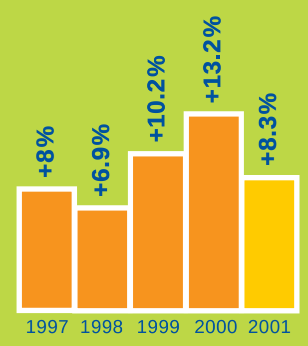
• The **effective rate of income tax** (excluding capital losses and gains on divestments and exceptional asset write-downs) was down from 37.5% in 2000 to 36.4% in 2001, essentially as a result of a shift in the balance of earnings from different countries.

• **Minority interests** in income rose from €130 million in 2000 to €163 million in 2001. This mainly resulted from a rise in earnings from Wahaha in China and Danone Spain, combined with a shift to full consolidation of Aqua in Indonesia after DANONE Group raised its interest in the company to 74%.

• The earnings contribution of **companies accounted for by the equity method** rose from €33 million in 2000 to €39 million in 2001. This mainly resulted from a rise in the earnings of San Miguel in Spain, and first inclusion of Al Safi in Saudi Arabia and Aga in Mexico.

• **Fully diluted earnings per share** (excluding exceptional provisions) rose 8.3% from €5.09 in 2000 to €5.51 in 2001. Excluding amortization of goodwill, the rise was 10.1%. Share buybacks, representing an outlay of €921 million for 6.8 million shares over the period, had a favorable impact on earnings per share.

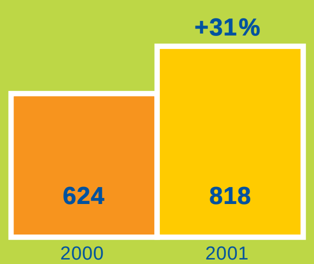
EPS GROWTH*



*EPS: net earnings per share excluding exceptional provisions

STEEP RISE IN OPERATING FREE CASH FLOW*

€ millions



* Cash flow from operations less capital expenditure and change in working capital requirement.

MAIN ACQUISITIONS IN 2001

• Interest in Aqua, market leader in Indonesia and Asia's largest producer of water in containers, raised from 40 to 74%.
• Acquisition of a 50% interest in Zywiec Zdroj, number one for bottled water in Poland, Eastern Europe's largest market; an agreement signed at the beginning of 2002 opens the way for this interest to rise 88%.
• Acquisition of 50% of Pureza Aga, number two in Mexico for home and office water deliveries.
• Acquisition of an initial 40% interest in Stonyfield Farms, leader on the fast-growing US market for organic yogurt.
• Partnership concluded with Djurdjura, number one for dairy products in Algeria, with DANONE taking a 51% equity interest in the company.
• Tender offer for full ownership of Frucor, number one for energy drinks in Australia and New Zealand.

A SOUND FINANCIAL BASE FOR FUTURE DEVELOPMENT

- **Net financial debt** rose from €4,401 million at the end of 2000 to €4,827 million at the end of 2001. This figure reflects the impact of an international program to securitize trade receivables launched in 2001, which cut €685 million off net debt. The program was initiated to diversify sources of financing at attractive cost and will also contribute to our ongoing efforts to consolidate centralized management of customer risk.
Net financial debt/equity ratio was equal to 72% of shareholders' equity at December 31, 2001.

- **Cash flow from operations** came to €1,611 million or 11.1% of 2001 sales.

- Operational **working capital requirement** was practically unchanged from the previous year, rewarding commitment to optimization in this area.

- **Capital expenditure** amounted to €737 million or 5.1% of sales, compared with 5.6% in 2000.
This decline reflects the Group's efforts to achieve a structural reduction in expenditure relative to sales.

- **Investment in plants and equipments** amounted to €1,071 million in 2001 compared with €2,849 million in 2000.

- In the course of the year, our Group reached an agreement for the sale of a significant portion of its brewery business in China.

- At the beginning of 2002, DANONE Group announced the sale of Galbani's business for €1,015 million.

STRONG RISE IN FREE CASH FLOW

Free cash flow from operations showed **a robust 30% rise** from the previous year, reflecting the first rewards of measures adopted to achieve optimum growth in this key indicator of performance.

HIGHER RETURN ON INVESTED CAPITAL

Return on invested capital (ROIC) was up for the fifth year in a row, rising from 9% in 2000 to 9.3% in 2001.
The weighted average cost of capital (WACC) eased from 7.75% in 2000 to 7.25% in 2001, mainly due to the downward trend in interest rates.
Against this backdrop, shareholder value created reached €260 million, up from €150 million in 2000.

MAIN CHANGES IN THE SCOPE OF CONSOLIDATION IN 2001

Excluded:
- **European brewery operations excluded throughout the year**

Included:
- **Paulista (fresh dairy products, Brazil)**
- **consolidation of business taken over from United Biscuits concluded**
- **12-month consolidation of McKesson (water, US) and Robust (water, China)**

SOUND FINANCIAL POSITION

- **Debt/equity ratio 72% at December 31, 2001**
- **Standard & Poor's ratings of A+ for the Group's long-term debt and A-1 for its short-term debt.**
- **Right to receive some €2 billion between now and April 2003 to finalize withdrawal from European brewery operations.**

EXCEPTIONAL PROVISIONS IN 2001

- **€147 million for restructuring of Biscuit business.**
- **€475 million provision for amortization of goodwill on Galbani.**
- **€37 million in other exceptional provisions.**

amounts are after tax

RETURN ON INVESTED CAPITAL AND CREATION OF SHAREHOLDER VALUE

Principles

• DANONE has for several years made return on invested capital and creation of shareholder value key criteria for the assessment of performances and for reporting both within the group and with the financial community, as well as for the calculation of management compensation.

• Unlike most other management indicators, these criteria provide an objective basis to assess the wisdom of asset allocation and the real level of profitability achieved, which in turn is essential to accurate appraisal of share value.

• **Return on invested capital** is operating profit expressed as a percentage of the total amount invested to carry on the business concerned, including property, plant and equipment, intangible assets, financial investments and working capital requirement.

• **Contributions to shareholder value** represent the theoretical profit when a business is able to generate a return on invested capital exceeding the weighted average cost of capital.

Definitions

• **Invested capital** represents the net total of property, plant and equipment, intangible assets, financial investments and working capital requirement. Goodwill included is before amortization. Invested capital for a given period is calculated by averaging the sums at the beginning and end of that period.

• **Return on invested capital** or ROIC is the sum of operating income less tax at the rate theoretically payable by the Group and of amortization of goodwill, divided by invested capital.

• **The weighted average cost of capital** or WACC is based on the average after-tax cost of net financial debt and the cost of equity capital, these being then averaged in accordance with the ratio of net financial debt to average market capitalization of the commune over the year.

The cost of equity capital is calculated by taking a proxy for a risk-free interest rate — which in France means the average yield on 10-year French Treasury bonds — to which is added the risk premium on the French equity market multiplied by the beta for DANONE shares. The risk premium and the beta applied for this purpose are supplied by independent financial institutions with international reputations.

Data used for the calculation of DANONE's weighted average cost of capital:

Cost of stockholders' equity	8.2%
Risk-free interest rate	4.7%
Equity-market risk premium	3.9%
Beta	0.9
After-tax cost of debt	3.3%
Average pre-tax interest rate	5.1%
Average tax rate	36%
WACC	7.25%

weightings: equity 81%, debt 19%

• **Contribution to shareholder value =**
(ROIC – WACC) x invested capital.

SHARE BUYBACKS AND CANCELLATIONS

Share buybacks
• **6.8 million shares or 4.8% of equity bought back for €921 million in 2001.**

Treasury stock
• **6.3 million shares in December 2001.**

Cancellation of shares
• **8.5 million shares cancelled in December 2001.**

Principles governing share buybacks and cancellations in France
• **The company may not hold more than 10% of its own shares at any time.**
• **No more than 10% of shares may be cancelled in any 24-month period.**
• **Buybacks and cancellation must be authorized by a Meeting of Shareholders.**

SOUND FUNDAMENTALS

DANONE SHARE PERFORMANCE

An international benchmark

DANONE is now unanimously acknowledged as one of the world's leading food shares. We are listed on major European exchanges and in the United States through ADS, and our shares are included in the **Euro STOXX 50 index.** DANONE shares are closely tracked by food industry analysts as well as **major international investors.**
We regularly take part in major conferences bringing together worldwide players in consumer goods.
DANONE Group is known for the success of its business model based on balanced development, with social responsibility and respect for the environment helping to drive business performance.
DANONE is also a component stock of the Dow Jones Sustainability Group Index, a world benchmark for companies committed to sustainable development.

Sound fundamentals

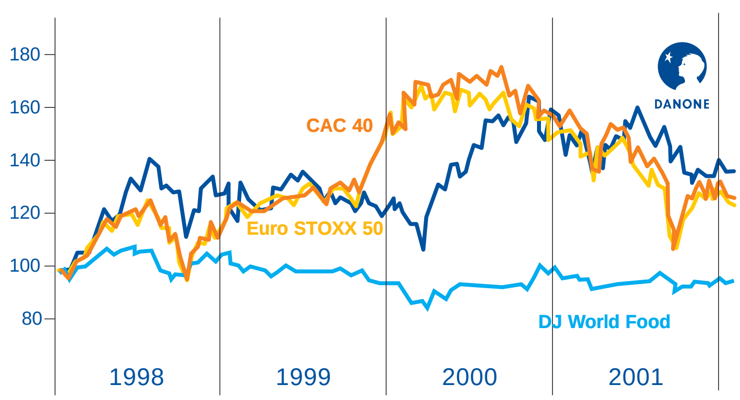
• Decline held to 14.7% during the year. In 2001, DANONE shares came through depressed trends on world stockmarkets in better shape than many, losing 14.7% compared with falls of 22% for the CAC 40 and 18.5% for the Euro STOXX 50.
This resilience underscores **strong fundamentals** and market confidence in DANONE in a year hit by the announcement of restructuring of biscuit business in Europe and the collapse of the Argentine economy — our largest single market in Latin America.

• A strong track record: +172% return over 5 years
Over the past five years, DANONE's share price has risen 149%, with shareholders reaping an average annual return (rise in share price + dividend) of 22.2%. This ranks DANONE first in a sample of the world's major food companies over the period (see below).

DANONE SHARE PRICE

-15% in 2001	**+48% in 1998**
+37% in 2000	**+49% in 1997**
-5% in 1999	

Change from year end to year end.



DANONE share performance compared with CAC 40 and DJ World Food indexes, December 31, 1997 to February 6, 2002.

AVERAGE ANNUAL RETURN OVER THREE YEARS

From 1999 to 2001, return on DANONE shares averaged +5.6% a year.

Over the same period, a sample* of leading food-industry stocks generated an average return of only 2.7%.

Rise in share price plus dividends inclusive of tax credit over the period from December 31, 1997 to December 31, 2000.

***sample made up of Unilever, Nestlé, Cadbury Schweppes, General Mills, Kellogg's, PepsiCo and Coca-Cola**

CHANGES IN CAPITAL STOCK

Convertible bond issue

In June 2001 DANONE launched a €1 billion bond issue convertible into and/or exchangeable for shares. This innovatively structured offering was very well received by markets.

Share buyback

As authorized by the General Meeting of Shareholders in 2001, the Group bought back 6.8 million shares during the year for a total of €921 million.

Cancellation of shares

8.5 million shares in the company's possession were cancelled on December 20, 2001 at the decision of the Board of Directors, pursuant to the authorization granted by the General Meeting of Shareholders in 2001. At December 31, 2001, the company held 6.3 million of its own shares, representing nearly 4% of capital stock.

DANONE Group contact details:

Investor relations
7, rue de Téhéran, 75008 Paris, France
Toll-free information line for investors
in France: 0800 320 323
Email: finance@danone.com

www.finance.danone.com

FINANCIAL COMMUNICATIONS AND INFORMATION TO SHAREHOLDERS

Communication, a priority for management

At DANONE, management is committed to ongoing communication with shareholders. In 2001, representatives met with more than 400 investors in France, the UK, the US, Germany and other countries.

Swift, broad dissemination of information

Financial results and major transactions are brought quickly to the attention of the financial community through announcements in the press and circulation of press releases to all the main international sites for on-line financial information.

Investors can download comprehensive information, including press releases, financial documents and reports on key events, from the Group's award-winning website at www.finance.danone.com. They can also sign up to receive press releases by email as these are issued.

Documents available on request include:
- Annual Report (in French and English)
- a Reference Document in French and English, filed with the COB in France
- 20 – F (English only), filed with the SEC
- half-yearly Letter to Shareholders.

Meet management at the General Meeting of Shareholders

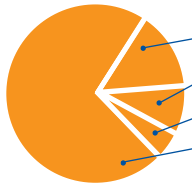
The annual General Meeting of Shareholders offers individual shareholders an excellent opportunity to obtain comprehensive information on developments and ask questions.
On May 29, 2001 over 1,500 investors attended the 2001 meeting, underscoring the attachment of DANONE shareholders to their company.

MAIN SHAREHOLDERS

	% of equity	% of voting rights
Eurazeo	4.3%	4.0%
Worms & Cie	3.6%	6.6%
Caisse des Dépôts et Consignations*	2.9%	2.6%

*** interest declared on Jan. 31, 2002**

SHARE OWNERSHIP at December 31, 2001



PER SHARE DATA at December 31

’000	1997	1998	1999	2000	2001
Number of shares representing capital stock	146,143	147,850	148,271	149,086	141,033
Number of shares for the calculation of diluted EPS	158,185	157,115	148,990	141,373	142,697
€					
Diluted EPS	3.8	4.1	4.7	5.1	5.51[1]
Growth in EPS[1]	+8.0%	+6.9%	+10.2%	+13.2%	+8.3%
Net dividend per share	1.4	1.5	1.8	1.9	2.06
Net dividend plus tax credit[2]	2.1	2.3	2.6	2.9	3.09
Payout ratio	34%	35%	35%	37%	38%[1]

(1) excluding non-recurring exceptional items
(2) dependent on law applicable to beneficiaries, given here as 50% of the dividend

STOCKMARKET DATA at December 31

	1997	1998	1999	2000	2001
€ millions					
Market capitalization	11,964	17,971	17,347	23,943	19,322
€					
Closing price for the year	82	122	117	161	137
High for the year	86	144	138	173	163.3
Low for the year	54	78	103	91	124.9
‘000					
Average number of shares traded daily	510	535	525	600	590

DANONE SHARE INFORMATION

Nominal value:
€1 per share[1].

Number of shares:
141,033,427 shares[1].

Listing:
- **Euronext: Amsterdam, Brussels & Paris (eligible for deferred settlement).**
- **London, Brussels, Swiss Stock Exchanges, New York[2].**

Codes:
- **Euroclear: 12064**
- **Reuters: DANO.PA**
- **Bloomberg: BN.FP**
- **Datastream: F: BSN**

Main indexes including DANONE:
- **DJ Euro STOXX 50**
- **CAC 40**
- **DJ World Food**

(1) at December 31, 2001
(2) as American Depository Shares; 5 ADS for one share

LISTENING TO EMPLOYEES

A key challenge faced by DANONE's human resource department in 2001 was reorganization of Group's Biscuit business in Europe.
Other developments included the first concrete steps in worldwide deployment of programs to upgrade management, make HR structures more efficient, and enhance the performance of corporate IT systems.
A survey of management and moves to improve conditions for production workers rounded out events during the year.

MANAGEMENT PERFORMANCE — FOCUS ON CONTINUING IMPROVEMENT

DANONE Group culture is based on ongoing efforts to enhance the performance of our procedures and operations.
Our **survey of managers** is an essential tool for this, measuring support for group strategy, remuneration, career management, efficiency of corporate structures and more. The results of this wide-ranging questionnaire are analyzed at different levels — corporate, business line, unit — and used as a basis for corrective measures.
In 2001 the survey was conducted for the second time, this time as part of a broader assessment of management performance under the **Odyssée** program. Prior to deployment group-wide, at all levels, Odyssée held a corporate retreat for vice presidents. Discussions centered on management issues and led to a series of measures. Some of these are designed to promote personal development — increased use of 360° review processes, for example, and improvements to performance reviews and related exchanges — while others focus on ways to better identify and retain talent, including expanding the number of candidates eligible for stock options, and, more generally, greater assistance in personal development. Odyssée will now be implemented around the globe using the same basic approach: each company assesses its own strengths and weaknesses through the manager survey and the DANONE Way (page 17), then uses the results of this audit to draw up an action plan.

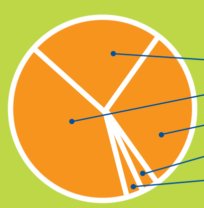
INFORMATION EXCHANGE IN HUMAN RESOURCES

New information technologies are an essential part of human resource management at DANONE Group. For recruitment, growing use of the Internet offers obvious advantages — speed, international reach, access to larger pools of talent and a more democratic process.

EMPLOYEES BY REGION

	2000		2001	
France	11,759	14%	12,275	12%
Other Western Europe	16,264	19%	16,027	16%
Sub-total, Western Europe	**28,023**	32%	**28,302**	28%
Central and Eastern Europe	7,415	9%	9,987	10%
Asia-Pacific	33,736	39%	44,276	44%
North and South America	17,483	20%	17,995	18%
Sub-total, Rest of World	**58,634**	68%	**72,258**	72%
GROUP TOTAL	86,657	100%	100,560	100%

EMPLOYEES BY BUSINESS LINE



24% Fresh Dairy Products = **24,129**
42% Beverages = **42,556**
30% Biscuits and Cereal Snacks = **30,553**
3% Other food business = **2,480**
1% Corporate departments = **842**

Increased use of the **corporate intranet** for in-house recruitment has also improved mobility within the group. One promising development is the gradual deployment of **Hiris, a new information system especially for human resources** that will help management throughout the group speak the same language.

MAKING NATIONAL TEAMS MORE EFFECTIVE

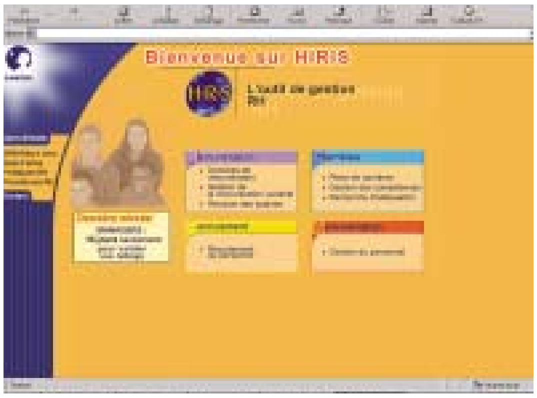
In 2001 DANONE Group continued a drive to set up **joint teams** in each country — pooling sources of HR expertise to serve companies operating in different core businesses.
These joint units address a range of issues: improving mobility between business lines, making recruitment more efficient and less expensive, streamlining administrative back-up, and more. Their input has led to a marked improvement in these key areas, while local HR managers benefit from closer contacts with front-line teams.

HONING SKILLS ON THE FACTORY FLOOR

In recent years, production has undergone a sea change with the introduction of new work methods calling for a wider range of skills, greater autonomy and teamwork.
To keep pace, workers need people skills as well as technical expertise. And to meet this challenge, companies in the Group — Danone Spain, Danone France and Danone Belgium — have developed promising approaches based on sharing responsibility between employees and management. Both sides benefit: workers improve their employability and scope for career development, while the company gains more flexible and responsive structures. DANONE will be fostering awareness of this approach, based on **operator competency and classifications,** among other companies in the Group.

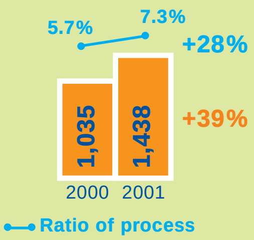
RESTRUCTURING OF BISCUIT OPERATIONS IN EUROPE

At the end of March, DANONE presented a restructuring plan, first to European worker representatives (European Committee) and then to representatives in each country concerned. Reorganization was necessary to combat excess capacity in Europe's fiercely competitive biscuit market. To meet the challenge, DANONE Group opted to preempt future difficulties, acting in full compliance with our dual commitment to business success and social progress. The principles underlying our commitments to social responsibility were applied from the start: recognition of the key role of dialog with employees and their representatives, and acceptance by the company of full responsibility for the consequences of industrial decisions.

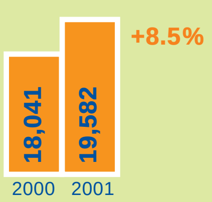


www.careers.danone.com

No. of CVs received



No. of visits (monthly average)



TEAMING UP WITH UNIVERSITIES

Copernic in Central Europe
DANONE Group is a founding member of Copernic, a program set up 12 years ago by the French government. Each year a group of foreign students — selected jointly by the French Embassy and participating companies from a roster of French-speaking candidates — enroll in a special program that combines nine months in a French *grande école* with four months in a corporate environment. At the end, successful candidates are offered a job. DANONE recruits four or five young graduates through the program every year; several have since been promoted to management positions.

Bonafont College — a mini-business incubator
Bonafont, the Group's young and fast-growing water subsidiary in Mexico, is eager to recruit talented employees. To do so, it has set up a work/study program in tandem with some of the country's top universities. Students alternate classroom training with work on a project linked to their studies in the company, where they are supported by a mentor. Aim: recruit successful candidates at the end of the 12-18 month program.

DANONE

DANONE Group business lines

A commitment to meeting consumer needs better every day – healthy eating and well-being.

AND ME

Jan Bennink,
45, Dutch, Executive Vice President, Fresh Dairy Products Worldwide.

LIVING BETTER EVERY DAY

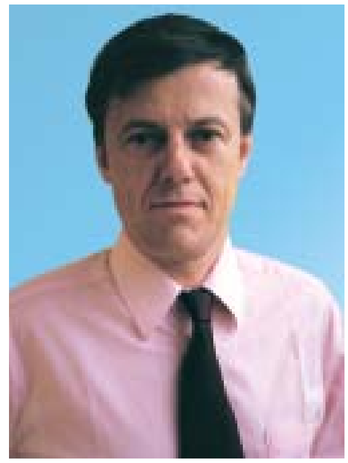
Health, balance and well-being are the keys to customer satisfaction — our priority. We aim to make healthy eating one of life's great pleasures. To do so, we offer an increasingly broad, innovative range drawing on our know-how as a world leader, with backup from outstanding research and development resources.

2001 highlights

US: acquisition of a **40%** interest in Stonyfield Farm, **No. 1** on the fast-growing organic yogurt segment and the **No. 4** yogurt brand in the US.

Algeria: partnership with **market leader** Djurdjura and acquisition of a **51%** interest in the company.

Early 2002: sale of Galbani's business. Following this divestment, yogurt and assimilated products will account for **92%** of Fresh Dairy Products sales.

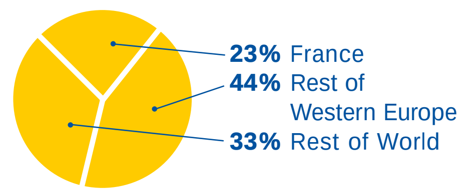


Bernard Hours, 45, French, Vice President, Fresh Dairy Products Worldwide. Appointed head of Fresh Dairy Products Worldwide in March 2002.

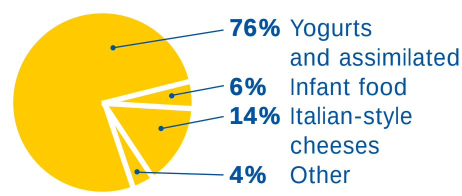
YOGURT GOODNESS YOU CAN TASTE

OPERATING MARGIN

SALES BY REGION



SALES BY SEGMENT

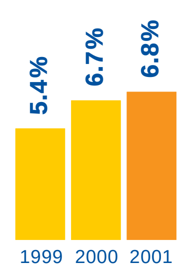


BUSINESS BY COUNTRY € millions

	Ranking (1)	Sales
France (2)	**No. 1**	**1,539**
Italy (3)	**No. 1**	**1,129**
Spain	**No. 1**	**972**
United States (4)	**No. 2**	**646**
Eastern Europe	**No. 1**	**478**
Argentina	**No. 1**	**302**
Germany	**No. 1**	**286**
Brazil	**No. 1**	**209**

(1) Yogurts and assimilated products, volume
(2) DANONE + Blédina
(3) DANONE (€207 million) + Galbani (€922 million)
(4) Early 2002: No. 1

SALES GROWTH*



*like for like

SALES

Fresh Dairy Products again reported strong sales growth in 2001, with an overall rise of 6.8% like for like and a **rise of 7.7% for yogurts and assimilated products** (excluding Galbani and Blédina).
Sales were up in nearly every country, and organic growth in sales of yogurt and assimilated products **topped 6% in all major regions.**

Business in Western Europe remained on a firm track, with demand in Southern Europe brisk and success confirmed in the UK. Growth was also sustained in Eastern Europe, including a particularly strong showing in Russia.

In Latin America, business remained firm despite economic difficulties, reflecting the benefits of strong number-one positions in each country. In North America, the highly favorable trends of 2000 continued: organic sales growth reached 7.8% and Dannon increased its share of the US market.

Drinkable yogurt is the perfect product for snacking and people on the move. Top successes in 2001 were drinkable Bio in Spain, Danimals Drinkable in the US, Danonino in Mexico and drinkable Petit Gervais aux Fruits in several other countries.

Innovation was again a main driver for success. Actimel, our probiotic yogurt, generated sales of €351 million worldwide for a rise of over 40% in the year. Growth was robust in existing markets and the product got off to a good start in Mexico, Poland and Argentina.

Low-fat Taillefine/Vitalinea ranges, Bio/Activia health products and Petits Gervais aux Fruits for children all saw growth above 10%. This reflected products' growing benchmark status and extension of geographical scope, as well as good results for the drinkable version, a segment where trends remain very firm. In the US, too, innovation made a significant contribution. Here successes included steady gains for Danimals Drinkable for children and a strong start for La Crème. Designed for adult tastes, La Crème makes the most of DANONE's advanced research into ferments to offer a combination of luscious creaminess with the health benefits of low fat content.

OPERATING MARGIN

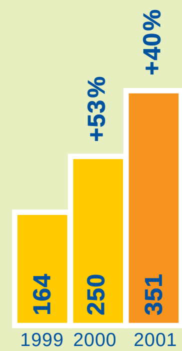
Operating margin showed a further rise from 10.9% in 2000 to 11.4% in 2001, despite particularly unfavorable trends in milk prices for the second year in a row. This good performance reflected a combination of strong sales growth, the contributions of new value-added ranges, continuing efforts to enhance productivity, and rises in our own prices in some countries.

No. 1 in fresh dairy products worldwide, with **17%** of the market.
Fresh Dairy Products account for **48%** of Group sales and **49%** of operating income.

Actimel's unique all-natural ferment L. Casei strengthens the body's natural defenses.

Bio/Activia: a yogurt especially for **health-conscious** consumers, with **bifidus essensis.**

RISING DEMAND FOR ACTIMEL € millions



Actimel: a cross-border success, now enjoyed in over 15 countries.

Taillefine/Vitalinea—a daily dose of energy— confirmed its strong showing in the fast-growing fitness/well-being segment.

EUROPE

French business was firm despite disruption in the second quarter that resulted from the announcement of restructuring in Biscuit and Cereal Snack production. Growth was particularly vigorous for Actimel, Recette Crémeuse and Danao. DANONE's share of the market for yogurt and assimilated products reached its highest ever at the end of 2001. Results for infant food under the Blédina brand were very satisfactory.

In Southern Europe, trends remained brisk for yogurt and assimilated products, driven by the successes of innovation and the continuation of vigorous growth for Actimel. In **Italy,** Galbani reported a moderate rise in sales. DANONE's strategy in the **UK** continued to make good headway with sales up sharply, and the Group is now a leader in the health segment with Actimel and Activia. In **Germany,** a fiercely competitive market made for a difficult year.

In **Eastern Europe,** sales growth was sustained, with a good performance in Poland and particularly vigorous trends in Russia.

NORTH AMERICA

In the **US,** favorable trends continued with a strong rise in sales largely attributable to new products. Danimals Drinkable for children continued to make good progress and La Crème, a concept imported from Europe, had a successful nationwide launch. Dannon raised its share of the market over the year and took the **number-one place for volumes at the beginning of 2002.**

In **Canada,** DANONE reinforced its leadership with brisk growth driven by firm demand for low-fat products and Recette Crémeuse.

LATIN AMERICA

In **Mexico,** DANONE consolidated its successes after several years of strong growth. Both Danonino, a drinkable product for children, and Vitalinea did particularly well.

In **Argentina,** sales showed a modest rise despite the economic slump. This rewarded its strong number-one place on the market, backed by a steady flow of advertising and innovation. Actimel made a good start on the market in the second half.

In **Brazil,** where problems of energy supply added to economic troubles, Group sales showed a modest rise.

AFRICA AND MIDDLE EAST

Group sales in South Africa rose a strong 17%.

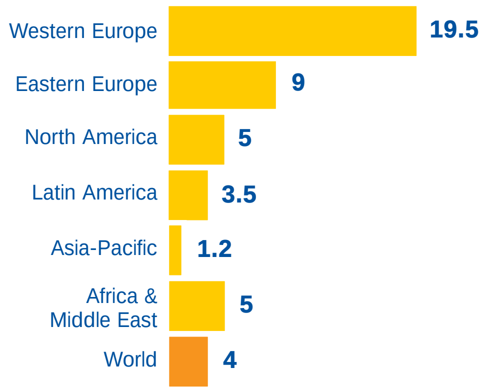
AFFILIATED COMPANIES
(ACCOUNTED FOR BY THE EQUITY METHOD)

Affiliates in North Africa, Poland and Greece all reported rises in sales over the year.

Business in the Asia-Pacific area is described on page 54.

PER CAPITA CONSUMPTION

kilos a year



The world market at a glance – Yogurt and assimilated products

> €42 billion for 24 million tons.
> Main producers: DANONE, Nestlé, Yoplait, Yakult.
> over 70% still supplied by local producers.
> 40% of volumes outside Western Europe and North America.
> wide gaps in consumption: 20 kg (44 lbs) annual per capita consumption in Western Europe, 3 kg (6.6 lbs) in the rest of the world.

With **Jockey Petit Encas, healthy snacking** comes into its own. Already sold in **15** countries.

DANONE

Being better every day

USA: La Crème introduces **all-new flavor** and **luscious creaminess** for consumers seeking new sensations.

KEY FIGURES € millions

	1997	1998	1999	2000	2001
Sales	5,324	5,665	5,981	6,530	**6,945**
Growth (like for like)(1)	+4.6%	+5.2%	+5.4%	+6.7%	**+6.8%**(2)
Operating income	557	621	655	712	**790**
Operating margin	10.5%	11%	11%	10.9%	**11.4%**
Cash flow from operations	542	586	615	667	**742**
Depreciation & amortization	202	210	233	259	**293**
% of sales	3.8%	3.7%	3.9%	4%	**4.2%**
Capital expenditure	277	253	312	308	**286**
% of sales	5.2%	4.5%	5.2%	4.7%	**4.1%**
Employees	21,743	21,696	22,023	23,692	**24,129**

(1) at constant structure and exchange rates
(2) +7.7% excluding Galbani and Blédina

Pedro Medina, 42, Venezuelan, Senior Vice President, Water Worldwide.

PURE REFRESHMENT

DANONE Group moved into first place on world water markets in 2001*. And we can look forward to continued successes built on:

- a unique geographical range, with a presence on five continents and strong number-one positions in emerging markets
- 3 of the world's top brands for bottled water, plus Aqua of Indonesia — the world's leading brand for water in large containers.

Packaged water is synonymous with health and well-being — a perfect fit with current trends in consumer tastes and demand. Which means that it is more than likely to remain the food industry's fastest growing segment.

* volume sales

2001 highlights

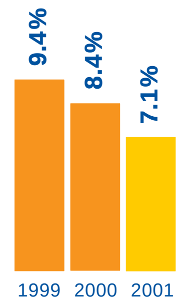
Eastern Europe: acquisition of a **50%** interest in Zywiec Zdroj, **number one** for bottled water in Poland – the region's largest market.
> Production starts at our joint venture with San Bendedetto in Poland.

Latin America: acquisition of a **50%** interest in Pureza Aga, **No. 2** for packaged water in Mexico, the world's second largest market by volume.

Asia-Pacific: DANONE raises its interest from **40%** to **74%** to take control of Aqua, market **leader** in Indonesia and the world's number-one brand for packaged water.
> Agreement for the sale of a large portion of brewery business in China.

Early 2002: agreement opening the way for DANONE to raise its interest in Zywiec Zdroj to **88%**.
> Acquisition of **100%** of New Zealand's Frucor, **No. 1** for energy drinks in Australia and New Zealand.

SALES GROWTH*

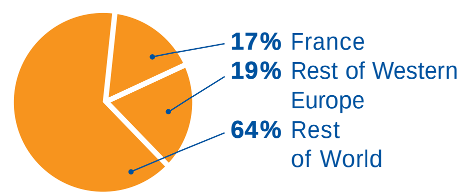


*like for like

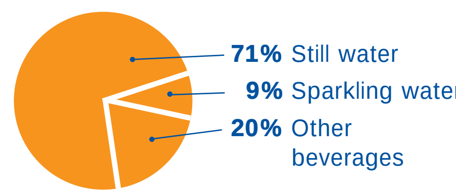
OPERATING MARGIN

excluding breweries

SALES BY REGION



SALES BY SEGMENT



BUSINESS BY COUNTRY € millions

	Local ranking (volumes)	Sales
France	No. 2	568
Spain	No. 1	225
Italy	No. 3	173
United States	No. 2	844
Canada	No. 2	86
Mexico (1)	No. 1	102
Argentina	No. 1	144
China	No. 1	908
Indonesia (2)	No. 1	106

(1) bottled water only
(2) Aqua: fully consolidated for the first time in 2001 (over 9 months)

3 OF THE 4 TOP BRANDS FOR BOTTLED WATER WORLDWIDE

Evian: 1,495 million liters sold
Wahaha: 1,262 million liters sold
Volvic: 1,162 million liters sold

> **No. 1** worldwide for packaged water in 2001, with **12.5%** of the market.

> **No. 1** worldwide in still water.

> **No. 1** worldwide for water in large containers.

> Strong positions in Europe, Latin America and North America.

> A strong **No. 1** ranking in Asia.

> Beverages contributed **26%** to Group sales and **27%** to operating income.

in volume

SALES

Sales grew +7.1% at constant scope of consolidation and exchange rates in 2001 — the best performance for any of the Group's three business lines.

The scope of consolidation underwent a significant change from the previous year with the exclusion of European brewery business. This was partly offset by the first consolidation of Aqua in Indonesia after DANONE Group raised its interest from 40% to a controlling 74% in early 2001.

DANONE was once again the pace-setter in Europe and reported a further healthy rise in Asian sales. Performances in Latin America were resilient despite economic troubles in Argentina. Turning to North America, growth was sustained in Canada but trends were more uneven in the US due to tougher competition for bottled water.

Innovation provided impetus for growth with major successes including 5-liter Volvic Fontaine containers in France and 5-liter Fontvella containers in Spain. In Argentina, Brio is now the top brand for sparkling water.

DANONE Activ' and Volvic Fruit both got off to a vigorous start in the UK and Germany. Diet waters Taillefine in France and Vitasnella in Italy confirmed the potential of this segment.

DANONE Activ': still water with added calcium for extra health benefits, reinforcing the DANONE brand's association with family nutrition in the UK.

High growth for flavored waters, with Volvic Fruit off to a strong start in Germany and the UK. Badoit Vertigo proved a winner in France.

Taillefine/Vitasnella: especially for diet-conscious consumers.

OPERATING MARGIN

The reported operating margin slipped from 12.4% to 11.4%, an automatic effect of the removal of brewery business from the scope of consolidation. Excluding beer in Europe, operating margin was up from **11.2%** in 2000 to **11.4%** in 2001 despite the adverse impact of higher PET prices. At constant scope of consolidation and exchange rates, operating margin on beverages rose 22 basis points. Contributing factors included economies of scale associated with higher sales volume, rises in our own prices to offset higher PET prices in some countries and continuing efforts to raise productivity. To take just two examples, initiatives included a major drive to optimize logistics and design changes to lighten bottles.

EUROPE

Overall performance in Western Europe was very satisfactory.
In **France,** growth remained very firm, drawing support from Volvic's strong showing. This was due in particular to the success of the 5-liter Fontaine package.
Sales growth was again vigorous in the **UK** and **Germany,** where our Group is the leader for still waters with Evian and Volvic.
In **Spain,** results were just as good, with both Font Vella and Lanjaron doing well.
In **Italy,** Ferrarelle made a satisfactory showing on a hotly disputed market.

NORTH AMERICA

In **Canada,** results were particularly good for home and office deliveries. This was also the case in the **US** but results were patchier for premium imported waters represented by Evian and domestic bottled waters, where main Group brands are Dannon Water and Sparkletts.

LATIN AMERICA

In **Mexico,** Bonafont continued to drive healthy growth, while in **Argentina** sales showed a rise despite the economic slump.

AFFILIATES (ACCOUNTED FOR BY THE EQUITY METHOD)

Aga in Mexico had a good year in home and office deliveries, while in **Poland,** the joint venture with San Benedetto confirmed potential as production got off to a good start.

Business in the Asia-Pacific region is described on page 54.

Innovating to make life easier:
Evian's removable bar code does away with the need for customers and cashiers to lift heavy packs at supermarket checkout desks.

The world market for water in bottles and large containers

> €37 billion for 116 billion liters.

> Strong rises in volumes averaging an annual 9% over the past three years.

> Main producers: DANONE, Nestlé, PepsiCo, Coca-Cola.

> Over 70% of worldwide supplies from local producers.

> 50% of worldwide volumes outside Western Europe and North America.

> Wide gaps in consumption: 93 liters per capita a year in Western Europe. 13 liters per capita a year in the rest of the world.

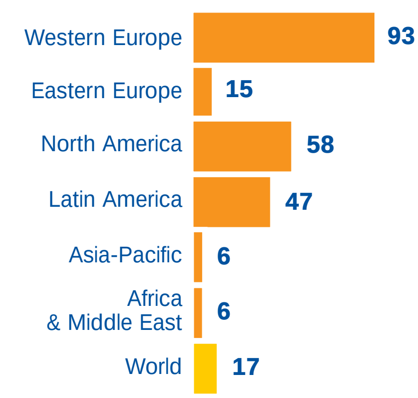
> Emerging markets: 50% of volumes, 60% average annual growth over three years.

> Segments: 76% still water
24% sparkling water

BRIO — innovating for success
Brio, now the number-one brand for sparkling water in Argentina, has posted a big success with its new Siphon bottle, a first in the segment.

PER CAPITA CONSUMPTION

liters a year

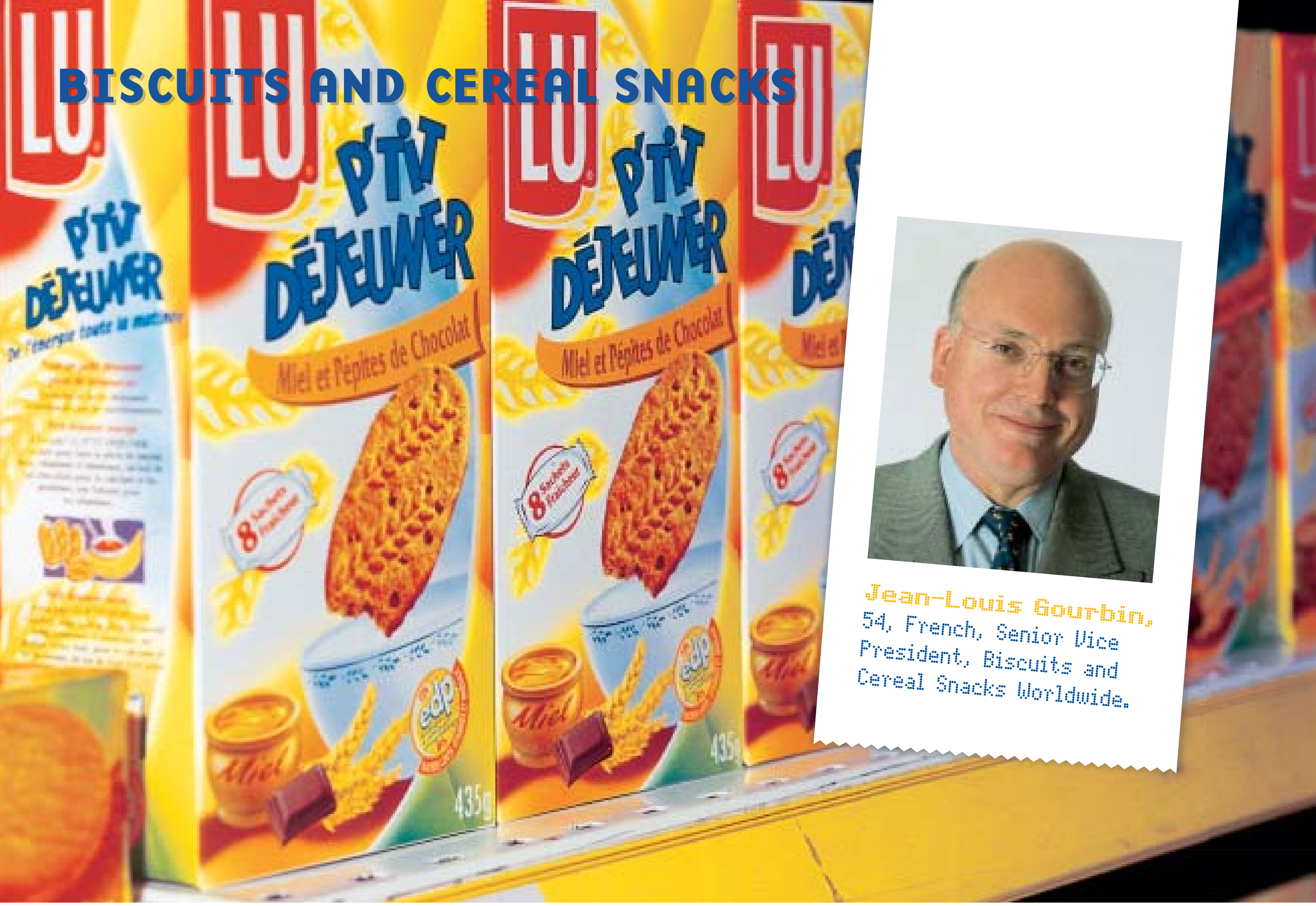


KEY FIGURES € millions

	1997	1998	1999	2000	2001
Sales	2,755	3,004	3,565	4,141	**3,796**
Growth (like for like)(1)	+7%	+8.2%	+9.4%	+8.4%	**+7.1%**
Operating income	327	368	440	513	**432**
Operating margin	11.9%	12.3%	12.3%	12.4%	**11.4%**(2)
Cash flow from operations	383	456	533	537	**519**
Depreciation & amortization	224	240	302	302	**276**
% of sales	8.1%	8%	8.5%	7.3%	**7.3%**
Capital expenditure	235	241	247	395	**321**
% of sales	8.6%	8%	6.9%	9.5%	**8.5%**
Employees	18,864	20,651	23,031	31,042	**42,556**

(1) at constant structure and exchange rates
(2) includes major impact of removal from consolidation of European brewery operations during the year; at constant scope of consolidation and exchange rates, margin rose by 22 basis points

BISCUITS AND CEREAL SNACKS



Jean-Louis Gourbin, 54, French, Senior Vice President, Biscuits and Cereal Snacks Worldwide.

SHEER ENJOYMENT WITH ALL THE NATURAL ENERGY OF GRAIN

A fresh touch for a traditional segment — the nutritional benefits of grain guarantee eating pleasure any time, any place. A welcome break for people on the move, attuned to the growing demand for convenient, healthy snack foods. At DANONE, we are working to consolidate the LU brand, already number two worldwide for biscuits.
But we are also opening up new markets and offering new opportunities for enjoyment backed by advanced capacity for innovation in the fields of nutrition, health and quality.

2001 highlights

> **Restructuring** of European biscuit production announced.

> Integration of businesses taken over from **United Biscuits**.

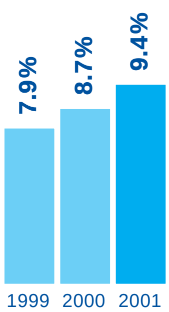
> Announcement of a new venture in biscuits with **Rachid** in Egypt.

> **International scope of the LU brand** extended, now including Brazil, Poland, Scandinavia and Finland.

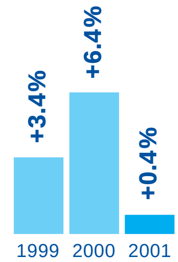
> Successes for **low-fat and breakfast biscuit ranges**.

> Biscuit division renamed **"Biscuits & Cereal Snacks"**.

OPERATING MARGIN

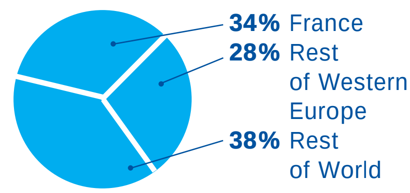


SALES GROWTH*

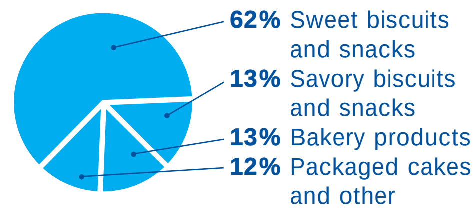


* like for like, affected by difficulties in France and Latin America

SALES BY REGION



SALES BY SEGMENT



BUSINESS BY COUNTRY € millions

	Ranking (volumes)	Sales
France	**No. 1**	**1,132**
Benelux	**No. 1**	**207**
Italy	**No. 2**	**196**
Eastern Europe	**No. 1**	**344**
Brazil	**No. 2**	**122**
Argentina	**No. 2**	**184**
India	**No. 1**	**263**
China	**No. 1***	**68**
New Zealand	**No. 1**	**100**

* DANONE is the country's leading brand

Known worldwide — and winning new markets every day. Today accounts for **52%** of Biscuits & Cereal Snacks sales outside the Asia-Pacific region.

Following a successful start in Russia, **Prince,** the Group's leading brand for children, is now available in **8** countries.
Sales rose more than **10%** in 2001.

No. 2 worldwide in Biscuits and Cereal Snacks.

No. 1 in Western Europe.

No. 1 in the emerging markets of Asia, Latin America, Eastern Europe and North Africa.

Biscuits and Cereal Snacks account for **23%** of Group sales and **20%** of operating income.

In 2001, DANONE Group announced **plans to restructure production in Europe,** with a view to trimming excess capacity and at the same time favoring large, specialized production platforms.
The announcement of this plan, essential to the long-term competitiveness of our Group on a hotly disputed European market, led to significant disruption in the region, particularly in France. Confirming our dual commitment to business success and social progress, DANONE Group adopted **a broad range of measures to find alternative employment for staff members affected and redeploy sites.**
The plans, currently being implemented in each of the countries concerned, call for the closure of five sites between now and 2004. A related **provision** was set up in the amount of €147 million.

SALES

Biscuit and Cereal Snack sales showed a modest **0.4%** like-for-like rise in 2001. This reflected disruption following the announcement of restructuring in European production, as well as the economic slump in Argentina, and difficulties with the integration of some of the business taken over from United Biscuits.

However, growth was firm in the Asia-Pacific region and in Eastern Europe. **Innovation** was again to the fore with low-calorie Taillefine and Vitalinea ranges expanding by nearly 14%. Breakfast biscuits, now on sale in six countries, were a big success, winning us a larger share of the overall breakfast market.
Prince, our number-one children's brand, generated sustained growth and extended its geographical range with a successful launch in Russia.

OPERATING MARGIN

Despite unfavorable conditions in France and Argentina, operating margin on Biscuits and Cereal Snacks was up from **8.7% to 9.4%.** This reflected continuing commitment to improve productivity, economies of scale in countries where our presence is recent, and the success of a number of value-added products. Trends in prices for ingredients had little impact on results.

A winner at the breakfast table — the natural energy of grain backed by DANONE's expertise in nutrition get the day off to a great start.
Breakfast biscuits are now on offer in six countries, with Belgium, Italy and Argentina added to the list in 2001.

EUROPE

In **France** an unsettled period that saw sales slow significantly gave way to steady improvement during the year. This fully restored earlier sales levels and the brand standing of LU. Low-fat Taillefine biscuits, P'tit Déj' breakfast products and the Prince range all made excellent showings.

In other parts of **Western Europe,** performance was good overall. In the **UK,** business gained from a move to focus on crackers, where our Group ranks first. In **Nordic countries,** however, results suffered from difficulties with the integration of business taken over from United Biscuits.

In **Italy,** growth was satisfactory and integration of the Fonzies brand acquired from United Biscuits proceeded smoothly. In the **Benelux,** the year went well, with LU becoming the number-one brand in the Netherlands. In **Eastern Europe,** sales growth remained brisk, particularly in **Russia** where economic trends were firm, while Opavia did very well in the **Czech Republic.**

LATIN AMERICA

The Group had a difficult year in Latin America. Sales pace was off sharply on a deeply troubled market in **Argentina,** while trends were lackluster in Brazil. As part of the internationalization of the LU brand, it was extended to cover all our ranges in **Brazil.**

AFFILIATED COMPANIES
(ACCOUNTED FOR BY THE EQUITY METHOD)

Affiliates reported generally satisfactory performances for 2001.

Business in the Asia-Pacific area is described on page 54.

New PIM's for even richer flavor and added pleasure.

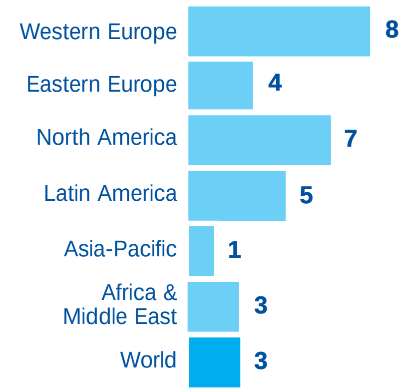
The world biscuit market

- €43 billion, for 13.5 million tonnes.
- Main producers: DANONE, Nabisco.
- Over 70% of the market still supplied by local producers.
- Wide gaps in consumption.
- 8 kilos per capita a year in Western Europe.
- 3 kilos per capita a year in the rest of the world.

- Emerging markets: 63% of total consumption (volume) and 72% of average annual growth (over 3 years).
- Segments: 68% sweet biscuits and snacks, 32% savory biscuits and snacks.

PER CAPITA CONSUMPTION

kilos a year



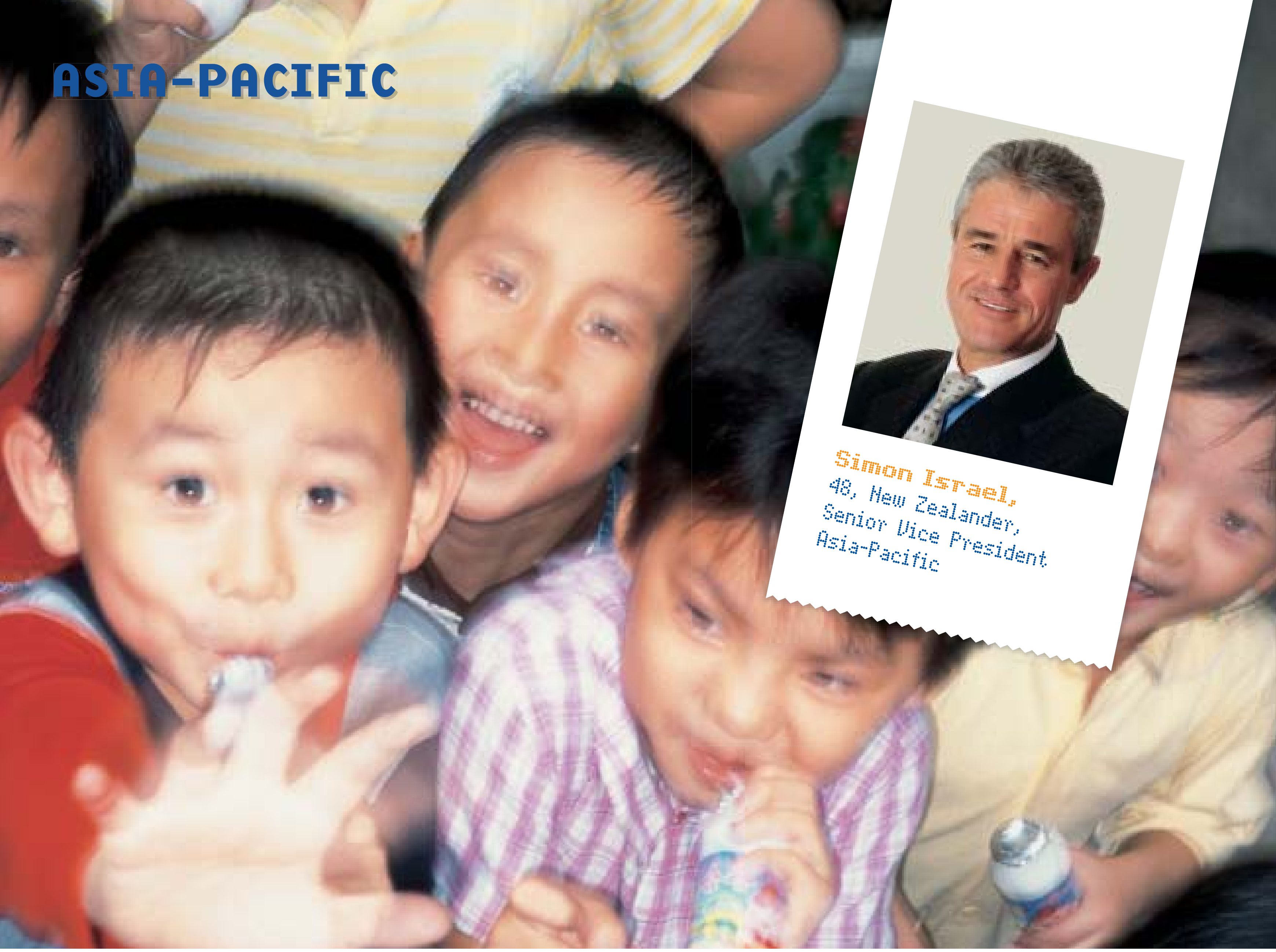
Recent research highlights the nutritional value of a fourth daily "meal"—an after-school snack, for example—which ensures a more even balance for both adults and youngsters.

BISCUITS — NUTRITION AT YOUR FINGERTIPS

KEY FIGURES € millions

	1997	1998	1999	2000	2001
Sales	2,674	2,607	2,822	3,255	**3,371**
Growth (like for like)*	-2.6%	+3.6%	+3.4%	+6.4%	**+0.4%**
Operating income	182	203	222	282	**316**
Operating margin	6.8%	7.8%	7.9%	8.7%	**9.4%**
Cash flow from operations	200	226	263	315	**308**
Depreciation & amortization	139	135	154	172	**183**
% of sales	5.2%	5.2%	5.5%	5.3%	**5.4%**
Capital expenditure	139	99	88	83	**93**
% of sales	5.2%	3.8%	3.1%	2.5%	**2.8%**
Employees	26,644	24,797	27,849	28,835	**30,553**

*at constant structure and exchange rates



Simon Israel,
48, New Zealander,
Senior Vice President
Asia-Pacific

UNRIVALED RANGE AND STRENGTH

DANONE Group is a strong leader in packaged water and biscuits in the Asia-Pacific region — one of the world's most promising markets. And we are consolidating that strength and others, making the most of key strategic advantages for continuing success. Steady growth in sales, at €1.8 billion, and operating margin, now 10.7%, reflect a focused geographical approach built on brands with outstanding appeal on their home markets.

2001 highlights

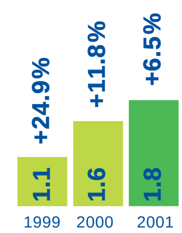
Indonesia: DANONE takes control of Aqua, market leader in Indonesia and Asia's number-one producer of packaged water, raising its interest from **40%** to **74%**.

India: joint venture in fresh dairy products with the New Zealand Dairy Board.

New Zealand: public tender offer for Frucor, **No. 1** for energy drinks in New Zealand and Australia, giving DANONE **full ownership** at the beginning of 2002.

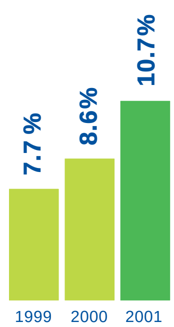
SALES GROWTH*

€ billions



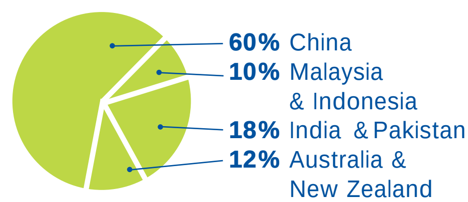
*like for like

OPERATING MARGIN

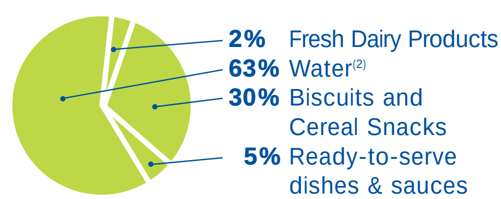


DANONE BECAUSE IT'S GOOD

SALES BY REGION[1]



SALES BY SEGMENT[1]



(1) pro forma based on operations retained at December 31, 2001
(2) includes other non-alcoholic beverages

MAIN OPERATING ENTITIES € millions

	Local ranking (volume)	Sales
Wahaha (China)	**No. 1 Beverages**	**705**
Britannia (India)	**No. 1 Biscuits**	**302**
Robust (China)	**No. 1 Beverages**	**203**
Aqua* (Indonesia)	**No. 1 Beverages**	**105**
Britannia (Malaysia)	**No. 1 Biscuits**	**41**
Griffin's (New Zealand)	**No. 1 Biscuits**	**100**
Amoy (China)	**No. 1 Grocery products**	**66**

*fully consolidated for the first time in 2001 (over 9 months)

No. 1 for water in Asia.

> A strong **lead**, with a **20%** share of the market and over **5** billion liters sold.

> Over **40%** of Group volumes sold in the region.

> A strong **lead** in China with Wahaha and Robust, and in Indonesia with Aqua, setting market share close to **50%** in both countries.

> Wahaha is the world's **No. 2** producer of water bottles under 2 liters and Aqua the **world's top brand** for packaged water sold in large containers.

Tiger is Asia's top brand for biscuits by volume, with strong positions in India, Malaysia and Indonesia.

Wahaha is China's top brand for bottled water, with over 1 billion liters sold in 2001.

The acquisition of **Frucor,** number one for energy drinks in New Zealand and Australia, consolidates DANONE's position in one of the world's most promising regions.

Sales topping 2 billion liters make **Aqua** the world's number-one brand for packaged water.

KEY FIGURES € millions

	1998	1999	2000	2001
Sales	851	1,119	1,571	**1,800**
Growth (like for like)*	+19.9%	+24.9%	+11.8%	**+6.5%**
Operating income	53	86	136	**192**
Operating margin	6.2%	7.7%	8.6%	**10.7%**
Cash flow from operations	81	124	193	**261**
Capital expenditure	92	88	167	**128**
% of sales	10.8%	7.9%	10.6%	**7.1%**
Employees	20,651	23,878	33,736	**44,276**

*at constant structure and exchange rates

SALES

Overall sales showed a like-for-like rise of **7.7%,** including gains of 15.9% for packaged water and 6.2% for biscuits and cereal snacks. Growth in China was not as vigorous as in previous years, partly due to the impact of unseasonable summer weather on beverage sales. At the same time, business trends were excellent in Indonesia and satisfactory in India.

OPERATING MARGIN

Operating margin showed a further rise from **8.6% to 10.7%,** reflecting economies of scale associated with higher volumes as well as continuing efforts to optimize organization. Improvements observed in nearly all countries bear out the sound basis of Group strategy. This centers on high-profile products that are affordable for the majority and which are backed by vigorous advertising stressing health benefits.
Ranges are also to be extended to enhance value over the medium term by focusing on well-known brands.

CHINA

Through our two main affiliates, Wahaha and Robust, DANONE Group holds nearly 50% of the Chinese market for packaged water. In 2001, nearly 2.3 billion liters of water were sold in bottles and containers. **DANONE is the No. 1 nationwide brand for biscuits,** and our Group also has strong market positions in sauces with the Amoy brand.

Wahaha is now **China's top brand for packaged water** and the world's number two for bottled water after Evian, DANONE Group's top brand. Wahaha also enjoys a strong lead in the market for dairy drinks and has a significant share of the cola market.

DANONE Group also has strong positions through Robust, number two in China for bottled water and dairy beverages, as well as through Health, the country's premium water brand. Finally, it has an interest in Aquarius, based in Shanghai, which is China's top name in home and office water deliveries.

Growth in these businesses, especially water, went through a period of consolidation in 2001. This mainly reflects the greater maturity of a market which has now reached a substantial size. Yet temporary upsets also had an adverse impact. They included extremely unfavorable weather for beverage sales in summer and the difficulties encountered in the development of a group strategy for Robust and Wahaha.

During the year, the Group reached an agreement for the sale of a significant portion of its brewery business in China. Once this is completed, the remaining interest of DANONE Group will represent full-year sales of less than €30 million. In 2001, the business suffered on a fiercely competitive market with prices on a downward slope.

Biscuits and Cereal Snacks under the DANONE brand, the leader in China, benefited from strong market trends and innovation that together consolidated a well established image for healthy eating.

Sales of Amoy brand sauces were strong in continental China but nearly flat for the unit based in Hong Kong, which suffered a steep fall in exports to the US following September 11.

INDONESIA

Raising its interest from 40% to 74%, DANONE Group took control of **Aqua,** a very strong **No. 1 on its domestic market and Asia's top water producer.** The company's sales rose vigorously over the year, benefiting from the brand's extremely high profile. In Biscuits and Cereal Snacks, products under the DANONE brand continued to make rapid gains.

INDIA

Britannia, India's top brand for Biscuits and Cereal Snacks, again reported firm growth. Results in the second half were buoyed by the successful launch of a new range of crackers.

OTHER COUNTRIES

Griffin's, number one for biscuits in New Zealand, saw a significant rebound in growth during the year. Business in Malaysia showed moderate growth against a backdrop of more testing economic conditions and integration of operations taken over from United Biscuits. Popular **Tiger** brand biscuits continued to do well. Finally, in Pakistan, business was good despite geopolitical complications.

DANONE hits the streets in Shanghai

OTHER FOOD BUSINESS

Georges Casala, 61, French, Senior Vice President, International Strategy.

Business under this heading concerns sauces in the UK, the US and China, together representing 3% of total Group sales.

SALES

Sales in 2001 came to €375 million, up 0.2% like for like from the previous year. Strategy during the year emphasized focus on core brands and related rationalization of ranges.

OPERATING MARGIN

Fresh focus on core brands and initiatives to enhance productivity fueled a spectacular rise in operating margin — from 13% in 2000 to 16% in 2001.

UNITED KINGDOM

HP and Lea & Perrins turned in robust performances, while Amoy sauces imported from China continued to show healthy growth.

UNITED STATES

Business was refocused on Worcestershire sauce, the company's historic mainstay and a segment where it is market leader in the US.

Business in the Asia-Pacific area is described on page 54.

DANONE

Financial statements

Quality information backed by strict management.

AND ME

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of GROUPE DANONE

In accordance with the terms of our appointment at the Annual Stockholders' Meeting, we have audited the accompanying consolidated financial statements of DANONE and its subsidiaries for the years ended December 31, 2000 and 2001, presented on pages 63 to 83.
These consolidated financial statements have been approved by the Board of Directors.
Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
We conducted our audits in accordance with French generally accepted auditing standards.
Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management in he preparation of financial statements, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of DANONE and its subsidiaries at December 31, 2000 and 2001, and the consolidated results of their operations for the years then ended, in accordance with the accounting principles described in Note 1 to the consolidated financial statements, and in accordance with French rule CRC n° 99-02.
We have also reviewed the information given in the report of the Board of Directors concerning the Group.
We have no comments as to its fair presentation and its conformity with the consolidated financial statements.

Paris, February 18, 2002

The Statutory Auditors

MAZARS & GUERARD
Yves ROBIN - Loïc WALLAERT

BEFEC-PRICE WATERHOUSE
Member of PricewaterhouseCoopers
Pierre COLL - Patrick SEURAT

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

(€ millions)	Notes	Year ended December 31 2000	2001
Net sales		**14,287**	**14,470**
Cost of goods sold		(6,973)	(7,196)
Selling expenses		(4,453)	(4,331)
General and administrative expenses		(950)	(988)
Research and development expenses		(125)	(126)
Other expense and income	21	(236)	(220)
Operating income		**1,550**	**1,609**
Non-recurring items	2	23	(757)
Interest expense, net	22	(193)	(180)
Income before provision for income taxes and minority interests		**1,380**	**672**
Provision for income taxes	23	(562)	(416)
Income before minority interests		**818**	**256**
Minority interests		(130)	(163)
Net earnings of equity method companies		33	39
Net income		**721**	**132**

PER SHARE INFORMATION (NOTE 1R ET NOTE 12)[1]

	2000	2001
Number of shares used in calculating:		
- basic earnings per share	140,662,272	139,362,077
- diluted earnings per share	141,373,721	142,697,380
Basic earnings per share	**5.13**	**0.95**
Diluted earnings per share	**5.10**	**0.97**

The notes on pages 66 to 83 are an integral part of the consolidated financial statements.
[1] data adjusted after the June 2000 two-for-one stock split.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(excluding minority interests)

	Number of shares		€ millions					
	Issued[1]	Excluding treasury stock[1]	Capital stock	Capital surplus	Retained earnings	Translation adjustments	Treasury stock	Stockholders' equity attributable to the Group
Balance at December 31, 1999	**148,271,176**	**135,127,744**	**113**	**2,422**	**5,209**	**(173)**	**(1,425)**	**6,146**
Capital stock issues	655,610	655,610		45				45
Capital stock reduction	(6,400,000)	(6,400,000)	(6)	(788)				(794)
Conversion of bonds	6,559,422	6,559,422	7	547				554
Capital conversion in euros			35	(35)				
Net income for 2000					721			721
Dividends paid					(234)			(234)
Translation adjustments						110		110
Change in treasury stock		5,037,560					641	641
Balance at December 31, 2000	**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
Balance at December 31, 2000	**141,033,427**	**134,687,748**	**141**	**1,150**	**5,560**	**(301)**	**(603)**	**5,947**

At December 31, 2001 the negative translation adjustments related to currencies in the euro zone amount to €328 million
The notes on pages 66 to 83 are an integral part of the consolidated financial statements.
[1] data adjusted after the June 2000 two-for-one stock split.

CONSOLIDATED BALANCE SHEETS

ASSETS

(€ millions)	Notes	At December 31 2000	2001
Property, plant and equipment	5	8,044	8,547
Less: accumulated depreciation		(4,080)	(4,473)
		3,964	**4,074**
Brand names	6	1,652	1,615
Other intangible assets (net)		121	119
Goodwill	6	4,948	5,074
		6,721	**6,808**
Long-term loans		286	209
Long-term investments	7	571	429
Equity method companies	8	408	553
Other	9	981	900
		2,246	**2,091**
Non-current assets		**12,931**	**12,973**
Inventories	10	728	764
Trade accounts and notes receivable	11	1,784	1,289
Other accounts receivable and prepaid expenses	11	841	770
Short-term loans		166	190
Marketable securities		235	396
Cash and cash equivalents		548	713
Current assets		**4,302**	**4,122**
Total assets		**17,233**	**17,095**

LIABILITIES AND STOCKHOLDERS' EQUITY

	Notes	2000	2001
Capital stock (par value €1 per share; shares 2001: 141,033,427 - 2000: 149,086,208) [1]		149	141
Capital surplus		2,191	1,150
Retained earnings	12	5,696	5,560
Translation adjustments		(63)	(301)
Treasury stock		(784)	(603)
Stockholders' equity		**7,189**	**5,947**
Minority interests		830	780
Convertible bonds	14	-	1,000
Long-term debt	15	4,171	4,425
Retirement indemnities, pensions and post-retirement	16	319	334
Provisions and long-term liabilities	17	387	542
Stockholders' equity and non-current liabilities		**12,896**	**13,028**
Trade accounts and notes payable	18	1,719	1,715
Accrued expenses and other current liabilities	18	1,605	1,841
Short-term debt and bank overdrafts		1,013	511
Current liabilities		**4,337**	**4,067**
Total liabilities and stockholders' equity		**17,233**	**17,095**

The notes on pages 66 to 83 are an integral part of the consolidated financial statements.
[1] data adjusted after the June 2000 two-for-one stock split.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(€ millions)	Year ended December 31 2000	2001
Net income	721	132
Minority interests in net income of consolidated subsidiaries	130	163
Net earnings of equity method companies	(33)	(39)
Depreciation and amortization	757	777
Other	(17)	578
Cash flows provided by operations	**1,558**	**1,611**
Decrease in inventories	(32)	(21)
Net variation in trade accounts and other accounts receivable	(344)	460
Net variation in trade accounts and other accounts payable	224	180
Other variations	16	10
Net change in current working capital	(136)	629 [1]
Cash flows provided by operating activities	**1,422**	**2,240**
Additions to property, plant and equipment	(798)	(737)
Investment in subsidiaries and equity method companies	(2,849)	(1,071)
Proceeds from the sales of businesses and other investments	712	218
Cash flows used in investing activities	**(2,935)**	**(1,590)**
Increase in capital and capital surplus	554	46
Purchases of treasury stock	(169)	(921)
Dividends	(366)	(393)
Net change in long-term debt	1,170	1,248
Net increase in long-term loans and other assets	(224)	108
Net change in short-term debt	357	(416)
Proceeds from the sales of marketable securities	263	(146)
Cash flows (used in) provided by financing activities	**1,585**	**(474)**
Effect of exchange rate changes on cash and cash equivalents	**12**	**(11)**
Increase (decrease) in cash and cash equivalents	**84**	**165**
Cash and cash equivalents at beginning of year	**464**	**548**
Cash and cash equivalents at end of year	**548**	**713**

The notes on pages 66 to 83 are an integral part of the consolidated financial statements.

[1] including €685 million of net securitized trade accounts receivable at December 31, 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES

As of January 1, 2001, the consolidated financial statements are prepared in euros and all previous data have been translated into euros, using the official exchange rate of 6.55957 French francs per euro in place as of January 1, 2000. All data related to capital stock and earnings or dividends per share have been adjusted to take into account the June 2000 two-for-one stock split.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of consolidation

The consolidated financial statements of GROUPE DANONE (the "Company") and subsidiaries (together, the "Group") have been prepared in accordance with current French generally accepted accounting principles ("French GAAP"). The French rule 99-02, applied from January 1, 2000, did not entail any amendment to the practices previously followed.

The application of these principles does not give rise to material differences compared with US generally accepted accounting principles (US GAAP), which the Group also complies with because of its international operations and business, except for the brand amortization (brands are not systematically amortized as required per US GAAP but can be exceptionally impaired), the valuation of some financial assets (which are not recorded at fair value at the closing date as required per US GAAP) and for the accounting of some restructuring costs.

The application of US GAAP (based on a 40-year amortization period for brand names) would result in an increase in year 2001 consolidated net income of €73 million (an increase of €86 million in year 2000) to €205 million at December 31, 2001 (€807 million at December 31, 2000) and a reduction in stockholders' equity to €393 million (reduction of €148 million at December 31, 2000) to €5,554 million at December 31, 2001 (€7,041 million at December 31,2000).

All material subsidiaries in which the Group holds, directly or indirectly, a controlling interest are consolidated by including all assets, liabilities and income statement items of the related subsidiaries after elimination of intercompany balances, transactions and results. Stockholders' equity excludes minority interests in consolidated companies, which are presented as a separate caption in the consolidated balance sheets. Material affiliated companies in which the Group exercises, directly or indirectly, significant influence are recorded using the equity method of accounting. Under the equity method, the Group recognizes as income its proportionate share of the investee's net income and records an increase to the equity investments; such investments are reduced by the amount of any dividends received.

In 2001, of the 162 companies included in the consolidation (2000: 156), 142 are consolidated (2000: 139) and 20 are accounted for under the equity method (2000: 17). A list of subsidiaries and equity investee companies included in the consolidation at December 31, 2001, and of newly consolidated and de-consolidated companies, is shown in Note 28.

For companies acquired (or disposed of) during the year, only results for the period subsequent to the date of acquisition (or prior to the date of disposal) are included in the consolidated statement of income. All significant intercompany accounts and transactions (including dividends) are eliminated in consolidation.

B. Foreign currency translation

Transactions denominated in foreign currencies
Accounts receivable and payable denominated in foreign currencies are generally recorded at the year-end exchange rate. Foreign exchange gains and losses resulting from the remeasurement of accounts receivable and payable stated in foreign currencies and from settlement of such balances during the year are recognized in the income statement under "Other expense and income", except those arising from intercompany transactions of a long-term investment nature which are shown as a separate component of retained earnings under "Translation adjustments."

Translation of financial statements of foreign operations
General:
• balance sheet items are translated into euros at the official year-end exchange rate;
• income statement items are translated at the average exchange rate for the year for each currency;
• exchange differences arising from the translation of the accounts of foreign companies into euros are included in retained earnings under the heading "Translation adjustments" until the related foreign investments are sold or liquidated.

Where the functional currency is not the local currency (highly inflationary countries or companies with the euro as the functional currency), the translation of the financial statements of such companies differs from that described above, as capital and intangible assets, long-term investments and stockholders' equity, and the related income statement items are translated at the appropriate historical exchange rates.

C. Intangible assets

Goodwill

The acquisition cost of a subsidiary is allocated to the identifiable tangible and intangible assets acquired, including brands when relevant, and liabilities assumed based on their fair market values at the date of the acquisition (fair market values being determined based on independent appraisals and management estimates). Any excess of acquisition cost over the identifiable assets acquired and liabilities assumed is allocated to goodwill.

Goodwill is amortized over a period from twenty to forty years, with the majority over forty years, on a basis which takes into consideration, as fairly as possible, the assumptions, objectives and prospects existing when the acquisition was made.

Management periodically evaluates whether changes have occurred that would require revision of the estimated useful lives of the assigned goodwill or would result in an impairment. In making such an evaluation, management estimates the expected future undiscounted cash flows of the business to which the goodwill relates or estimates the fair value of the business less costs to sell, when the assets and relating goodwill are to be disposed of.

Brands and other intangible assets

The brands which have been separately identified are only premium brands, with a value that is substantial and considered to be of a long term nature, sustained by advertising expenses.

The valuation of these brands is determined with the assistance of specialized consultants, taking into account various factors including brand recognition and earnings contribution. These brands, which are legally protected, are not amortized. In the event that the recorded value of a brand becomes permanently impaired, an allowance would be recorded via a charge to income.

Purchased goodwill ("fonds de commerce"), licenses, patents and leasehold rights are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, not exceeding forty years.

D. Property, plant and equipment

Land, buildings, plant and equipment are recorded at historical cost. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:
- Rental property: 50 years;
- Buildings: 15 to 40 years;
- Machinery and equipment: 8 to 15 years;
- Other: 3 to 10 years.

Significant acquisitions under capital leases are treated as installment purchases. They are capitalized on the basis of the discounted value of future lease payments and depreciated over their estimated useful lives.

Interest on funds borrowed to finance capital investment programs prior to their completion is treated as a component of the cost of the related assets.

Consigned containers are recorded at cost. Depreciation is provided on a straight-line basis, based on available statistics for each company, over the shortest of the following estimated useful lives:
- the physical useful life, taking into account the internal and external breakage rates and wear and tear;
- the commercial useful life, taking into account planned or likely modifications to containers.

Changes in consignment rates (defined as the refundable rate per container) are recorded through an adjustment to the liability for deposits received for containers on consignment offset by an adjustment to the carrying value of consigned containers. Any loss arising on changes in consignment rates is charged to income over the life of the containers involved.

E. Long-term investments

Long-term investments represent shares held in non-consolidated companies. They are carried at cost (including acquisition costs, if any) less appropriate provisions. Dividends are recorded as income when received.

F. Stocks

Inventories are stated at the lower of cost or market value. Cost is primarily determined using the weighted average method.

G. Marketable securities

Marketable securities are carried at the lower of cost or market. At the end of 2001 and 2000, the cost approximates the market value.

H. Cash and cash equivalents

Cash equivalents consist of highly liquid investments, debt instruments and time deposits with a maturity of three months or less at the date of purchase. Cash equivalents are carried at cost which approximates market value.

I. Treasury stock

GROUPE DANONE's capital stock held by consolidated Group companies is shown as a reduction of total stockholders' equity under "Treasury stock", at historical cost.

J. Grants and subsidies

Capital investment grants are included in the balance sheet under "Provisions and long-term liabilities". They are released to income (under "Other expense and income") on a straight-line basis over the estimated useful lives of the related fixed assets.

Other grants and subsidies are included in "Other expense and income" in the year in which the Group becomes entitled to receive them.

K. Deferred income taxes

Deferred income taxes are recorded under the asset / liability method for all temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except those differences related to:
- goodwill;
- brand names, because these assets, although identifiable, cannot be sold separately.

Deferred taxes are calculated using the last enacted income tax rates expected to be applicable when the temporary differences reverse. No provision is made on retained earnings of consolidated companies when the Group decided not to distribute them in a foreseeable future. Provision is made for withholding taxes on foreseen distributions when irrecoverable or when they do not confer right to tax credits; in the same way, tax credits available to certain consolidated companies on foreseen distributions are taken into account.

Deferred tax assets are reduced by a valuation allowance when it is estimated that it is more likely than not that such benefit will not be realized.

L. Retirement indemnities, pension costs and post-retirement healthcare benefits

The Group's benefit obligations relating to defined benefit pension and retirement indemnity schemes are calculated using actuarial assumptions which take into account the economic situation of each country.

These obligations are covered either by provisions recorded in the balance sheet over the period the rights are acquired or by assets held in externally managed funds to which the Group contributes; such contributions are recorded as expenses.

The Group's obligations relating to post-retirement benefits are recognized over the period the benefits are earned. Accrued obligations are based on actuarial valuations which take into account assumptions regarding mortality and future healthcare cost trends.

M. Financial instruments

The Group uses derivative financial instruments, mainly through specialized subsidiaries, for the purpose of hedging currency and interest rate exposures which exist as part of ongoing business operations. As a policy, the Group does not engage in speculative or leveraged transactions, nor does the Group hold or issue financial instruments for trading purposes.

The Group enters into interest rate swap agreements to manage its interest rate exposure. Any interest rate differential is recognized as an adjustment to interest expense over the term of the related underlying debt.

With respect to exchange rate exposure which relates to operating activities, the Group enters into forward exchange contracts and options; gains and losses resulting from these instruments are recognized over the same period as the underlying hedged transactions.

Financial instruments that do not meet the accounting criteria to qualify them as hedges are recorded at fair market value, and changes in fair value are reflected in the income statement.

N. Net sales

Revenues are recognized upon shipment. Net sales are stated after deduction of sales and excise tax. Net sales are also stated net of trade discounts and customer allowances, except for trade support actions that are generally invoiced by customers, which are treated as selling expenses.
Revenue from distribution of beverages (mainly beer until 2000) sold under names other than group brand names, are recorded via their gross margin

O. Advertising expenses

Advertising costs are charged to expense as incurred, in the amount of €790 million, and €810 million for 2000 and 2001, respectively.

P. Research and development

Research and development costs are charged to expense as incurred.

Q. Non-recurring items

Non-recurring expense and income comprise material items which because of their unusual or non-recurring nature cannot be considered as inherent to the operating activities of the Group, such as capital gains and losses on disposals of companies, restructuring costs or exceptional depreciation of intangible assets.

R. Earnings per share

Basic earnings per share is based on the weighted average number of shares outstanding during the year after deducting GROUPE DANONE's treasury stock held by consolidated subsidiaries.

Diluted earnings per share is calculated in the same way, but the denominator is increased by all the shares that could be potentially created (convertible bonds, options to subscribe or purchase shares) and the numerator by the related theoretical reduction in interest charges, net of tax.

S. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

T. Reclassements

Certain amounts in the accompanying 2000 financial statements could have been reclassified from previously issued financial statements to conform to the 2001 presentation.

NOTE 2 - NON-RECURRING ITEMS

The year 2001 income included significant non recurring items, such as (i) a charge related to the European Biscuits division restructuring (refer to Note 17), (ii) an impairment loss related to the anticipated disposal of the Galbani Italian cheese, (iii) a charge for a European Union fine related to the Beer business in Belgium and (iv) integration costs of newly acquired companies and other restructuring costs, other than those related to the Biscuits division.

These non recurring items impact the different lines of the income statement as follows :

€ millions (expect per share data)	Non recurring items	Taxes	Minority interests	Net income	Diluted earnings per share
Goodwill impairment loss	(475)	-	-	(475)	(3.33)
Biscuits restructuring costs	(236)	89	-	(147)	(1.03)
European Union fine	(26)	-	-	(26)	(0.18)
Other integration or restructuring costs	(20)	8	1	(11)	(0.08)
	(757)	**97**	**1**	**(659)**	**(4.62)**

In 2000, the following non-recurring items resulted in a €23 million increase in consolidated income before tax and minority interest:
• €156 million capital gain resulting from the disposal of the European beer businesses
• €92 million impairment charge of long lived assets, including €69 million relating to the Bagley brand
• €41 million charge relating to restructuring initiatives (mainly linked with the Fresh Dairy Products operations in Spain).
After tax and minority interests, the net capital gain and assets impairment charge amount to €1 million and the restructuring costs amount to €18 million.

NOTE 3 - INVESTMENTS IN SUBSIDIARIES AND EQUITY METHOD COMPANIES

In 2001, the Group's main investments in subsidiaries and equity method companies included :

• acquisition of the companies San (Biscuits in Poland) and Fazer (Biscuits in Finland) bought from the United Biscuits Group;

• acquisition of 50.1% of Al Safi Danone (Fresh Dairy Products in Saudi Arabia), 50% of Pureza Aga (Water in Mexico) and 51.08% of Zywiec Zdroj (Water in Poland);

• additional interests in Aqua (Water in Indonesia), Mecaniver (Belgian holding company, which owns the Group American subsidiaries in the Water and the Fresh Dairy Products businesses), Galbani (Fresh Dairy Products in Italy) and Bagley (Biscuits in Argentina).

In 2000, the principal investments in subsidiaries and equity method companies included:

• acquisition of the companies McKesson (Water in the United-States), Naya Waters of Canada (Water in Canada) and Robust (Water in China);

• acquisition of part of the assets of United Biscuits in the United Kingdom, Denmark, Sweden, Norway, Germany, Italy, Hungary and Malaysia;

- acquisition of the Paulista brand and of the fresh dairy products and milk businesses of the Cooperativa Central de Laticinios in Brazil.

NOTE 4 – UNAUDITED PRO FORMA FINANCIAL DATA

The comparison of 2000 and 2001 results is affected by charges in exchange rates and in companies included in the consolidation:

- initial consolidation in 2001 of Danone Romania (Fresh Dairy Products), Prospect Participacoes (Fresh Dairy Products in Brazil), Salus (Water in Uruguay), since March 1 of San (Biscuits in Poland) and since May 1 Fazer (Biscuits in Finland);

- consolidation of Aqua since April 1 whereas the company was accounted for under the equity method during the first quarter of 2001;

- initial accounting under the equity method of Al Safi Danone (Fresh Dairy Products in Saudi Arabia) since January 1, of Polska Woda (Water in Poland) since October 1 and of Pureza Aga (Water in Mexico) since May 1.

The 2000 unaudited pro forma figures given below are presented on the basis of the same Group structure and exchange rates as for 2001. They are therefore comparable with the 2001 figures, but not necessarily indicative of actual results.

€ millions	2000 (pro forma)	2001
Net sales	13,764	14,470
Operating income	1,465	1,609

Excluding Galbani goodwill's impairment loss, capital gains and the restructuring costs of the Biscuits division, net income amounted to €780 million in year 2001 and €720 million in year 2000.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

€ millions	At December 31 2000	2001
Land	304	316
Buildings and rental property	1,791	1,839
Machinery and equipment	4,717	5,120
Consigned containers	122	168
Vehicles, office furniture and other	664	739
Capital assets in progress	446	365
Total	**8,044**	**8,547**
Less accumulated depreciation	(4,080)	(4,473)
Net property, plant and equipment	**3,964**	**4,074**

NOTE 6 – INTANGIBLE ASSETS

€ millions	At December 31 2000	2001
Gross amounts:		
Goodwill	5,829	6,574
Brand names	1,720	1,660
Other	353	373
Total gross intangible assets	**7,902**	**8,607**
Accumulated amortization:		
Goodwill	(881)	(1,500)
Other intangible assets	(300)	(299)
Total accumulated amortization	(1,181)	(1,799)
Net intangible assets	**6,721**	**6,808**

Goodwill

€ millions	Year ended December 31 2000	2001
Net book value as at January 1	**3,367**	**4,948**
Additions during the year	2,030	846
Decreases during the year	(315)	(557)
Amortization	(134)	(163)
Net book value as at December 31	**4,948**	**5,074**

There is no individual goodwill item representing more than 5% of the total, with the exception of Danone Waters of North America USA, Danone Argentine, Lu and Volvic which in the aggregate amount to a net of approximately €1,926 million as of December 31, 2001.

Additions and decreases during year 2000 and 2001 mainly result from newly consolidated companies and from divestitures (refer to Notes 2 and 4). Decreases of year 2001 also result from the goodwill impairment of Galbani (fresh dairy products in Italy) for €475 million and the impact of the evolution of the foreign exchange rates against the euro.

Current year amortization for consolidated companies of €149 million (€124 million for 2000) is recorded as "Other expense and income" while current year amortization for companies accounted for under the equity method of €14 million (€10 million in 2000) is recorded as "Net earnings of equity method companies".

Goodwill in the amount of €334 million and €471 million at the end of 2000 and 2001, respectively, relates to equity investees.

Brand names

Brand names result from the allocation of the excess of the purchase price of the companies acquired since 1989 and are recorded at fair value. They include Galbani, Volvic, the Danone brand in Spain and the main brand names of the Group Biscuits operations, among others.

NOTE 7 – LONG-TERM INVESTMENTS IN NON-CONSOLIDATED COMPANIES

€ millions and at net book value	At December 31 2000	2001
Acquired previous year-end, and consolidated at the beginning of subsequent year	206	104
Subsidiaries (more than 50% owned)	43	78
Affiliates (20% to 50% owned)	2	29
Other investments (less than 20% owned)	320	218
Net long-term investments	**571**	**429**

Net long-term investments in non-consolidated subsidiaries and affiliates are mainly comprised of investments in the companies Stonyfield Farm (Fresh Dairy Products in the United States), Danone Djurdjura (Fresh Dairy Products in Algeria) and Aquarius (Water in China) which will be included in the consolidation in 2002, and investments in companies that are not consolidated due to their size (including the Japanese Yakult company).

NOTE 8 – EQUITY METHOD COMPANIES

€ millions	Year ended December 31 2000	2001
Net book value as at January 1	**289**	**408**
New equity method companies (Note 4)	160	118
Equity method companies disposed of during the year *(Note 2)*	(61)	-
Net earnings	33	39
Dividends paid	(28)	(26)
Other	15	14
Net book value as at December 31	**408**	**553**

Other changes result mainly from movements in exchange rates.
Summarized financial information for all investments accounted for under the equity method is as follows (figures are for 100% of each of the companies involved):

€ millions	Year ended December 31 2000	2001
Net sales:		
- European Union	2,413	2,602
- Rest of the world	1,568	1,777
Net income	163	197
Stockholders' equity	1,417	1,740

NOTE 9– OTHER FINANCIAL ASSETS

As of December 31, 2000 and 2001, other financial assets are comprised of various securities received in consideration for beer assets sold to the group Scottish & Newcastle, and particularly 24,063,213 ordinary shares which represent approximately 4% of the share capital of Scottish & Newcastle plc for €689 million.

NOTE 10 – INVENTORIES

€ millions	At December 31 2000	2001
Goods purchased for resale	72	64
Raw materials and supplies	284	304
Semi-finished goods and work in process	60	60
Finished goods	298	317
Non-returnable containers	34	44
Less allowances	(20)	(25)
Net inventories	**728**	**764**

NOTE 11–TRADE ACCOUNTS RECEIVABLE; OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Trade accounts receivable

€ millions	At December 31 2000	2001
Trade accounts receivable	1,794	1,308
Notes receivable	89	88
Less allowance for doubtful receivable	(99)	(107)
Net trade accounts receivable	**1,784**	**1,289**
of which unmatured discounted bills account for	7	8

Movements in the allowance for doubtful receivables are as follows:

€ millions	Year ended December 31 2000	2001
Balance as at January 1	137	99
Charge (net of reversal) for the year	22	28
Utilization	(24)	(20)
Translation differences	(36)	-
Balance as at December 31	99	107

The Group believes its exposure to concentration of credit risk is limited, due to the large number of customers located in diverse geographical areas, and that there is no pronounced dependence on one single customer; the global net sales recorded with the first customer of the Group represent 10% of the total consolidated net sales.

Since July 2001, the Group entered into agreements with financial institutions to sell without recourse receivable trade accounts, up to €760 million.
The receivable trade accounts are sold on a monthly basis and are net of a guarantee deposit, which represents a percentage of the total sold; this deposit is paid back as receivable trade accounts sold are collected; it is valued at carrying amount, as its maturity is short. The Group provides ongoing credit and collection services on the sold accounts. The agreements average costs, net of the servicing fees, represent about 3.90% of the receivable securitized trade accounts in 2001 and are recorded in interest expenses. The receivable securitized trade accounts,

net of the guarantee deposit, which is included in receivable trade accounts, amount to €685 million at December 31, 2001.

Other accounts receivable and prepaid expenses

€ millions	At December 31 2000	2001
State and local authorities	324	301
Interest receivable	37	16
Prepaid expenses	92	87
Advance payments to suppliers	66	62
Other	322	304
Other accounts receivable and prepaid expenses	**841**	**770**

NOTE 12 - INCREASE IN CAPITAL STOCK, CAPITAL SURPLUS, RETAINED EARNINGS AND EARNINGS PER SHARE

Due to the effect of consolidation adjustments to the financial statements of consolidated companies and of the laws in force in the different countries where the Company operates, the amount legally distributable by each subsidiary may be different from the amount of its reported retained earnings.
In accordance with French law, dividends cannot exceed the total of the profit of the year and distributable earnings of the Company.

The reconciliation between basic and diluted earnings per share is as follows:

	Net income (€ millions)	Weighted average number of shares outstanding	Net income per share (€)
2001			
Before dilution	132	139,362,077	0.95
Convertible bonds	6	2,664,975	0.03
Stock options	0	670,328	(0.01)
After dilution	138	142,697,380	0.97
2000			
Before dilution	721	140,662,272	5.13
Stock options	0	711,449	(0.03)
After dilution	721	141,373,721	5.10

NOTE 13 - STOCK OPTIONS

Under the Company's stock option plans, officers and other employees may be granted by the Board of Directors options to subscribe to newly issued shares, or to purchase existing shares of the Company's common stock. Stock options are granted at an exercise price no less than the minimum value authorized under French law, and expire not later than eight years from the date of grant.

The Extraordinary General Meeting of Shareholders authorized the Board of Directors to grant stock options, over a 26-month period up to a limit of 2 millions of shares for the 2001 plan.
As of December 31, 2001, 1,844,350 options could still be issued as part of the 2001 plan but the former authorizations relating to the 1992 and 1995 plans could not lead to any new attribution.

The December 31, 2001 active stock subscription and purchase option plans are summarized below (data adjusted after the two-for-one stock split):

Year of issue of plan

	Range of subscription or purchase price (€)	Outstanding and exercisable options at December 31, 2001
1996	49.6 – 55.1	221,165
1997	64.1 – 66.8	266,700
1998	78.0 – 116.2	472,100
1999	111.5 – 128.4	586,720
2000	103.1 – 155.8	722,840
2001	141.6 – 147.1	899,900
Total		**3,169,425**

The following table summarizes transactions during 2000 and 2001, including balances from previous plans:

Number of shares	At December 31 2000	2001
Balance as at January 1	2,314,540	2,519,650
Granted	722,840	899,900
Exercised	(480,930)	(181,325)
Surrendered	(36,800)	(68,800)
Balance as at December 31	**2,519,650**	**3,169,425**

NOTE 14 - CONVERTIBLE BONDS

In June 2001, GROUPE DANONE issued bonds amounting to €1,000 million and bearing interests at an annual rate of 1.20%. Those 5,076,142 bonds have a nominal value of €197 and may be converted and / or exchanged into new of existing shares of GROUPE DANONE at the rate of one ordinary share per bond.

The bonds mature on January 1, 2007 and will be able to be redeemed at par with the interest that has accrued since the interest payment date before the early redemption date until the effective redemption date, on June 19, 2003, on June 19, 2004 and on June 19, 2005 at the request of the bondholders. In case of default, the bonds shall be immediately redeemable.

At the option of GROUPE DANONE, the bonds will be able to be redeemed at par increased by the accrual interest from the interest payment date preceding the early redemption date until the effective redemption date with effect from January 1, 2005 until December 31, 2006, if the GROUPE DANONE share's price exceeds 30% of the early redemption price of each bond (for information only, €259.17).

NOTE 15 - LONG-TERM DEBT

Classification by nature

€ millions	At December 31 2000	2001
Bonds (average interest rate: 4.8% - 2000: 6.1%)	1,299	1,223
Bank loans, other debt and employee profit-sharing debt (average interest rate: 4.5% - 2000: 4.3%)	3,451	3,485
Less short-term portion	(579)	(283)
Long-term debt	**4,171**	**4,425**

Classification by year of maturity and by currency

€ millions	At December 31 2000	2001
Year of maturity		
2002	1,129	-
2003	927	919
2004	323	1,246
2005	125	379
2006	-	358
2006-2010	148	-
2007-2011	-	44
After 2010	1,512	-
After 2011	-	1,476
No fixed maturity	7	3
Total	**4,171**	**4,425**

Classification by year of maturity and by currency

	At December 31 2000	2001
French francs/euros	4,121	4,396
Indian rupee	23	12
US dollar	12	9
Chinese renminbi	6	5
Singapore dollar	4	-
Italian lira	1	-
Pound sterling	1	1
Spanish peseta	1	-
Belgian franc	-	-
Florin	-	-
Other	2	2
Total	**4,171**	**4,425**

At December 31, 2001, the Group held commitments from banks and other financial institutions for approximately €2,960 million (€2,725 million at December 31, 2000) in connection with medium-term lines of credit over and above the debt recorded in the balance sheet at that date. As part of such long-term commitments from lenders, the Group utilized €1,465 millions at December 31, 2001 (€1,505 million at December 31, 2000). This debt is classified as long-term debt.

NOTE 16 - RETIREMENT INDEMNITIES, PENSIONS AND POST-RETIREMENT HEALTHCARE BENEFITS

The Group contributes to retirement benefit schemes in conformity with the laws and usual practices of countries where the Group operates. As a result of contributions paid under such schemes to private or state sponsored pension funds, the companies have no actuarial liability.
The Group is also responsible for supplementary retirement schemes, contractual commitments for termination indemnities and post-retirement healthcare. The related actuarial commitments are taken into account either through the payment of contributions to externally managed funds, or through provisions.

French companies

The commitments of French companies were calculated for 2000 and 2001 in conformity with FAS 87, based on the following key actuarial assumptions:

	2000	2001
Personnel turnover and mortality		
Retirement age, depending upon each employee's category	between 60 and 65 years	between 60 and 65 years
Discount rate applied	5.4%	5%
Salary growth rate, depending on the age and category of each employee	between 2% and 3%	between 2% and 3%
Rate of return of plan assets	8%	6%

Non-French companies

The present value of non-French companies' obligations is determined on the basis of recent actuarial valuations, using actuarial assumptions which reflect the legal, economic and monetary circumstances in each country, as follows:

	2000	2001
Personnel turnover and mortality		
Retirement age, depending upon each employee's category	between 60 and 65 years	between 60 and 65 years
Discount rate applied	between 2% and 7.8%	between 2% and 7.5%
Salary growth rate, depending on the age and category of each employee	between 1% and 5.9%	between 1% and 5.9%
Rate of return of plan assets	between 5.5% and 8%	between 5.5% and 8%

The following table reconciles the funded status of the companies' plans with the provision recorded in the consolidated balance sheet at December 31, 2000 and 2001.
Accrued post-retirement healthcare benefits are included under the projected benefit obligation, as the related amount is not significant (€11 million and €11 million as of December 31, 2000 and 2001, respectively).

€ millions	Projected benefit obligation	Fair value of plan assets	Unrecognized gains or losses	Net accrued pension
Balance as at January 1, 2000	**731**	**367**	**39**	**325**
Net periodic pension cost				
- Service cost	30	-	-	30
- Interest cost	33	-	-	33
- Return on plan assets	-	23	-	(23)
- Amortization of actuarial gains and losses	-	-	(6)	6
Pension benefits payments to employees	(49)	(27)	-	(22)
Contributions made to plan assets	-	16	-	(16)
Unrecognized gains or losses	17	-	17	-
Effect of exchange rate changes	1	1	-	0
Other	(36)	12	(34)	(14)
Balance as at December 31, 2000	**727**	**392**	**16**	**319**

€ millions	Projected benefit obligation	Fair value of plan assets	Unrecognized gains or losses	Net accrued pension
Balance as at January 1, 2001	**727**	**392**	**16**	**319**
Net periodic pension cost				
- Service cost	28	-	-	28
- Interest cost	40	-	-	40
- Return on plan assets	-	25	-	(25)
- Amortization of actuarial gains and losses	-	-	(3)	3
Pension benefits payments to employees	(32)	(15)	-	(17)
Contributions made to plan assets	-	12	-	(12)
Unrecognized gains or losses	14	(39)	53	-
Effect of exchange rate changes	6	5	1	0
Other	(12)	8	(18)	(2)
Balance as at December 31, 2001	**771**	**388**	**49**	**334**

The other movements include in particular contributions paid by employees to funds, the reclassification in "Provisions and long-term liabilities" of retirement indemnities provisions related to restructuring plans, the reclassification of prepaid retirement indemnities, as well as the impact of the sale of the European beer companies in 2000.

The components of the net periodic pension cost for 2000 and 2001 are as follows:

€ millions	Year ended December 31 2000	2001
Service cost	30	28
Interest cost	33	40
Return on plan assets	(23)	(25)
Net amortization and deferral	6	3
Net periodic pension cost	**46**	**46**

NOTE 17 - PROVISIONS AND LONG-TERM LIABILITIES

€ millions	At December 31 2000	2001
Restructuring	30	176
Long-term accrued liabilities	223	238
Long-term net deferred tax (asset)/liability	121	113
Capital investment grants	13	15
Provisions and long-term liabilities	**387**	**542**

Restructuring

The schedule below shows the major items covered by the restructuring provisions, with the related movements:

€ millions	Employees: redundancy & other benefits	Write-down of plants & factories	Ancillary costs	Total
Balance as December 31, 1999	**5**	**8**	**5**	**18**
Charge	1	-	-	1
Utilization	(22)	(8)	(3)	(33)
Amounts recorded in connection with purchase accounting for acquired businesses	23	17	4	44
Balance as at December 31, 2000	**7**	**17**	**6**	**30**
Charge	130	1	13	144
Utilization	(7)	(16)	(3)	(26)
Amounts recorded in connection with purchase accounting for acquired businesses	5	5	18	28
Balance as at December 31, 2001	**135**	**7**	**34**	**176**

On March 29, 2001, the Group announced its plan to reorganize European Biscuits operations, which should result in the closure of 5 plants in the two coming years and in the developing of 5 large capacity factories, leading to a net reduction of the workforce of about 1,700 people.

At December 31, 2001, the recorded restructuring charges include (i) exceptional asset write-downs of €56 million, recorded as a reduction of fixed assets, (ii) accrued costs of €144 million and (iii) already incurred costs or costs to be paid in the near future of €36 million, recorded in “accrued expenses and other current liabilities”.

Long-term accrued liabilities

Long-term accrued liabilities mainly include:
- the €59 million claims reserves established by Danone Ré, the Group's reinsurance company;
- various provisions estimated necessary to cover the specific risks and charges incurred in the normal course of business.

NOTE 18 – TRADE ACCOUNTS AND NOTES PAYABLE; ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Trade accounts and notes payable

	At December 31	
€ millions	2000	2001
Trade accounts payable	1,524	1,506
Notes payable	195	209
Trade accounts and notes payable	**1,719**	**1,715**

Accrued expenses and other current liabilities

	At December 31	
€ millions	2000	2001
Personnel and social charges	331	341
Year-end rebates payable to customers	312	366
State and local authorities	251	353
Consigned containers	54	79
Accrued interest payable	27	20
Income tax payable	214	120
Other	416	562
Accrued expenses and other current liabilities	**1,605**	**1,841**

NOTE 19 – PERSONNEL AND REMUNERATION

Group personnel costs (including payroll taxes and related charges) for 2001 amounted to €2,066 million (2000: €2,067 million), of which €10 million (2000: €8.4 million) represented remuneration paid to the Executive Committee of the Group.

Group personnel at December 31, 2000 and 2001 were comprised of the following:

	Year ended December 31	
	2000	2001
France	11,759	12,275
Rest of Western Europe	16,264	16,027
International	58,634	72,258
Total	**86,657**	**100,560**

On a comparable basis, Group personnel would have been 100,560 as at December 31, 2001 and 100,192 as at December 31, 2000.

NOTE 20 – DEPRECIATION AND AMORTIZATION

	Year ended December 31	
€ millions	2000	2001
Property, plant and equipment	561	591
Goodwill	124	149
Intangible assets	72	37
Total	**757**	**777**

The depreciation and amortization charges for property, plant and equipment and intangible assets have been allocated to the various lines of the consolidated statements of income by function.
The amortization charge for goodwill included in this table relates only to goodwill of consolidated companies and does not include the Galbani goodwill impairment loss of €475 million.

NOTE 21 – OTHER EXPENSE AND INCOME

	Year ended December 31	
€ millions	2000	2001
Employee profit-sharing	122	108
Goodwill amortization	124	149
Other	(10)	(37)
Total	**236**	**220**

The line “other” mainly include royalties for the utilization of the Kronenbourg, Kanterbrau and 1664 brand names, which are received by Kro Beer Brands, a wholly owned subsidiary of the Group.

NOTE 22 – INTEREST EXPENSE, NET

	Year ended December 31	
€ millions	2000	2001
Interest expense	284	323
Interest income	(55)	(39)
Other financial income and expenses	(36)	(104)
Interest expense net	**193**	**180**

Interest paid amounted to €225 million, and €202 million for the years ended December 31, 2000, and 2001, respectively.

The line "other financial income and expenses" mainly includes dividends from the various securities of Scottish and Newcastle received as consideration in the sale of the European beer activities in 2000.

NOTE 23 - INCOME TAXES

Income tax expense

Income before taxes and income tax expense consist of:

€ millions	Year ended December 31 2000	2001
Income before provision for income taxes:		
• French companies	673	336
• Foreign companies	707	336
Income before provision for income taxes	**1,380**	**672**
Income tax expense (income):		
• Deferred income taxes:		
-French companies	240	115
-Foreign companies	321	317
	561	432
• Deferred income taxes:		
-French companies	(13)	9
-Foreign companies	14	(25)
	1	(16)
Provision for income taxes	**562**	**416**

GROUPE DANONE files, for most of its French subsidiaries in which the Group owns, directly or indirectly, more than 95% of the share capital, consolidated tax returns which, to a certain extent and under certain conditions, enable the offset of taxable profit against tax losses. The subsidiaries which elected to participate in the French Group tax consolidation have signed a tax sharing agreement with the Company, in conformity with the regulations formulated by the French tax authorities.

Current income taxes represent the amount of taxes for the year, paid or payable in a short term period to the tax authorities. These amounts are computed according to the rules and rates applicable in the countries where the Group operates, taking into account the consolidated tax return applicable to the majority of the French subsidiaries in the Group.

The Group made income tax payments of approximately €388 million and €453 million in 2000 and 2001, respectively.

Analysis of the effective income tax rate

The effective tax rate is 61.90% in 2001, compared with 40.75% in 2000. Such rates can be analyzed as follows:

Amounts in percentage at income before taxes	Year ended December 31 2000	2001
Statutory tax rate in France	37.76	36.43
Effect of foreign tax rate differential	(1.88)	(5.01)
Effect of amortization of goodwill	2.89	6.46
Exceptional impairment loss on Galbani goodwill	-	25.53
Effect of other differences	1.98	(1.51)
Effective income tax rate	**40.75**	**61.90**

Deferred income taxes

Deferred income taxes mainly arise from the differences between the book and tax basis of assets and liabilities, as explained in *Note 1.K.* The significant components of deferred tax assets and liabilities on the balance sheet are as follows:

€ millions	At December 31 2000	2001
Deferred tax assets on temporary differences:		
Retirement benefits	62	67
Restructuring provisions	17	66
Other temporary differences	-	-
Deferred tax assets on tax loss carry forwards:		
Gross	136	75
Less valuation allowance for carry forwards	(108)	(58)
Long-term deferred tax assets	**107**	**150**
Deferred tax liabilities on temporary differences:		
Depreciation of property, plant & equipment	(98)	(100)
Capitalized interests	(5)	(4)
Other differences	(125)	(159)
Long-term deferred tax liabilities	**(228)**	**(263)**
Net long-term deferred tax asset / (liability)	**(121)**	**(113)**

Net short-term deferred tax assets amounting to €88 million as of December 31, 2001 (€43 million as of December 31, 2000) are almost exclusively related to temporary differences between statutory and taxable income of subsidiaries.

Tax loss carry forwards

Tax losses carried forward and not yet utilized amount to €187 million as of December 31, 2001, and mainly expire after 2003. They mainly relate to the tax deductibility of goodwill amortization charges in some countries.

NOTE 24 - FINANCIAL INSTRUMENTS

The Group uses financial instruments to manage its exposure to currency and interest rate risks incurred in the normal course of business. However, it is the Group's policy not to sell or purchase derivative financial instruments for purposes other than hedging.

Interest rate exposure

The financing of all Group subsidiaries is centralized and managed by the Treasury Department, which uses financial instruments to reduce the Group's net interest rate exposure. The main instruments are interest-rate swaps, negotiated with major financial institutions. The notional amounts and maturities of these instruments are as follows:

€ millions	At December 31 2000	2001
Interest rate swaps, with a remaining term at December 31:		
below one year	1,246	(2,505)
between one and five years	1,416	1,107
above five years	129	22
Interest rate caps and floors, with a remaining term at December 31:		
below one year	(102)	(57)
between one and five years	(2,189)	(2,954)
above five years	(61)	-

The accounting treatment used for these instruments is described in *Note 1.M.*

Taking into account these hedging instruments, the consolidated net debt at December 31, 2001 is exposed to a change in rate for €5 billion and, in case of a rate increase up to approximately 100 basis points, the Group would be exposed on only 29% of the net debt at December 31, 2001 (47% at December 31, 2000).
As a result of these hedging instruments, the effective weighted average interest rate of the Group's consolidated net debt in 2001 is 5.07% (2000: 5.52%), compared to a 5.08% (2000: 5.71%) weighted average rate before any hedging operations.

Currency exposure

The Group's operations around the world are carried out by subsidiaries which trade primarily in their home country. Consequently, the Group's exposure to currency risks in its operating activities is low. The Group's Treasury Department uses financial instruments to reduce the net exposure to currency risk, after netting the currency positions arising from the combined firm and budgeted operating transactions of all subsidiaries. The main instruments used are forward exchange contracts and purchases of currency options, entered into with major financial institutions.

The used financial instruments are mainly forward exchange contracts, as well as exchange call options, negotiated with major counterparties.

The contractual amounts of the Group's forward and options currency amounts are summarized below. Foreign currency amounts are translated at current rates at the reporting date:

€ millions	At December 31 2000	2001
Forward (purchases) / sales:		
•US dollar	395	338
•Pound sterling	422	369
•Euro	(1,091)	(1,125)
•Mexican peso	79	113
•Yen	72	151
•Canadian dollar	72	75
•Swiss franc	37	43
•Other	9	42
Total forward	**(5)**	**6**
including		
-Forwards purchased	(1,682)	(1,523)
-Forwards sold	1,676	1,529
Currency options purchased	-	1
Total currency hedging instruments	**(6)**	**7**

The accounting treatment used for these instruments is described in *Note 1.M.*

Translation exposure

The Group's international expansion is such that movements in exchange rates have an accounting impact on the translation into euros of approximately 47% of net sales (45% in 2000) and 34% of operating income (35% in 2000).

Concentration of counterparty risk

The financial instruments used by the Group to manage its exposure to interest rate risks are negotiated with major counterparties. Fair values of such instruments are analyzed below by counterparty:

As a percentage of total fair values as of December 31, 2000 and 2001	2000	2001
Counterparty's rating (according to Standard & Poor's)		
AAA	50%	9%
AA	21%	23%
A	29%	68%

The financial instruments used by the Group to manage its exposure to currency risks are all negotiated with counterparties rated A1+/P1.

There are no financial instruments negotiated with counterparties located in a geographical area with a political or financial risk (i.e., all counterparties are from Western Europe or the United States of America).

Market value of financial instruments

The table below summarizes the book and market values of the financial instruments used by the Group as at December 31, 2000 and 2001:

€ millions	At December 31 2000 Net book value	2000 Market value	2001 Net book value	2001 Market value
Balance sheet and off balance sheet items Assets and (liabilities)				
Excluding net debt items				
Long-term loans	286	286	209	209
Long-term investments	571	665	429	498
Equity method companies	408	408	553	729
Other financial assets	981	1 015	900	931
Trade debtors	2,625	2,625	2,059	2,059
Short-term loans	166	166	190	190
Trade creditors	(3,324)	(3,324)	(3,556)	(3,556)
Off-balance sheet currency instruments	-	(3)	-	(6)
Balance sheet and off balance sheet items Assets and (liabilities)				
Net debt items				
Convertible bonds (including the redemption premium accrued before tax)	-	-	(1,000)	(1,005)
Long-term debt	(4,171)	(4,200)	(4,425)	(4,450)
Short-term debt and bank overdrafts	(1,013)	(1,013)	(511)	(511)
Marketable securities	235	235	396	398
Cash and cash equivalents	548	548	713	713
Off-balance sheet interest rate instruments	-	8	-	8

The market value of long-term loans based on future cash-flows is equivalent to their net book value.

The market value of long-term investments (either held by consolidated companies or equity investees) and of other financial assets is determined using the stock exchange value for listed companies and, for non-listed investments, the net book value, which approximates market value, except when the Group has a sale option.

The value of the convertible bonds and of substantial long-term debt is computed item by item, using the last values for quoted instruments.

The market value for all current assets and liabilities (trade accounts receivable and payable and other debtors and creditors, short-term loans and debt, marketable securities, cash and cash equivalents) is considered to be equivalent to net book value due to their short-term maturities.

The market value of off-balance sheet currency and interest rate instruments is either calculated by the Group, or obtained from the banks that are counterparties to the transactions.

The market value of the consolidated net debt represents what the Group would theoretically pay to redeem its net debt. As some of the debt bears historical interest rates that are higher than current market rates, their market value is above their net book value. This theoretical potential loss is partially compensated by potential gains existing on off-balance sheet financial instruments used to hedge interest rate risks on the debt.

NOTE 25 – COMMITMENTS AND CONTINGENCIES

Commitments relating to investments in subsidiaries

The Group has also 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 December 31, these financial commitments do not exceed €1,800 million and no material investment under these agreements is currently planned.

The Group can sell its residual assets related to the European Beer business for about €2,500 million.

The BSN Glasspack shares, representing a holding interest of 44% of the company, are secured to the profit of banks, which finance the BSN Glasspack company.

Other commitments

As of December 31, 2001, the Group had non-cancelable lease commitments and other commitments amounting to €150 million with respect to the years 2002 through 2005, and €80 million with respect to subsequent years. Commitments received with respect to non-cancelable sub-leases are not significant.

NOTE 26 - FINANCIAL INFORMATION BY DIVISION

Beginning on January 1, 1998, the Group implemented a new structure which principally consists of three core operational divisions (Fresh Dairy Products, Beverages and Biscuits & Cereal Snacks).

The segment reporting reflects this structure.

Year ended December 31, 2001

€ millions	Fresh Dairy Products	Beverages	Biscuits	Other Food Business	Containers	Total Divisions
Gross sales	7,486	4,291	3,645	391	-	15,813
Sales within the division	(541)	(495)	(274)	(16)	-	(1,326)
Net divisional sales	6,945	3,796	3,371	375	-	14,487
Sales within the Group	(17)	-	-	-	-	(17)
Net sales outside the Group	6,928	3,796	3,371	375	-	14,470
Operating income	790	432	316	60	-	1,598
Net earnings of equity method companies	(1)	23	11	-	6	39
Capital expenditures	286	321	93	6	-	706
Depreciation and amortization expense	293	276	183	13	-	765
Cash flow from operations	742	519	308	53	-	1,622
Total assets	5,779	5,494	4,508	415	64	16,260

	Total Divisions	Unallocated items	Total Group
Operating income	1,598	11	1,609
Net earnings of equity method companies	39	-	39
Capital expenditures	706	31	737
Depreciation and amortization expense	765	12	777
Cash flow from operations	1,622	(11)	1,611
Total assets	16,260	835	17,095

Year ended December 31, 2000

€ millions	Fresh Dairy Products	Beverages	Biscuits	Other Food Business	Containers	Total Divisions
Gross sales	7,045	4,584	3,506	404	-	15,539
Sales within the division	(515)	(443)	(251)	(26)	-	(1,235)
Net divisional sales	6,530	4,141	3,255	378	-	14,304
Sales within the Group	(16)	-	(1)	-	-	(17)
Net sales outside the Group	6,514	4,141	3,254	378	-	14,287
Operating income	712	513	282	49	-	1,556
Net earnings of equity method companies	(1)	16	10	-	9	34
Capital expenditures	307	395	83	8	-	793
Depreciation and amortization expense	259	302	172	12	-	745
Cash flow from operations	667	537	315	32	-	1,551
Total assets	5,587	5,423	4,414	426	59	15,909

	Total Divisions	Unallocated items	Total Group
Operating income	1,556	(6)	1,550
Net earnings of equity method companies	34	(1)	33
Capital expenditures	793	5	798
Depreciation and amortization expense	745	12	757
Cash flow from operations	1,551	7	1,558
Total assets	15,909	1,324	17,233

NOTE 27 – ACTIVITIES OF DIVISIONS BY GEOGRAPHICAL AREA

€ millions	Year ended December 31, 2001				Year ended December 31, 2000			
	France	Rest of European Union	Rest of World	Total	France	Rest of European Union	Rest of World	Total
Total sales by geographical area of origin	4,064	5,487	6,262	15,813	4,340	5,593	5,606	15,539
Intra-Group sales within geographical areas	(42)	(350)	(70)	(462)	(42)	(320)	(94)	(456)
Net sales by geographical area of origin	4,022	5,137	6,192	15,351	4,298	5,273	5,512	15,083
Intra-Group sales between geographical areas	(651)	(210)	(20)	(881)	(566)	(213)	(17)	(796)
Net sales outside the Group	3,371	4,927	6,172	14,470	3,732	5,060	5,495	14,287
Operating income	462	584	552	1,598	526	541	489	1,556
Net earnings of equity method companies	6	35	(2)	39	9	24	1	34
Capital expenditures	128	183	395	706	163	199	431	793
Cash flow from operations	505	526	591	1,622	515	515	521	1,551
Total assets	3,991	5,283	6,986	16,260	4,247	5,277	6,385	15,909

Exports by French companies of GROUPE DANONE amounted to €570 million and €681 million in 2000 and 2001, respectively.

NOTE 28 – COMPANIES CONSOLIDATED AT DECEMBER 31, 2001

Companies consolidated for the first time in 2001

DANONE ROUMANIE
SMDA
PROSPECT PARTICIPACOES
SALUS
AL SAFI DANONE
AGA
ZYWIEC ZDROJ
LU SUOMI OY
DASANBE
LU SAN
POLSKA WODA
DANONE VITAPOLE

Merged companies at December 31, 2001

LABORATOIRE GALLIA merged with BLEDINA.
DANNON WATERS and McKESSON merged together to become DANONE WATERS OF NORTH AMERICA.
HEUDEBERT merged with LU.

Changes in the consolidation method

Agua, which was accounted for under the equity method until March 31,2001, is fully consolidated afterwards.

Companies no longer consolidated at December 31, 2001

DIB SUEDE
DIB MEXICO
SOGEPA DANONE (liquidation)

LIST OF COMPANIES CONSOLIDATED AT DECEMBER 31, 2001
Consolidated companies

Companies	Country	Group control (%)	Interest (%)
GROUPE DANONE	France	Parent company	
FRESH DAIRY PRODUCTS			
BLEDINA	France	100.00	100.00
DANONE	France	100.00	100.00
GALBANI	France	100.00	100.00
DANONE	Germany	100.00	99.92
DANONE	Austria	100.00	99.92
DANONE	Belgium	100.00	100.00
GALBANI	Belgium	100.00	100.00
STENVAL	Belgium	97.08	97.08
DANONE	Denmark	100.00	100.00
DANONE	Spain	55.74	55.74
DANONE CANARIES	Spain	78.50	43.76
DANONE	Finland	100.00	100.00
DANONE	Ireland	99.90	99.90
DANONE	Italy	100.00	100.00
GALBANI	Italy	100.00	100.00
DANONE	The Netherlands	100.00	100.00
DANONE	Portugal	97.61	53.81
DANONE	United Kingdom	100.00	100.00
GALBANI	United Kingdom	100.00	100.00
GALBANI	Switzerland	100.00	100.00
DANONE SERDIKA	Bulgaria	69.64	69.64
DANONE	Hungary	100.00	100.00
DANONE	Poland	100.00	100.00
DANONE	Czech Republic	98.05	98.05
DANONE	Romania	65.00	65.00
DANONE VOLGA	Russia	88.28	61.79
MOS DANONE	Russia	51.00	35.70
DANONE INDUSTRIA-ZAO	Russia	100.00	70.00
DANONE	Slovakia	100.00	100.00
DANONE	Argentina	99.50	99.50
DANONE	Brazil	100.00	100.00
PROSPECT PARTICIPACOES	Brazil	100.00	100.00
DANONE CANADA DELISLE	Canada	100.00	100.00
DANNON COMPANY	United States	100.00	100.00
DANONE DE MEXICO	Mexico	100.00	100.00
DANONE CLOVER	South Africa	55.00	66.77
BEVERAGES			
SA DES EAUX MINERALES D'EVIAN	France	100.00	100.00
SEAT (Sté d'Exploitation d'Activités Touristiques)	France	99.91	99.91
SMDA	France	100.00	100.00
VOLVIC	France	100.00	100.00
KRO BEER BRANDS	France	100.00	100.00
DANONE WATERS DEUTSCHLAND	Germany	100.00	100.00
AGUAS DE LANJARON	Spain	95.00	78.52
FONT VELLA	Spain	93.88	76.92
ITALAQUAE	Italy	100.00	92.67
DANONE WATERS UK & IRELAND	United Kingdom	100.00	100.00
ZYWIEC ZDROJ	Poland	51.08	51.08
AGUAS DE ARGENTINA	Argentina	100.00	100.00
VILLA ALPINA	Argentina	85.00	85.00
DANONE WATERS OF NORTH AMERICA	Canada	100.00	100.00
LES EAUX NAYA DU CANADA	Canada	100.00	100.00
DANONE WATERS OF NORTH AMERICA	United States	100.00	100.00
BONAFONT	Mexico	100.00	100.00
SALUS	Uruguay	57.36	42.30
WUHAN EURO DONGXIHU BREWERY	China	60.00	54.20
TANGSHAN UNITED EUROPEAN & HAOMEN BREWERY	China	70.00	63.24
SHENZHEN HEALTH DRINKS	China	60.00	54.20
WAHAHA	China	51.00	46.07
ROBUST	China	92.00	79.79
AQUA	Indonesia	74.00	66.85

Companies	Country	Group control (%)	Interest (%)
BISCUITS			
COMPAGNIE FINANCIERE BELIN	France	100.00	100.00
GENERALE BISCUIT GLICO FRANCE	France	50.00	50.00
LU FRANCE	France	100.00	100.00
FONZIE ALLEMAGNE	Germany	100.00	99.92
LU BELGIE	Belgium	100.00	100.00
LU NORDICS	Denmark	100.00	100.00
LU ESPANA	Spain	100.00	100.00
LU SUOMI OY	Finland	100.00	100.00
PAPADOPOULOS	Greece	60.00	60.00
W.&.R. JACOB (Irish Biscuits)	Ireland	100.00	100.00
NEWCO	Italy	100.00	100.00
SAIWA	Italy	100.00	100.00
LU NEDERLAND	The Netherlands	100.00	100.00
JACOB'S BAKERY	United Kingdom	100.00	100.00
LU GYORI	Hungary	100.00	100.00
LU POLSKA	Poland	75.00	75.00
LU SAN	Poland	100.00	75.00
BOLSHEVIK	Russia	75.64	75.64
OPAVIA – LU	Czech Republic	99.71	99.71
BAGLEY	Argentina	99.23	99.23
JIANGMEN DANONE BISCUITS	China	100.00	90.34
SHANGHAI DANONE BISCUITS FOODS	China	90.00	81.31
BRITANNIA INDUSTRIES	India	40.15	19.07
DANONE	Indonesia	100.00	90.34
BRITANNIA BRANDS MALAYSIA	Malaysia	100.00	90.34
EVERCRISP	Malaysia	100.00	90.34
GRIFFIN'S FOODS	New Zealand	100.00	90.34
CONTINENTAL BISCUITS PAKISTAN	Pakistan	49.49	44.71
OTHER FOOD BUSINESS			
HP FOODS	United Kingdom	100.00	100.00
LEA & PERRINS	United States	100.00	100.00
AMOY	China	100.00	90.34
SHANGHAI AMOY FOODS	China	67.00	60.53
BEST CORPORATION	New Zealand	100.00	90.34
EXPORT			
DIB PARIS	France	100.00	100.00
DIB ANTILLES GUYANE	France	100.00	100.00
DIB OCEAN INDIEN	France	100.00	100.00
DIB PORTUGAL	Portugal	100.00	100.00
DIB AUSTRALIE	Australia	100.00	100.00
DIB CANADA	Canada	100.00	100.00
GBE USA	United States	100.00	100.00
DIB HONG KONG CHINA	China	100.00	100.00
DIB JAPON	Japan	100.00	100.00
DIB ASIA	Singapore	100.00	100.00

Companies	Country	Group control (%)	Interest (%)
HOLDINGS COMPANIES			
Cie GERVAIS DANONE	France	100.00	100.00
GENERALE BISCUIT	France	100.00	100.00
BLANRIM	France	100.00	100.00
DANONE FINANCE	France	100.00	100.00
DANONE VITAPOLE	France	100.00	100.00
FAS	France	100.00	100.00
FINALIM 3	France	100.00	100.00
FINALIM 4	France	100.00	100.00
GAAP	France	100.00	100.00
ALFABANQUE	France	100.00	100.00
LODAHLIM FRANCE	France	100.00	100.00
DANONE HOLDING	Germany	99.92	99.92
DANONE VERMOGENS VERWALTUNG	Germany	100.00	99.92
DANONE FINANCE BENELUX	Belgium	100.00	100.00
COFIVE	Belgium	100.00	99.97
MECANIVER	Belgium	100.00	100.00
DANONE FOODS	United States	100.00	100.00
DANONE HOLDINGS USA	United States	100.00	100.00
DANONE SERVICES	Italy	100.00	100.00
FINANZIARIA IMPERIESE	Italy	100.00	99.98
SCIA	Italy	92.97	92.97
SIFIT	Italy	100.00	100.00
DANONE RE	Luxembourg	100.00	100.00
DANONE FINANCE NETHERLANDS	The Netherlands	100.00	100.00
SELBA	The Netherlands	100.00	100.00
LODAHLIM BV	The Netherlands	100.00	100.00
SETEC-SOBELPAR	Portugal	100.00	100.00
ABIH	United Kingdom	50.00	45.17
ABIL	United Kingdom	100.00	45.17
BRITANNIA BRANDS LTD	United Kingdom	100.00	90.34
DANONE HOLDINGS UK	United Kingdom	100.00	100.00
JINJA	China	100.00	90.34
ASIA HOST	China	100.00	90.34
SHANGHAI DANONE CONSULTING	China	100.00	90.34
BANNATYNE / DOWBIGGIN / NACUPA / SPARGO / VALLETORT	Singapore	40.00	18.07
BHPL	Singapore	100.00	100.00
DANONE ASIA / KUAN / BRITANNIA BRANDS KUAN / PEERLESS	Singapore	90.34	90.34
CALVON	Singapore	96.00	86.73

Companies accounted for under the equity method

Companies	Country	Group control (%)	Interest (%)
FRESH DAIRY PRODUCTS			
CLOVER	South Africa	22.75	26.15
AL SAFI DANONE	Saudi Arabia	50.10	50.10
DELTA DAIRY	Greece	30.04	30.04
STRAUSS DAIRY	Israel	20.00	20.00
CALPIS AJINOMOTO DANONE	Japan	50.00	50.00
CENTRALE LAITIERE DU MAROC PINGOUIN	Morocco	28.76	28.76
BAKOMA	Poland	18.15	52.43
STIAL / SOCOGES	Tunisia	50.00	50.00
DANONESA TIKVESLI	Turkey	50.00	50.00
BEVERAGES			
MAHOU	Spain	33.34	33.34
SAN MIGUEL	Spain	33.34	33.34
DASANBE	Spain	50.00	50.00
POLSKA WODA	Poland	50.00	50.00
AGA	Mexico	50.00	50.00
DANONESA DANONE SABANCI	Turkey	50.00	50.00
BISCUITS			
GRIESSON DE BEUKELAER	Germany	39.97	39.97
GALLETAS NOEL	Colombia	30.00	30.00
BIMO	Morocco	50.00	50.00
SOTUBI	Tunisia	20.00	20.00
CONTAINERS			
BSN GLASSPACK	France	44.00	44.00

PARENT COMPANY FINANCIAL STATEMENTS AND SUMMARY OF RESOLUTIONS

SUMMARIZED STATEMENTS OF INCOME

Net income for the 2001 financial year amounted to €587 million. This principally represents net financial income of €1,103 million, in turn principally made up of dividends received from consolidated subsidiaries combined with a net exceptional charge of €485 million, resulting mainly from a writedown of Galbani shares.

€ millions	2000	2001
Operating loss	**(163)**	**(157)**
Financial income	**669**	**1,103**
consisting of:		
Payments from subsidiaries	699	1,168
Other financial income (expense)	(30)	(65)
Non-recurring items	**(24)**	**(485)**
Income tax	**134**	**126**
Net income for the year	**616**	**587**

SUMMARIZED BALANCE SHEETS

After allocation of income, balance sheets at December 31, 2000 and 2001 are as follows:

€ millions	2000	2001
ASSETS		
Tangible and intangible fixed assets	14	21
Investments	6,163	5,525
Other accounts receivable and prepaid expense	245	598
Cash and marketable securities	100	279
Total assets	**6,522**	**6,423**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity	4,320	3,574
Provisions for contingencies and future costs	34	74
Financial debt	1,314	2,265
Other debt and deferred charges	854	510
Total investments	**6,522**	**6,423**

INVESTMENTS

At December 31, 2000 and 2001 these consisted of:

€ millions	2000	2001
Investments in subsidiaries and affiliates	5,018	4,795
Other financial investments	1,145	730
Total investments	**6,163**	**5,525**

Investments in subsidiaries and other securities are valued at acquisition cost excluding incidental expenses. If the year-end valuation is lower than the acquisition cost, a provision is set aside for the difference.

Year-end valuation takes into account not only the portion of equity represented by the investment, but also the financial and business potential of the company concerned.

Other financial investments include 4,904,649 of the Company's treasury stocks, compared with 6,664,842 at December 31, 2000. These shares are valued at acquisition cost. In the case of shares which are not to be canceled, a provision may be set aside in the event that year-end valuation is lower than cost.

€ millions	Capital stock	Other paid-in capital	Other	Total
Capital increase relating to employee savings plan	-	40	-	40
Capital reduction through cancellation of shares	(8)	(1,086)	-	(1,094)
Exercise of options for the subscription of Groupe Danone shares	-	5	-	5
Retained earnings for 2001	-	-	309	309
Other	-	-	(6)	(6)
Total change in the financial year	**(8)**	**(1,041)**	**303**	**(746)**

FINANCIAL DEBT

At December 31, 2001, financial debt consisted of the following:

€ millions	
Convertible bonds	1,000
Other bonds issued	1,205
Loans and other amounts due to banks	35
Miscellaneous borrowings and financial debt	25
Total financial debt	**2,265**

ALLOCATION OF INCOME AND DIVIDEND AMOUNT OF DIVIDEND

Allocation of income for the year (pursuant to the Third Resolution submitted to the Ordinary General Meeting of Shareholders) is as follows after distribution of a net dividend of €2.06 per share, to which may be attached a tax credit of up to €1.03.

€	
Earnings to be allocated	
Income for the year	586,946,137.05
Retained earnings	1,056,864,032.78
Total	**1,643,810,169.83**
Allocations	
Dividend	290,528,859.62
Retained earnings	1,353,281,310.21
Total	**1,643,810,169.83**

SUMMARY OF RESOLUTIONS SUBMITTED TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON APRIL 25, 2002

RESOLUTIONS FOR THE ORDINARY GENERAL MEETING

FIRST RESOLUTION
Approval of the transactions described in the Statutory Auditors' report pursuant to article L 225-40 of the Code of Commerce.

SECOND RESOLUTION
Approval of the financial statements of GROUPE DANONE for the 2001 financial year.

THIRD RESOLUTION
Allocation of income and dividend distribution.

Net income for the year amounts to €586,946,137.05. A total of €290,528,859.62 from the distributable amount is allocated to dividends. The net dividend per share is set at €2.06, to which may be attached a tax credit of at most €1.03.

Shares will be ex-dividend from June 4, 2001 and dividends payable in cash from the same date.

FOURTH RESOLUTION
Ratification of the co-option of Bruno Bonnell to the Board of Directors and renewal of his term of office as a member of the Board of Directors.

FIFTH, SIXTH AND SEVENTH RESOLUTIONS
Renewal, in accordance with article 15-11, of the appointments to the Board of Directors of:

Umberto AGNELLI	5th
Jacques NAHMIAS	6th
Jacques VINCENT	7th

EIGHT, NINTH AND TENTH RESOLUTIONS
Renewal, in accordance with article 15-II, of the appointments to the Board of Directors of;

Michel DAVID-WEILL	8th
Jean GANDOIS	9th
Edouard de ROYERE	10th

ELEVENTH RESOLUTION
Authorization to buy the Company's own shares.
The number of shares acquired may not exceed 9,000,000 and the price paid may not exceed €200 per share. Shares may not be sold at a price of less than €120 each.

RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING

TWELFTH RESOLUTION
General delegation of authority to the Board of Directors to issue securities entitling the holder, immediately or in time, to an interest in capital, with preemptive subscription rights of shareholders maintained.

THIRTEENTH RESOLUTION
Authorization granted to the Board of Directors to apply the delegation under the previous resolution with a waiver of preemptive subscription rights, but with the option of granting a preference period.

FOURTEENTH RESOLUTION
Authorization granted to the Board of Directors to make use of preceding authorizations to issue securities in the event of a public offer for Company shares.

FIFTEENTH RESOLUTION
Amendment of Company articles to allow revocation of freezes on Company shares on the occasion of General Meetings.

SIXTEENTH RESOLUTION

Amendment of Company articles to extend the allowed period for reception of votes by mail and proxies, and for the casting of votes by all means, including electronic transmission.

SEVENTEENTH RESOLUTION

Amendment of Company articles to abolish age limits applying to Members of the Board of Directors, the Chairman of the Board of Directors and Deputy Chairmen.

EIGHTEENTH RESOLUTION

Amendment of Company articles to delete references to the Act of July 24, 1966 and replace these with references to the new Code de Commerce.

Harmonization of articles with the terminology of the Commercial Code and the provisions of the New Economic Regulations Act (loi relative aux Nouvelles Régulations Economiques).

Adoption of the new articles.

NINETEENTH RESOLUTION

Powers granted to the Board of Directors to effect formalities.

ALLOCATION AND EXERCISE OF STOCK OPTIONS IN 2001

As provided under article L 225-184 of the Commercial Code, options granted and exercised in 2001 are detailed below.

Options received and exercised by corporate officers

	Options granted [1]			Options exercised [2]	
Officer	Number of options	Expiration	Exercise price	Number of options	Exercise price
Frank Riboud	50,000	03/14/2009	€147.14	1,000	€53.66
Jacques Vincent	30,000	03/14/2009	€147.14	6,000	€53.66

[1] plan dated May 19, 1999

[2] plan dated May 11, 1995

Ten largest grants, excluding corporate officers

Under plans dated May 19, 1999 and May 29, 2001, a total of 187,000 options were granted with a weighted average exercise price of €146.85, of which 160,000 were granted to seven members of the Executive Committee.

Ten largest numbers of options exercised by employees other than corporate officers

Within the framework of the plans dated May 21, 1992, May 11, 1995, May 14, 1997 and May 19, 1999, a total of 55,525 options were exercised at a weighted average price of €80.35, of which 4,000 were exercised by one member of the Executive Committee.

MAIN DANONE GROUP COMPANIES

Sales figures below do not take into account intra-Group flows.

Fresh Dairy Products

€ millions

		Sales	Group interests (%)
DANONE	France	1,122	100.0
GALBANI	Italy	922	100.0
DANONE SA	Spain	900	55.7
DANNON COMPANY	United States	646	100.0
BLEDINA	France	416	100.0
DANONE de MEXICO	Mexico	405	100.0
DANONE	Argentina	302	99.5
DANONE GmbH	Germany	286	100.0
DANONE	Brazil	209	100.0
DANONE	Italy	207	100.0
DANONE	Poland	201	100.0
DANONE	Belgium	160	100.0
DANONE	Portugal	113	97.6
DANONE CANADA DELISLE	Canada	99	100.0
DANONE CLOVER	South Africa	81	55.0
DANONE	Czech Republic	78	98.1
DANONE	Hungary	68	100.0

Beverages

€ millions

		Sales	Group interests (%)
S.A. DES EAUX MINERALES D'EVIAN	France	482	100.0
DANONE WATERS NORTH AMERICA USA	United States	644	100.0
VOLVIC	France	276	100.0
GREAT BRANDS of EUROPE USA	US Exports	201	100.0
ITALAQUAE	Italy	173	100.0
DANONE WATERS UK	United Kingdom	139	100.0
AGUAS DE ARGENTINA	Argentina	128	100.0
DANONE WATERS	Germany	126	100.0
BONAFONT	Mexico	102	100.0
DANONE WATERS NORTH AMERICA CANADA	Canada	83	100.0
FONT VELLA	Spain	195	93.9
AGUAS DE LANJARON	Spain	31	95.0

Biscuits and Cereal Snacks

€ millions

		Sales	Group interests (%)
LU FRANCE	France	1,132	100.0
JACOB'S BAKERY	United Kingdom	257	100.0
SAIWA	Italy	196	100.0
BAGLEY	Argentina	184	99.2
OPAVIA	Czech Republic	149	99.7
LU BELGIE	Belgium	128	100.0
DANONE	Brazil	122	100.0
LU NEDERLAND	The Netherlands	78	100.0
W&R JACOB	Ireland	73	100.0
LU ESPANA	Spain	73	100.0
PAPADOPOULOS	Greece	72	60.0
LU POLSKA	Poland	67	75.0
BOLSHEVIK	Russia	65	75.6
LU NORDICS	Denmark	42	100.0

Asia-Pacific

€ millions

		Sales	Group interests (%)
WAHAHA	China	705	51.0
BRITANNIA INDUSTRIES	India	302	40.2
ROBUST	China	203	92.0
AQUA *	Indonesia	105	74.0
GRIFFIN'S FOOD	New Zealand	100	100.0
SHANGHAI DANONE BISCUITS FOODS	China	68	90.0
AMOY	China	66	100.0
BRITANNIA BRANDS MALAYSIA	Malaisia	41	100.0
CONTINENTAL BISCUITS	Pakistan	30	49.5
SHENZEN HEALTH DRINKS	China	26	60.0
SHANGHAI AMOY FOODS	China	22	67.0

*consolidated for 9 months in 2001

Other food business

€ millions

		Sales	Group interests (%)
HP FOODS LTD	United Kingdom	234	100.0
LEA AND PERRINS INC.	United States	52	100.0

TEN-YEAR FINANCIAL DATA (1992-2001)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Summary of operations										
Consolidated sales	10,779	10,688	11,711	12,112	12,797	13,488	12,935	13,293	14,287	14,470
Organic sales growth	+ 2.8%	+ 1.9%	+ 3.8%	+ 4.6%	+ 2.6%	+ 2.3%	+ 4.6%	+ 5.7%	+ 7.0%	+ 5.1%
Operating income	1,085	968	1,025	1,070	1,140	1,224	1,293	1,391	1,550	1,609
As % of sales	10.0%	9.1%	8.8%	8.8%	8.9%	9.1%	10.0%	10.5%	10.8%	11.1%
Net income	555	522	538	325	516	559	598	682	721	132*
Cash flow and capital expenditure										
Operating cash flow	1,128	1,020	1,090	1,132	1,212	1,229	1,327	1,423	1,558	1,611
Capital expenditure	548	467	545	625	684	797	711	703	798	737
Investments in subsidiaries and equity method companies	684	1,232	893	608	1,140	470	485	934	2,849	1,071
Free Cash Flow	580	553	545	506	528	433	616	720	760	874
Financial position										
Shareholders' equity (incl. minority interests)	5,022	5,494	6,121	6,329	6,895	7,268	7,297	6,867	8,019	6,727
Net debt	2,077	2,432	2,412	2,514	3,289	2,752	2,873	3,119	4,401	4,827
Debt/equity ratio	41%	44%	39%	40%	48%	38%	39%	45%	55%	72%
Stockmarket data (at Dec. 31)										
Share price (€)	72	73	58	61	55	83	122	117	160	137
Number of shares (at Dec. 31)	127,576	135,780	139,370	142,592	145,278	146,144	147,850	148,272	149,086	141,033
Market capitalization	9,247	9,670	7,946	8,749	8,005	11,964	17,971	17,347	23,943	19,322
Per share data (€)										
EPS (fully diluted)	4.3	3.9	3.9	2.4	3.6	3,8	4.1	4.7	5.1	0.97**
EPS before amortization of goodwill	4.6	4.3	4.3	2.8	4.1	4.5	4.8	5.4	6.1	2.11***
Dividend per share (including French tax credit)[1]	1.7	1.8	1.9	1.9	2.0	2.1	2.3	2.6	2.9	3.09[2]
Workforce										
Total employees	58,063	56,419	68,181	73,823	81,579	80,631	78,945	75,965	86,657	100,560
Western Europe	54,696	52,775	54,061	52,386	50,770	44,863	42,170	33,764	28,023	28,302
Outside Western Europe	3,367	3,644	14,120	21,437	30,809	35,768	36,775	42,201	58,634	72,258

[1]Assumes 50%, actual rate depends on law applicable to benefeciary
[2]Subject to the approval of the AGM on April 25, 2001
*€780 million excl. exceptional items
**€5.51 excl. exceptional items
***€6.65 excl. exceptional items and goodwill amortization

KEY DATES IN 2002

Combined ordinary & extraordinary meetings of shareholders .... **April 25, 2001**
Share goes ex-dividend and dividend is payable from .... **June 4, 2002**
Half-year results .... **July 24, 2002**
3rd-quarter sales .... **October 17, 2002**

Photos:
Carlo Zaglia, Frédéric Atlan,
DANONE Group archives
English text (excl. financial statements): R. Blake / C. Durban

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