



DREYER'S GRAND ICE CREAM 2001 ANNUAL REPORT

Service.

Dreyer's unique advantage.

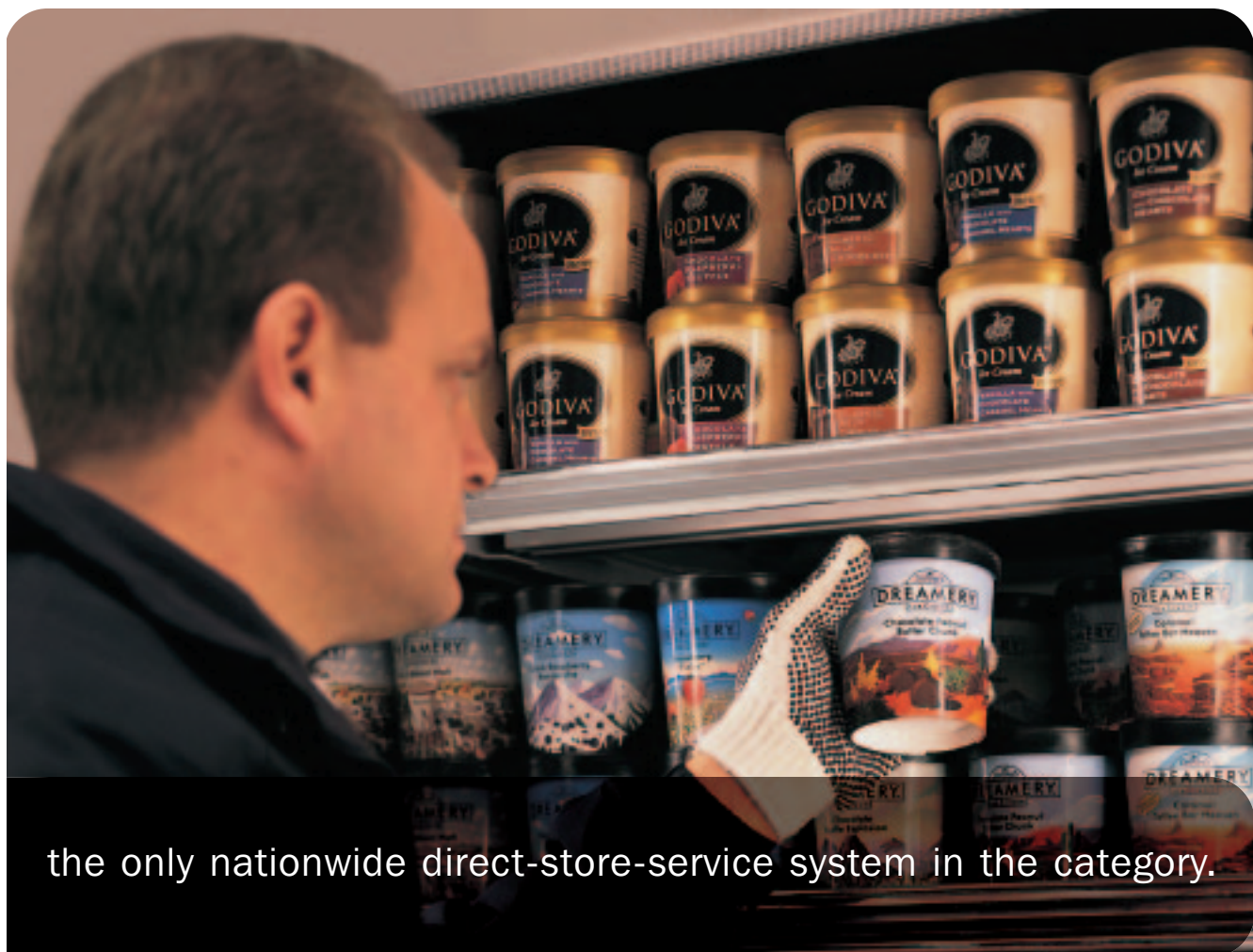
Placing our brands within easy reach  
of millions of American households.



Wherever and whenever Americans shop for ice cream, Dreyer's makes sure their favorite brands will be there, every time, through . . .







the only nationwide direct-store-service system in the category.



## Turning great brands into leading brands.

Direct-store-service (DSS) turns great ice cream brands into leading ones.

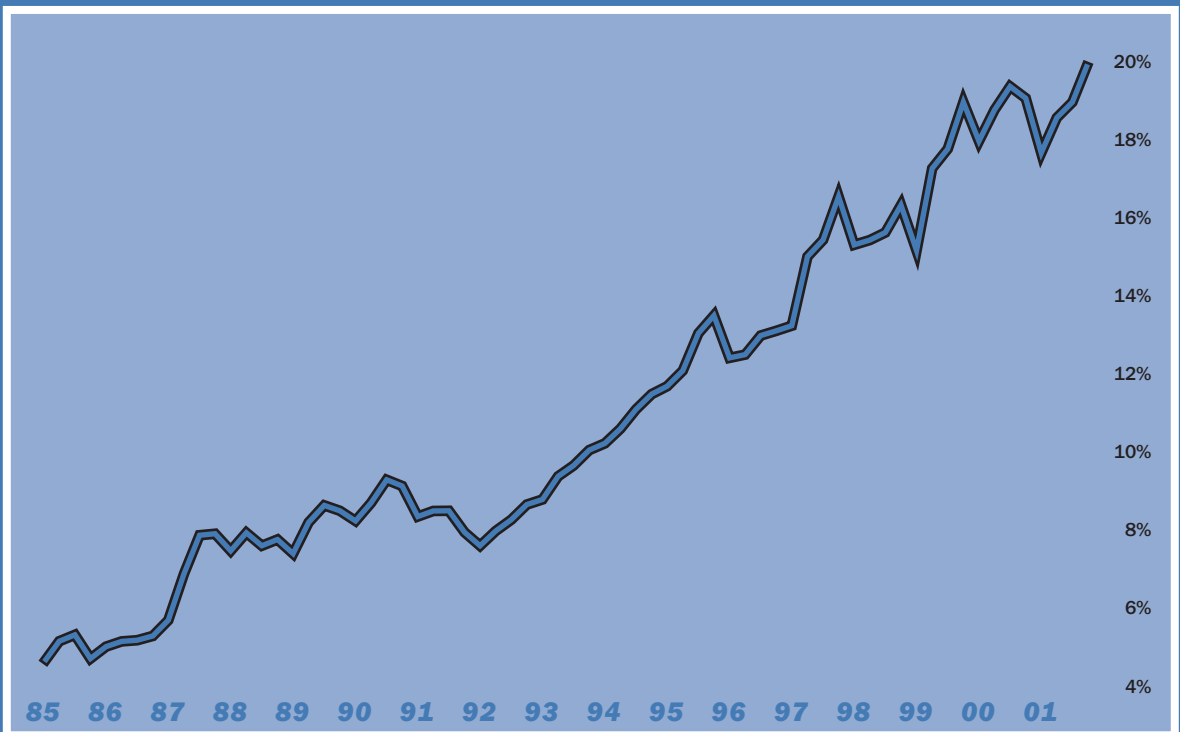
Ice cream is America's dessert, and Americans, from kids to seniors, enjoy a wide variety of ice cream flavors and styles. Segmentation—developing great ice cream products for every taste—has been and remains essential for ice cream brands to grow. While great brands attract consumer interest, what drives consumer purchases is product quality, flavor selection, and consistent availability.

Dreyer's has developed a broad portfolio of great ice cream brands and built them to market leadership through the only nationwide direct-store-service system in the category. Dreyer's DSS advantage has made its portfolio of company brands both the fastest growing in the category and the grocery channel share leader.

## DREYER'S COMPANY BRAND PORTFOLIO



## DREYER'S COMPANY BRAND PORTFOLIO SHARE OF PACKAGED ICE CREAM SALES TO THE GROCERY CHANNEL



Source: IRI; Dollar Share

## FINANCIAL HIGHLIGHTS

(\$ in thousands, except per share amounts)	Year ended December <sup>1</sup>	
	2001	2000
<b>RESULTS FOR THE YEAR:</b>		
Sales <sup>2</sup>	<b>\$1,399,698</b>	\$1,194,356
Net income	<b>8,829</b>	25,378
Net income available to common stockholders	<b>8,269</b>	24,220
Net income per common share — diluted	<b>.24</b>	.72
<b>YEAR END STATUS:</b>		
Total assets	<b>498,689</b>	468,451
Total stockholders' equity <sup>3</sup>	<b>208,365</b>	100,372
Working capital <sup>4</sup>	<b>84,018</b>	58,006

<sup>1</sup> The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in December. Fiscal years 2001 and 2000 consisted of 52 and 53 weeks, respectively.

<sup>2</sup> As a result of EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," certain expenses presently classified as selling, general and administrative expenses will be recorded as a reduction of sales beginning in the first quarter of 2002. In accordance with this pronouncement, all prior periods will be reclassified on a retroactive basis. This retroactive reclassification will have no effect on net income as previously reported.

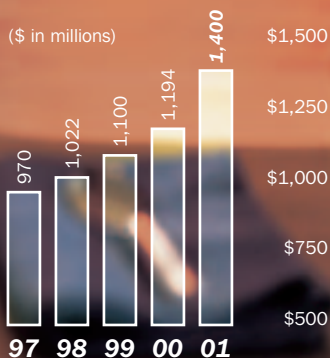
<sup>3</sup> The Company's redeemable convertible preferred stock was converted to common stock in the second quarter of 2001.

<sup>4</sup> Certain reclassifications have been made to prior years' financial data to conform to the current year presentation.

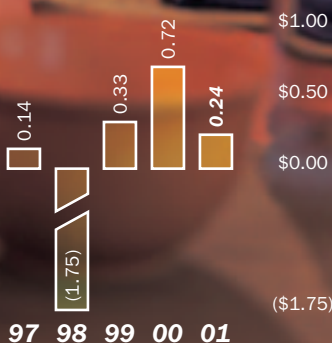




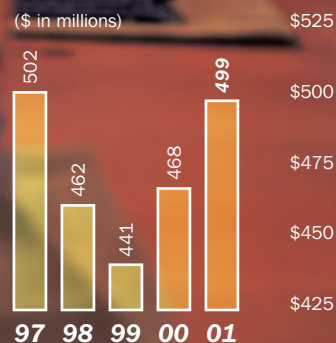
## Sales



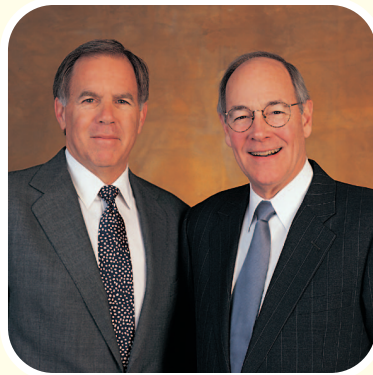
## Net income per common share



## Total assets







## TO OUR SHAREHOLDERS

For much of 2001, the ice cream industry was preoccupied with a single factor—the extraordinarily high cost of cream. The spike in dairy costs not only depressed profits, it also prompted retailers to accelerate increases in the retail price of ice cream. While these price increases are likely to benefit profits in the long run, they served to depress demand in the first half of the year by slowing the growth of the category.

Our company was not immune from this issue. Our dairy costs for the year were \$30 million higher than normal and our sales during the first half of the year were well below our expectations due to the effect of price elasticity. Results on the bottom line for 2001 were very disappointing. However, during the last half of the year, we drove a tremendous rebound in our sales growth; and late in the year, we finally saw a long-overdue crash in dairy prices. We are glad that the cost issues are moving

behind us, and we believe we have a great deal of momentum in our business as we move into 2002 and beyond.

From August of 2001 onward, our company portfolio of premium brands, the core of our business, posted a volume increase of 12 percent. What makes this increase particularly gratifying is that we simultaneously realized price increases of about 1.5 percent—not enough to cover the short-term dairy cost spike, but a good gain nevertheless. This core business resurgence helped drive our best market share performance ever in the fourth quarter of 2001 as Dreyer's portfolio of company brands held a 20 percent dollar share of all packaged ice cream sold in U.S. grocery stores—about a point ahead of our nearest competitor. Overall, our sales grew by 17 percent in 2001 and the strong momentum of the second half has continued into the first months of 2002.

We're obviously proud of our pace of growth, which puts us in the top tier of the food category. Even though the dairy price decline came too late to help 2001 results in any meaningful way, we believe that the current trends—both in sales growth and costs—bode well for 2002.

### **CHANGING THE NAME AND CHANGING THE GAME**

Our business model is built on two mutually reinforcing strengths: brand leadership and direct-store-delivery (DSD). We have been committed to this vision from the beginning. When we began our march toward national preeminence in 1994, there were still people who were skeptical about a strategy based on direct-store-delivery. Today, the strengths of DSD are apparent in category-leading brands across the food industry. In our category, as in snack foods, beverages, and so many others, companies with first-class DSD systems build sales and market share in ways that competitors without this capability cannot match.

Our approach to direct-store-delivery has evolved significantly over the years. Our strategic emphasis is not really on “delivery”—transporting product to stores, it's on “service.” We build our brands not just by how we get to the store, but by what we do *in* the store. Keeping a wider variety of brands and flavors than any other competitor

in-stock at all times, merchandising and building displays, executing smooth, rapid promotions, building relationships with store personnel—these things are the key to satisfying consumers and building sales. They are also the key to building profits for our retail customers, whether they are supermarkets, convenience stores, or mass merchandisers.

As a result of our evolution, we no longer refer to our system as “direct-store-delivery” (DSD), we call it “direct-store-service” (DSS). It’s supported by technology, processes, and teams of people far beyond what any of our competitors can offer. A few years back, our trucks operated as “rolling warehouses”—they set out each morning with as full an assortment of products as they could, and called on each store on a specified route. Ideally, they would have the product that store needed, and hopefully we would be able to replenish the shelves before anything was out-of-stock. This is the system still used by all of our ice cream competitors in direct distribution.

We have effectively changed the game. Today our sales people call on each store several times each week, without a truck, and enter an order on hand-held computers. That order is picked and loaded, often several states distant, and brought to the store by delivery trucks that are rerouted every day for optimal efficiency. Our sales people and merchandisers spend their time servicing the store—and building our brands. Increasingly, in conjunction with our major supermarket customers, we are taking over the entire management of our inventory in each store. We are directly linked to the scanners at each checkout counter, and we know exactly how many packages of each brand and flavor have sold—and how many to restock—in every store, every day.

We don’t do all this just because we want to run a world-class distribution system. We do it because of the overwhelming, incontrovertible advantage of direct-store-service in categories like ice cream and so many others: *direct-store-service builds brands*.

## **BRAND BUILDING**

Direct-store-service builds *existing* brands—by enabling the execution of promotions and limited-time offerings throughout the year in ways that are impossible for competitors who use the supermarket warehouse system. It builds brands—especially in an

“impulse” category like ours—by making sure that all flavors of all brands are in-stock, all the time. DSS even allows us to tailor specific availability and restocks to what local consumers want—not just by chain or region, but literally by store. It allows us to maintain a far wider variety of individual brands than anyone else—brands which are highly targeted to consumers’ needs and desires across a broad range of “ice cream occasions.”

Direct-store-service also builds *new* brands. Our success at innovation, our unsurpassed track record at developing entire new brands and flavors, depends on our ability to almost immediately gain and maintain incremental nationwide shelf space. We have done this repeatedly over the past 10 years. From our original base in premium Dreyer’s and Edy’s® Grand Ice Cream, we led the development of the “better-for-you” segment with Grand Light®, Frozen Yogurt, Fat-Free and No Sugar Added—a segment in which we continue to have a leading market share. In recent years we have successfully introduced brand after brand where our knowledge of the category and the consumer pointed to opportunity: Whole Fruit Sorbet, Whole Fruit Bars, Homemade, Dreamery®, Starbucks®, Godiva® and M&M/Mars—each achieved nationwide distribution and rapidly gained consumer acceptance.

Innovation and direct-store-service work together to build brands. For a case in point, look at our introduction of Dreamery—a new brand name, with no existing consumer recognition—which we were able to build to 70 percent national grocery distribution in just 11 weeks. Today our portfolio of superpremium brands, including Dreamery, Whole Fruit Sorbet, Starbucks and Godiva, holds a 24 percent dollar share of the segment in the grocery channel. Brand leadership and direct-store-service are not two separate strategies. They work together—as mutually reinforcing strengths—to build our sales.

## **REAPING THE REWARDS**

We have worked long and hard to build our capabilities. We are now concentrating on reaping the rewards—in continued sales increases, of course, but also in higher margins. While the profit pressure from dairy costs in 2001 was disappointing, we know that dairy supply has always grown rapidly in this country in response to high

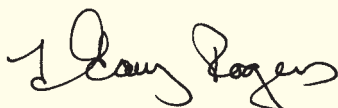


prices—producing a rapid return to lower dairy costs. We are keeping our focus on the core elements of our own strategy—the four strategic initiatives that will drive profit growth:

1. Expanding our share in the premium segment;
2. Building our superpremium business;
3. Expanding into new channels; and
4. Reducing our total delivered cost.

Many of the costs in our DSS system are largely fixed, and incremental volume combined with tight cost control can produce substantial leverage and margin gains. Our new products, especially in superpremium, generally have higher margins than our existing portfolio. Development of new channels, such as convenience stores and restaurants, not only increases sales, but it also leverages our existing cost structure. With this in mind, we chose our four strategic initiatives to drive our sales momentum and at the same time, to build our profit margins.

We took some blows to profitability in 2001, but we kept our focus on the four core strategies. Our team of over 4,700 people across the country—a team that is recognized as unsurpassed in our industry—kept its focus on continuing to change the game and distance ourselves from the competition. All of this paid off, as we drove a great sales rebound in the second half of the year. We are better positioned than ever before—with our brands, with our sales strength and systems, and above all with the skill, experience and dedication of our people. Our goal remains the same—preeminence in the ice cream category—and we believe we are moving toward this goal more rapidly than ever.



T. Gary Rogers  
Chairman of the Board  
and Chief Executive Officer



William F. Cronk, III  
President



Many unique tastes, one unique service.

In 1935, Bill Dreyer expanded his ice cream parlor business on Grand Avenue in Oakland, California to include selling packaged Dreyer's Grand Ice Cream to grocers located in the San Francisco Bay Area. For people to enjoy his ice cream at home as much as they did in his parlor, Dreyer knew he had to ensure that the quality of Dreyer's Grand would be maintained from the factory to the grocer's freezer cabinet and into consumers' hands.

He also knew that ice cream was a grocery staple on the weekly shopping list of virtually every American family and serving his grocers would demand frequent deliveries. Dreyer's approach was to run a small fleet of trucks, complete with ice boxes, to hand deliver Dreyer's Grand Ice Cream to his local grocery customers. He'd stock his trucks each morning with an inventory of each of the five flavors in the Dreyer's Grand line, creating a virtual warehouse on wheels. Using this classic "pack and peddle" method, his delivery drivers would visit and restock every grocery store along their route.

While consistent distribution was essential for his success, Bill Dreyer also recognized that interaction at the store level was just as important for his future. He knew from the beginning that every store delivery was an opportunity to present his quality ice creams directly to consumers and gauge their reaction to his new flavors, like his signature *Rocky Road*, just as if he was serving customers in the parlor.



A man with dark hair, smiling, is wearing a dark jacket over a light-colored shirt. He is holding a small, white toy ice cream truck with "DREYER'S GRAND Ice Cream" written on its side. In the background, a larger white ice cream truck is visible, with the words "DOES NOT" and "POONS." partially visible on its side. The scene is outdoors with greenery in the distance.

“We learned, long ago, that it’s not enough just to make great ice cream.”

PAT, NATIONAL ACCOUNT MANAGER



## THE EVOLUTION TO DIRECT-STORE-SERVICE

When Gary Rogers and Rick Cronk bought Dreyer's in 1977, the "pack and peddle" distribution system had run up against challenges. Grocery stores had grown much larger and the breadth of food items in every category had increased significantly as food companies began to segment their lines to broaden their appeal. With this product proliferation, direct-store-delivery (DSD) vendors now had to carry many more items on their trucks to meet consumer demand and avoid out-of-stocks on their grocers' shelves.

Branded product leaders, like Coca-Cola and Frito-Lay, were the first to adapt their own DSD systems to meet this challenge. In similar fashion, Dreyer's recognized that the best way to increase in-stocks and eventually sales for its own growing product line, was to customize service for each of its grocery customers. This meant implementing computer-assisted ordering technology so that the company's route salespeople could track sales and forecast which Dreyer's Grand ice creams were most likely to meet demand at any given grocery. These sales trend and flavor preference forecasts, combined with promotional schedules, became the basis for custom delivery orders tailored to each store. With ever-improving sales and distribution capabilities, Dreyer's route salespeople could restock each store with a full assortment of Dreyer's Grand Ice Cream on every visit.

The adoption of computer-assisted ordering began Dreyer's transition from basic delivery to a new era of information-based distribution service.



“This is my office. This is my ice cream—Dreyer’s. This is my philosophy—take care of my grocers so they can take care of their customers.”

JOSH, GROCERY ROUTE SALESPERSON

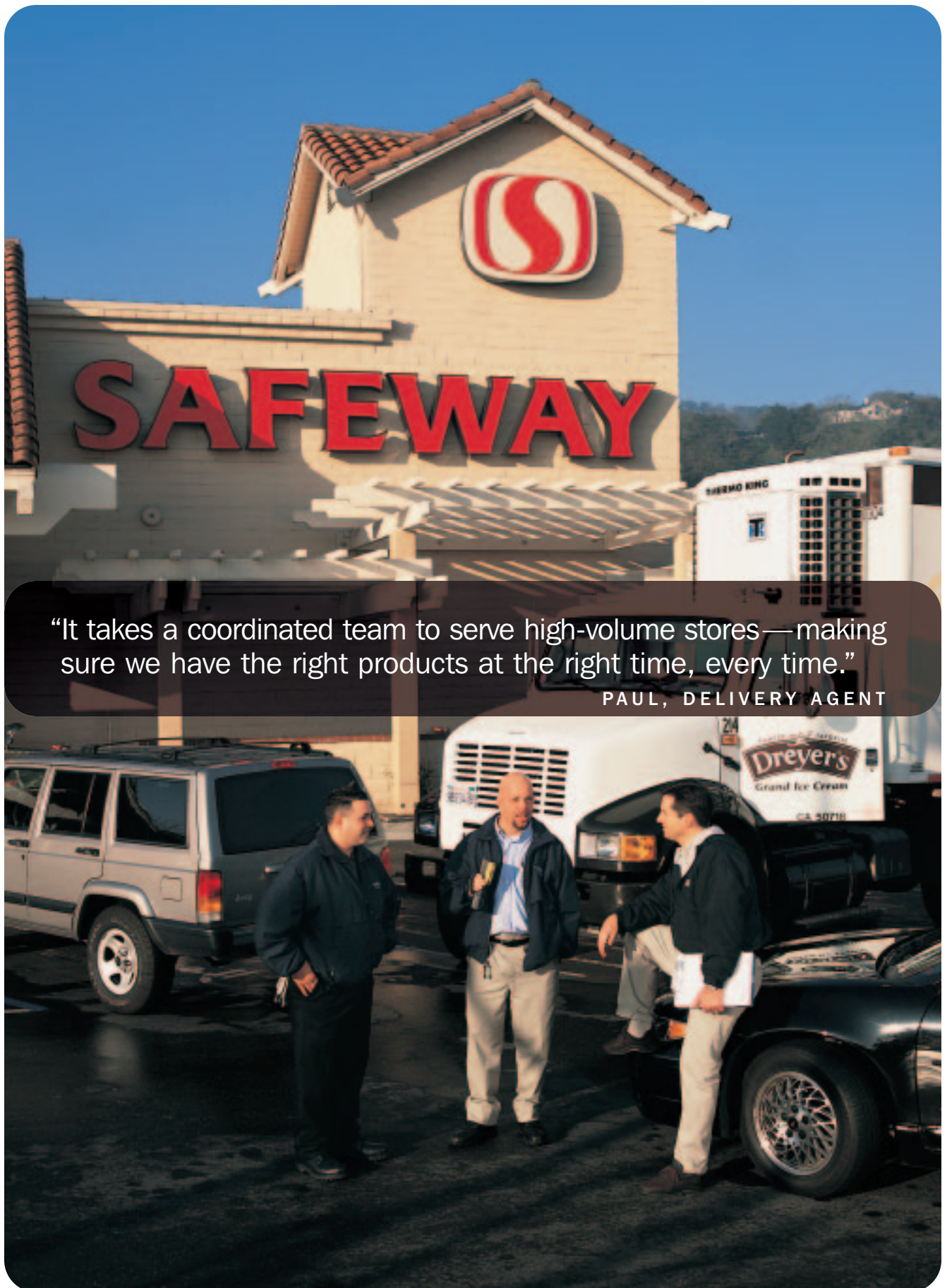
## THE CUSTOM SERVICE CAPABILITY OF DIRECT-STORE-SERVICE

In 1994 Dreyer's embarked on a plan to expand its distribution nationwide and grow its share of ice cream sales to reach preeminence in the ice cream industry. Today Dreyer's nationwide direct-store-service (DSS) system includes a coordinated network of five factories, 41 regional sales offices and 57 frozen transport depots, cross-docks and warehouses. Technology links these sites together providing computer-assisted ordering, inventory management, production forecasting and dynamic delivery routing capabilities. Today the company's DSS system serves thousands of ice cream retailers in all 50 states and reaches more than 90 million U.S. households.

There are more retailers selling packaged ice cream today than ever before, ranging from nationwide chain grocers to local corner convenience stores. Each of these retailers has distinct product arrays and sales patterns, and as a result, unique distribution needs. Larger retail stores with broad ice cream assortments require frequent, large deliveries. Smaller venues with less freezer display space and limited assortments require smaller deliveries.

To maximize both sales opportunities with its retailers and the efficiency of its DSS system, Dreyer's customizes service to each location. For smaller volume stores, one salesperson driving a small route truck can quickly and efficiently serve a full route. For larger volume chain grocers, there may be up to four Dreyer's employees in the service team, each moving independently through their own routes. The team includes a delivery agent unloading palletized orders from a 40-foot refrigerated truck, two merchandisers restocking the ice cream assortment in the frozen display aisle, and a route salesperson forecasting the order for the next delivery.





“It takes a coordinated team to serve high-volume stores—making sure we have the right products at the right time, every time.”

PAUL, DELIVERY AGENT



## THE SALES ADVANTAGE OF DIRECT-STORE-SERVICE

Each retailer Dreyer's serves is unique, but they all have one thing in common—a desire to maximize their ice cream sales and profits. The company's direct-store-service system offers a solution to each of them.

Large chain grocery stores account for the majority of packaged ice cream sales in the U.S. and Dreyer's branded portfolio accounts for a 20 percent share of this channel. Leveraging the DSS system to drive sales of its branded portfolio and grow this share is Dreyer's primary goal. Chain grocers have large ice cream assortments, high-volume turnover, limited storage space for frozen food inventory and active promotional calendars. Working within these parameters, Dreyer's offers chain grocers a range of service solutions from category management to optimize their ice cream assortment, to scan-based trading to minimize their inventory and logistical requirements.

Retailers selling ice cream outside of the traditional grocery channel address the gamut of consumers' shopping occasions beyond the weekly grocery run. While their retailing formats vary widely, they share a common need for strong, recognizable brands and customized distribution service. Wal-Mart, like many supercenters, demands national brands and timely replenishment to compete in food sales with traditional groceries. 7-Eleven and other leading convenience stores require smaller package sizes, a more indulgent product line and frequent distribution service to meet their unique combination of rapid inventory turnover and limited freezer space. And restaurants demand top brand-name products with distribution service tailored to meet their specific needs. The flexibility of Dreyer's DSS system meets these varied retailing requirements and provides the company with an unmatched opportunity to leverage its brands into significant growth.



"I love visiting a new Dreyer's customer. They're always amazed by what I can do for their ice cream sales."

DESIREE, NON-GROCERY ROUTE SALESPERSON

## THE BRAND BUILDING ADVANTAGE OF DIRECT-STORE-SERVICE

Direct-store-service provides control of product presentation and an unparalleled segmentation capability—two great advantages in Dreyer’s goal to build market leading brands.

American consumers demand and expect quality products and they reward those brands that meet their expectations. For ice cream consumers, quality is having their favorite brands and flavors in-stock every time they visit the freezer aisle. Quality is user-friendly packages with clearly visible flavors merchandised by brand and product line so they can find their favorites—fast. Quality is point-of-purchase displays that call attention to new flavors, seasonal products, and *Limited Editions*. And quality is trusting that the ice cream they purchase will be perfect for their families, their friends and themselves. There is no greater way to guarantee that Dreyer’s portfolio of brands meets and exceeds these consumer expectations than by controlling presentation. Dreyer’s people control Dreyer’s ice cream every step of the way, from the production line to the retailer’s display case.

Segmentation—delighting an ever-expanding variety of consumer tastes—is essential for growth and direct-store-service is essential for effective segmentation. Effective segmentation is seeing consumer trends before competitors and being first to market with superior brands. Effective segmentation is being the partner-of-choice for major consumer brands, like Starbucks®, Godiva® and M&M/Mars, that seek an advantaged entrance into the ice cream category. Effective segmentation is marketing a variety of ice cream package sizes appropriate for both retailers and their consumers. Effective segmentation is great new products combined with the distribution clout to persuade grocers nationwide to display them at retail. Finally, effective segmentation is executing distribution service across a rapidly expanding business with constantly improving in-stock rates.

There is simply no better way to build brands than through direct-store-service.





“New products, new flavors, new promotions and old standbys. It’s a lot of work, but we know our attention to detail pays off.”

JASON AND GEORGE, MERCHANDISERS




# Service.

## Turning great brands into leading brands.

Ice cream is America's favorite dessert. In 2001, more Americans chose one of Dreyer's brands than any other brand. Young and old from all walks of life, some chose premium Dreyer's Grand Ice Cream, Grand Light® or M&M/Mars while others chose our superpremium Dreamery® and Whole Fruit Sorbet. Coffee lovers found their favorites with Starbucks Ice Cream while chocolate fans were delighted by Godiva Ice Cream. Each of these Americans is passionate about their favorite ice cream, and Dreyer's is passionate about its mission to ensure that their favorites are waiting for them whenever and wherever they shop for ice cream.

Its portfolio of superior brands and its commitment to superior distribution service has made Dreyer's the fastest growing ice cream company in America and the category leader. With more than 4,700 professionals dedicated to exceeding the expectations of ice cream consumers across America—no one builds great brands into leaders better than Dreyer's.



“And I wonder why my kids always want to go shopping with me.”

MOM, FAMILY C.E.O.

## FIVE-YEAR SUMMARY OF SIGNIFICANT FINANCIAL DATA

(\$ in thousands, except per share amounts)	Year ended December <sup>1</sup>				
	2001	2000	1999	1998	1997
<b>OPERATIONS:</b>					
Sales and other income <sup>2</sup>	<b>\$1,402,103</b>	\$1,198,114	\$1,101,907	\$1,025,988	\$973,091
Income (loss) before cumulative effect of change in accounting principle	<b>8,829</b>	25,378	11,587	(46,510)	8,774
Net income (loss)	<b>8,829</b>	25,378	10,992	(46,510)	8,028
Net income (loss) available to common stockholders	<b>8,269</b>	24,220	9,872	(47,630)	3,968
<b>PER COMMON SHARE:</b>					
Basic:					
Income (loss) before cumulative effect of change in accounting principle	<b>.26</b>	.86	.38	(1.75)	.18
Net income (loss)	<b>.26</b>	.86	.36	(1.75)	.15
Diluted:					
Income (loss) before cumulative effect of change in accounting principle	<b>.24</b>	.72	.35	(1.75)	.17
Net income (loss)	<b>.24</b>	.72	.33	(1.75)	.14
Dividends declared <sup>3</sup>	<b>.24</b>	.12	.12	.12	.12
<b>BALANCE SHEET:</b>					
Total assets	<b>498,689</b>	468,451	441,065	461,721	502,146
Working capital <sup>4</sup>	<b>84,018</b>	58,006	29,513	61,059	78,576
Long-term debt <sup>5</sup>	<b>148,671</b>	121,214	104,257	169,781	165,913
Redeemable convertible preferred stock <sup>6</sup>		100,540	100,078	99,654	99,230
Stockholders' equity <sup>6</sup>	<b>208,365</b>	100,372	73,694	61,174	108,688

<sup>1</sup> The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in December. Fiscal years 2001, 1999, 1998 and 1997 each consisted of 52 weeks, while fiscal year 2000 consisted of 53 weeks.

<sup>2</sup> As a result of EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," certain expenses presently classified as selling, general and administrative expenses will be recorded as a reduction of sales beginning in the first quarter of 2002. In accordance with this pronouncement, all prior periods will be reclassified on a retroactive basis. This retroactive reclassification will have no effect on net income (loss) as previously reported.

<sup>3</sup> On February 14, 2001, the Board of Directors declared its intention to increase the regular quarterly dividend from \$.03 to \$.06 per common share for each quarter of 2001.

<sup>4</sup> Certain reclassifications have been made to prior years' financial data to conform to the current year presentation.

<sup>5</sup> Excludes current portion of long-term debt.

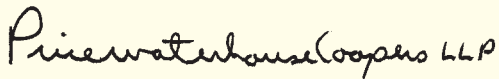
<sup>6</sup> The Company's redeemable convertible preferred stock was converted to common stock in the second quarter of 2001.

## REPORT OF INDEPENDENT ACCOUNTANTS

### TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF DREYER'S GRAND ICE CREAM, INC.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Dreyer's Grand Ice Cream, Inc. and its subsidiaries as of December 29, 2001 and December 30, 2000 and for each of the three years in the period ended December 29, 2001 appearing in the Company's Annual Report on Form 10-K for the period ended December 29, 2001 (which statements are not presented herein); and in our report dated February 13, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 29, 2001 and December 30, 2000 and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for each of the three years in the period ended December 29, 2001, when read in conjunction with the consolidated financial statements from which it has been derived, is fairly stated in all material respects in relation thereto.

As discussed in Note 2 of the consolidated financial statements, the Company changed its method of accounting for start-up costs in the first quarter of 1999.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP  
San Francisco, California  
February 13, 2002



# CONSOLIDATED STATEMENT OF INCOME

Year ended<sup>1</sup>

(\$ in thousands, except per share amounts)

**Dec. 29, 2001** Dec. 30, 2000 Dec. 25, 1999

## REVENUES:

Sales <sup>2</sup>	<b>\$1,399,698</b>	\$1,194,356	\$1,099,817
Other income	<b>2,405</b>	3,758	2,090
	<b>1,402,103</b>	1,198,114	1,101,907

## COSTS AND EXPENSES:

Cost of goods sold	<b>1,083,674</b>	889,412	837,907
Selling, general and administrative <sup>2</sup>	<b>294,013</b>	255,739	235,146
Reversal of restructuring charges			(1,315)
Interest, net of amounts capitalized	<b>10,833</b>	12,352	11,450
	<b>1,388,520</b>	1,157,503	1,083,188

Income before income tax provision and cumulative

effect of change in accounting principle **13,583** 40,611 18,719

Income tax provision **4,754** 15,233 7,132

Income before cumulative effect of change in

accounting principle **8,829** 25,378 11,587

Cumulative effect of change in accounting principle 595

Net income **8,829** 25,378 10,992

Accretion of preferred stock to redemption value<sup>3</sup> **212** 462 424

Preferred stock dividends<sup>3, 4</sup> **348** 696 696

Net income available to common stockholders **\$ 8,269** \$ 24,220 \$ 9,872

## PER COMMON SHARE — BASIC:

Income available to common stockholders before			
cumulative effect of change in accounting principle	<b>\$ .26</b>	\$ .86	\$ .38
Cumulative effect of change in accounting principle			.02
Net income available to common stockholders	<b>\$ .26</b>	\$ .86	\$ .36

## PER COMMON SHARE — DILUTED:

Income available to common stockholders before			
cumulative effect of change in accounting principle	<b>\$ .24</b>	\$ .72	\$ .35
Cumulative effect of change in accounting principle			.02
Net income available to common stockholders	<b>\$ .24</b>	\$ .72	\$ .33

<sup>1</sup> The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in December. Fiscal years 2001 and 1999 each consisted of 52 weeks, while fiscal year 2000 consisted of 53 weeks.

<sup>2</sup> As a result of EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," certain expenses presently classified as selling, general and administrative expenses will be recorded as a reduction of sales beginning in the first quarter of 2002. In accordance with this pronouncement, all prior periods will be reclassified on a retroactive basis. This retroactive reclassification will have no effect on net income as previously reported.

<sup>3</sup> The Company's redeemable convertible preferred stock was converted to common stock in the second quarter of 2001.

<sup>4</sup> On February 14, 2001, the Board of Directors declared its intention to increase the regular quarterly dividend from \$.03 to \$.06 per common share for each quarter of 2001.

## CONSOLIDATED BALANCE SHEET

(\$ in thousands, except per share amounts)

Dec. 29, 2001 Dec. 30, 2000

### ASSETS

#### Current assets:

Cash and cash equivalents	\$ 1,650	\$ 2,721
Trade accounts receivable, net of allowance for doubtful accounts of <b>\$1,024</b> in 2001 and \$2,611 in 2000	<b>89,721</b>	77,310
Other accounts receivable <sup>1</sup>	<b>16,116</b>	17,702
Inventories	<b>81,298</b>	68,801
Deferred income taxes	<b>3,547</b>	4,584
Prepaid expenses and other	<b>8,849</b>	6,950
<b>Total current assets</b>	<b>201,181</b>	178,068
Property, plant and equipment, net	<b>198,565</b>	190,833
Goodwill, distribution rights and other intangibles, net	<b>94,468</b>	92,892
Other assets <sup>1</sup>	<b>4,475</b>	6,658
<b>Total assets</b>	<b>\$ 498,689</b>	\$ 468,451

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Current liabilities:

Accounts payable and accrued liabilities	\$ 91,794	\$ 80,260
Accrued payroll and employee benefits	<b>25,369</b>	24,759
Current portion of long-term debt		15,043
<b>Total current liabilities</b>	<b>117,163</b>	120,062
Long-term debt, less current portion	<b>148,671</b>	121,214
Deferred income taxes	<b>24,490</b>	26,263
<b>Total liabilities</b>	<b>290,324</b>	267,539

Commitments and contingencies

Redeemable convertible preferred stock <sup>2</sup> , \$1 par value — no shares and 1,008,000 shares authorized, issued and outstanding in 2001 and 2000, respectively	100,540
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#### Stockholders' equity:

Preferred stock, \$1 par value — 10,000,000 shares and 8,992,000 shares authorized, no shares issued or outstanding in 2001 and 2000, respectively		
Common stock <sup>2</sup> , \$1 par value — 60,000,000 shares authorized; 34,461,000 shares and 28,268,000 shares issued and outstanding in 2001 and 2000, respectively	<b>34,461</b>	28,268
Capital in excess of par <sup>2</sup>	<b>160,103</b>	58,396
Notes receivable from stockholders	<b>(2,546)</b>	(2,284)
Retained earnings	<b>16,347</b>	15,992
<b>Total stockholders' equity</b>	<b>208,365</b>	100,372
<b>Total liabilities and stockholders' equity</b>	<b>\$ 498,689</b>	\$ 468,451

<sup>1</sup> Certain reclassifications have been made to prior years' financial data to conform to the current year presentation.

<sup>2</sup> The Company's redeemable convertible preferred stock was converted to common stock in the second quarter of 2001.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	Common stock		Capital in excess of par	Notes receivable from stockholders	(Accumulated deficit) Retained earnings	Total
	Shares	Amount				
<b>BALANCES AT</b>						
<b>DECEMBER 26, 1998</b>	27,312	\$27,312	\$ 46,722	\$(1,459)	\$(11,401)	\$ 61,174
Net income for 1999					10,992	10,992
Accretion of preferred stock to redemption value					(424)	(424)
Preferred stock dividends declared					(696)	(696)
Common stock dividends declared					(3,319)	(3,319)
Issuance of common stock under employee stock plans, net	579	579	6,671	(1,042)		6,208
Repurchases and retirements of common stock	(20)	(20)	(221)			(241)
<b>BALANCES AT</b>						
<b>DECEMBER 25, 1999</b>	27,871	27,871	53,172	(2,501)	(4,848)	73,694
Net income for 2000					25,378	25,378
Accretion of preferred stock to redemption value					(462)	(462)
Preferred stock dividends declared					(696)	(696)
Common stock dividends declared					(3,380)	(3,380)
Issuance of common stock under employee stock plans, net	457	457	5,785	(171)		6,071
Repurchases and retirements of common stock	(60)	(60)	(1,485)	388		(1,157)
Tax benefits from employee stock option plans			924			924
<b>BALANCES AT</b>						
<b>DECEMBER 30, 2000</b>	28,268	28,268	58,396	(2,284)	15,992	100,372
Net income for 2001					<b>8,829</b>	<b>8,829</b>
Accretion of preferred stock to redemption value <sup>1</sup>					<b>(212)</b>	<b>(212)</b>
Preferred stock dividends declared <sup>1</sup>					<b>(348)</b>	<b>(348)</b>
Common stock dividends declared					<b>(7,914)</b>	<b>(7,914)</b>
Conversion of redeemable convertible preferred stock <sup>1</sup>	<b>5,800</b>	<b>5,800</b>	<b>94,952</b>			<b>100,752</b>
Issuance of common stock under employee stock plans, net	<b>550</b>	<b>550</b>	<b>8,207</b>	<b>(1,292)</b>		<b>7,465</b>
Repurchases and retirements of common stock	<b>(157)</b>	<b>(157)</b>	<b>(3,801)</b>	<b>1,030</b>		<b>(2,928)</b>
Tax benefits from employee stock option plans			<b>2,349</b>			<b>2,349</b>
<b>BALANCES AT</b>						
<b>DECEMBER 29, 2001</b>	<b>34,461</b>	<b>\$34,461</b>	<b>\$160,103</b>	<b>\$(2,546)</b>	<b>\$ 16,347</b>	<b>\$208,365</b>

<sup>1</sup> The Company's redeemable convertible preferred stock was converted to common stock in the second quarter of 2001.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(\$ in thousands)	Year ended <sup>1</sup>		
	Dec. 29, 2001	Dec. 30, 2000	Dec. 25, 1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 8,829	\$ 25,378	\$ 10,992
Adjustments to reconcile net income to cash flows from operations:			
Depreciation and amortization	35,974	37,479	35,515
Deferred income taxes	(183)	6,665	4,305
Loss on disposal of property, plant and equipment		1,360	1,803
Tax benefits from employee stock option plans	2,349	924	
Provision for losses on accounts receivable		1,602	
Reversal of restructuring charges			(1,315)
Cumulative effect of change in accounting principle			595
Changes in assets and liabilities, net of amounts acquired:			
Trade accounts receivable	(12,411)	6,607	3,802
Other accounts receivable <sup>2</sup>	1,586	(3,963)	15,637
Inventories	(12,497)	(11,044)	(5,197)
Prepaid expenses and other	(1,899)	(236)	(2,113)
Accounts payable and accrued liabilities <sup>2</sup>	10,314	(14,832)	2,910
Accrued payroll and employee benefits	610	(5,179)	10,368
	<b>32,672</b>	<b>44,761</b>	<b>77,302</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant and equipment	(40,598)	(24,513)	(23,756)
Retirement of property, plant and equipment	2,181	515	726
Purchase of Specialty Frozen Products, L.P.		(18,922)	
Purchase of common stock of Cherokee Cream Company, Inc.		(7,651)	
Purchase of independent distributors and distribution rights	(7,067)	(1,564)	(1,000)
Decrease (increase) in other assets <sup>2</sup>	1,832	(4,413)	1,803
	<b>(43,652)</b>	<b>(56,548)</b>	<b>(22,227)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from long-term debt <sup>2</sup>	34,600	160,095	
Repayments of long-term debt <sup>2</sup>	(22,186)	(149,421)	(55,058)
Issuance of common stock under employee stock plans, net	7,465	6,071	6,208
Repurchases and retirements of common stock	(2,928)	(1,157)	(241)
Cash dividends paid	(7,042)	(4,238)	(3,997)
	<b>9,909</b>	<b>11,350</b>	<b>(53,088)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>(1,071)</b>	<b>(437)</b>	<b>1,987</b>
Cash and cash equivalents, beginning of year	<b>2,721</b>	<b>3,158</b>	<b>1,171</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,650</b>	<b>\$ 2,721</b>	<b>\$ 3,158</b>

<sup>1</sup> The Company's fiscal year is a 52-week or 53-week period ending on the last Saturday in December. Fiscal years 2001 and 1999 each consisted of 52 weeks, while fiscal year 2000 consisted of 53 weeks.

<sup>2</sup> Certain reclassifications have been made to prior years' financial data to conform to the current year presentation.



## CORPORATE DATA

### DIRECTORS

T. Gary Rogers  
Chairman of the Board and  
Chief Executive Officer

William F. Cronk, III  
President

Edmund R. Manwell  
Secretary, Partner of  
Manwell & Schwartz,  
Attorneys at Law

Jan L. Booth  
Private Investor

Robert A. Helman  
Partner of Mayer, Brown, Rowe  
& Maw, Attorneys at Law

M. Steven Langman  
Managing Director,  
Rhône Group LLC

John W. Larson  
Private Investor

Timothy P. Smucker  
Chairman and Co-Chief  
Executive Officer,  
The J.M. Smucker Company

### CORPORATE OFFICERS

T. Gary Rogers  
Chairman of the Board and  
Chief Executive Officer

William F. Cronk, III  
President

Thomas M. Delaplane  
Vice President–Sales

J. Tyler Johnston  
Vice President–Marketing

Timothy F. Kahn  
Vice President–Finance  
and Administration and  
Chief Financial Officer

William R. Oldenburg  
Vice President–Operations

William C. Collett  
Treasurer

Mark LeHocky  
General Counsel

Jeffrey P. Porter  
Controller

Edmund R. Manwell  
Secretary



Seated from left: T. Gary Rogers  
and William F. Cronk. Standing  
from left: Thomas M. Delaplane,  
J. Tyler Johnston, Timothy F. Kahn  
and William R. Oldenburg.

### CORPORATE OFFICE

Dreyer's Grand Ice Cream, Inc.  
5929 College Avenue  
Oakland, CA 94618  
(510) 652-8187

### DIVISION OFFICES

Northwest Division  
18404 72nd Avenue So.  
Kent, WA 98032  
(425) 251-0809

Southwest Division  
2305 Camino Ramon, Suite 180  
San Ramon, CA 94583  
(925) 242-3400

Midwest Division  
601 Wall Street  
Glendale Heights, IL 60139  
(630) 924-7755

Southeast Division  
410 Ware Boulevard, Suite 612  
Tampa, FL 33619  
(813) 623-5528

Northeast Division  
301 Roundhill Drive  
Rockaway, NJ 07866  
(973) 627-8822

### INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP  
San Francisco, California  
[www.pwcglobal.com](http://www.pwcglobal.com)

### TRANSFER AGENT

Mellon Investor Services LLC  
235 Montgomery Street  
23rd Floor  
San Francisco, CA 94104  
[www.mellon-investor.com](http://www.mellon-investor.com)

### STOCK LISTING

NASDAQ National Market  
Symbol DRYR

### ANNUAL MEETING

The Annual Meeting of  
Stockholders will be held at  
2 p.m., Wednesday, May 8,  
2002, at The Claremont Resort  
& Spa, Ashby and Domingo  
Avenues, Oakland, CA 94623

### WEBSITES

[www.dreyersinc.com](http://www.dreyersinc.com)  
[www.dreyers.com](http://www.dreyers.com)  
[www.edys.com](http://www.edys.com)  
[www.icecream.com](http://www.icecream.com)  
[www.conefactory.com](http://www.conefactory.com)





Dreyer's Grand Ice Cream, Inc.