



DANONE

Shareholder's letter

Rendez-vous

in Paris on April 25, 2002 for the Annual General Meeting of Shareholders (Carrousel du Louvre, 4 pm).
And thanks to the 2000 shareholders who attended our last General Meeting!

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Dear shareholder,



Groupe DANONE continued to make a firm showing in the first half of 2001, despite unsettling factors that included reorganization of our biscuit operations in France, instability in Latin America and higher prices for our main raw materials.

Sales for the period rose 6.2% like for like and operating margin was up from 10.6% to 10.9%, providing renewed evidence that our strategic priorities are soundly based. These priorities include product categories offering some of the highest growth rates in the food industry, a significant international presence, and leadership positions backed by powerful brands.

We have continued to consolidate our presence outside Western Europe, with recent acquisitions in Mexico, Poland and Indonesia making us number one worldwide for bottled water. Nearly 40% of our total sales are now outside Western Europe.

Against a backdrop of unfavorable stock-market trends, DANONE shares once again put in a highly satisfactory performance, outdoing the Paris market's benchmark CAC 40 index by 10 percentage points over the first six months of this year.

The strength of our group is above all rooted in our culture and values. And over recent months we have had the opportunity to reaffirm, in an unmistakable way, our continuing commitment to the twin goals of business success and social responsibility that are fundamental to the DANONE business model.

Despite a more uncertain economic environment associated with signs of slowing growth and the possible consequences of the recent tragic events in the US, I am confident in the capacity of our Group to make the most of the strategic strengths that have underpinned its success to date.

Franck Riboud

Results

Key figures

Sales

+6.2% like for like

Operating margin

up from 10.6% to 10.9%

EPS

+6.0%

Financial investments

over EUR 700 million, mainly to consolidate international positions

The rewards of profitable growth

Groupe DANONE continued to report healthy rates of organic growth, at the same time significantly improving profitability. This good performance was achieved despite difficulties resulting from reorganization of Biscuit operations in Europe and economic strains in Latin America.

Organic sales growth reached a strong 6.2%, which is all the more significant as the figure is based on comparison with a particularly vigorous first half in 2000, when sales were up by over 8%.

Exchange-rate variations, principally the rise in the dollar, had a positive impact of 2% on the reported figure, while exclusion of European brewery operations from the scope of consolidation had a negative impact of 7.7%.

Continuing commitment to product innovation and cost controls brought a further rise in operating margin, up from 10.6% to 10.9%. This was despite higher prices for both milk and plastics, our Group's main raw materials.

Acquisitions continued at a brisk pace, with over EUR 700 million invested over the period.

They included three major transactions in bottled waters, giving our Group a controlling interest in Aqua, ranked first in Indonesia; a 50% interest in Zywiec,

market leader in Poland; and a 50% interest in Aga, number two on the Mexican market, which is one of the world's largest in the field.

While debt has risen as a result of this expansion, our Group's finances remain in sound shape, since the ratio of net financial debt to equity is limited to 57% and we can look forward to receiving nearly EUR 2.4 billion under the arrangements for our withdrawal from European brewery business.

International successes*

- Over 40% of consolidated sales are now outside Western Europe, including roughly 10% in North America and 30% in other countries.
- Growth in business outside Western Europe remained brisk in the first half, with sales up 7.5% at constant scope of consolidation and exchange rates.
- Operating margin in these regions showed a further healthy improvement, rising from 8.5% to 9.5%.
- Groupe DANONE is number one on emerging markets for each of its three core business lines, with a powerful presence in Asia, Latin America and Eastern Europe. In North America, we are a strong number two in both Dairy Products and Water sold in bottles and containers.

*Outside Western Europe.

Operating margins	1st-half 2000	1st-half 2001
BY BUSINESS LINE		
Dairy products	10.9%	11.0%
Beverages (1)	12.7%	12.1%
Biscuits	7.4%	8.3%
Other food business	11.2%	14.9%
BY GEOGRAPHICAL AREA		
France (2)	12.4%	10.7%
Rest of Western Europe	9.8%	10.5%
Rest of World	8.5%	9.5%
Groupe DANONE	10.6%	10.9%

(1) Included European brewing business for the first time in the first half of 2001; excluding Beer, Beverage operating margin was 12.5% at year-end 2000 and is set to be 12.3% at the end of 2001.

(2) Included European brewing business for the first time in the first half of 2001; excluding Beer, the figure for France was 11.5% at the end of June 2000 and 10.8% at the end of June 2001.

Business lines news

Dairy products

- Sales up a vigorous 6.9% at constant scope of consolidation and exchange rates.
- Actimel was again a winner with sales soaring 35% in the first half.
- Operating market edged up to 11% compared with 10.9% in the first half of 2000, despite a jump in milk prices.

Beverages

- Sales showed a further steep rise, gaining 9.2% at constant scope of consolidation and exchange rates.
- Excluding European brewery operations, operating margin slipped from 12.5% in the first half of 2000 to 12.3% in the first half of this year, reflecting consolidation of businesses with margins below the average for the business line, as well as a significant rise in PET prices.

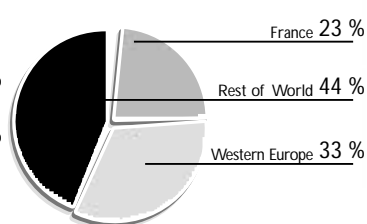
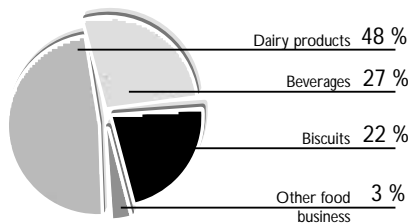
Biscuits

- Sales were up 1.8% at constant scope of consolidation and exchange rates.
- Operating margin improved significantly, rising from 7.4% to 8.3%.

Sales breakdown

by business line

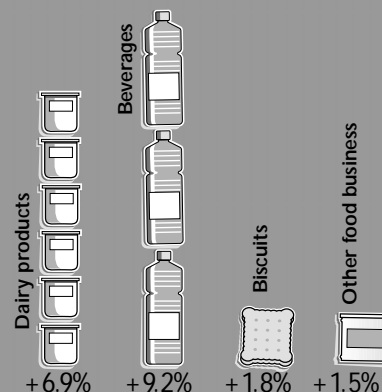
by geographical area



Progression

Sales growth by business line

On comparable levels:
constant structure exchange rates



Groupe DANONE +6.2%

Sales growth by geographical area

On comparable levels:
constant structure exchange rates

France +3.4%

Western Europe +6.3%

Rest of World +7.5%

Groupe DANONE +6.2%

Key figures

(EUR millions)	1st half 2000	1st half 2001	Rise
Net sales	7,254	7,292	+ 6.2% (like-for-like)
Operating income	770	795	+ 3.2%
Operating margin	10.6%	10.9%	+ 30bp
Net income (excl. minorities)	352	375	+ 6.5%
Net earnings per share fully diluted (in EUR)	2.5	2.7	+ 6.0%
Investment in subsidiaries and affiliates	1846	744	
Net financial debt borrowing/stockholders' equity	62%	57%	
Number of outstanding shares in equity at June 30 (millions)	148.9	149.4	
Share price (close of trading June 30) (EUR)	139.0	162.1	
Market capitalization (close of trading June 30)	20,697	24,218	

New developments

of Groupe



DANONE

DANONE takes first place worldwide in bottled water

Groupe DANONE is now number one worldwide for volumes in bottled water one of the fastest growing sectors of the food industry.

DANONE : leading the world in bottled water

Since the beginning of the year, DANONE has ranked first in volume terms on the hotly disputed world market for bottled waters. This reflects the contributions of recently acquired businesses in Mexico and Poland, as well as a majority interest in Indonesia's Aqua, combined with organic growth in existing business.

beverage market, with annual volume rises reaching around 10% over recent years. This momentum reflects an underlying trend to greater emphasis on health, favoring beverages associated with fitness and well-being at the expense of traditional soft drinks and alcoholic beverages.

In Europe, where demand is traditionally strong and per-capita consumption tops 93 liters a year, sales of bottled water remain on the rise, showing annual volume growth of around 5% over recent years. Trends are particularly vigorous in some markets, notably still water in Germany and the UK.

Consumption outside Western Europe is much lower at only 13 liters per capita a year, but annual volume growth has been over 11% in recent years and prospects for the future remain very bright.

DANONE - international reach

A top contender in Europe with brands including Evian, Badoit, Volvic and Ferrarelle, DANONE has made international expansion a special priority over recent years, and is now a power to be reckoned with on nearly all the world's major markets.

DANONE is a strong number two in North America and number one in both Latin America and Asia, where it is well ahead of the field. This means that our group is number one on emerging markets taken together, which currently account for over 50% of growth in world demand for bottled water.

Our Group boasts three of the world's four highest volume brands for bottled water Evian, Wahaha in China, and Volvic.

Bottled water - the food industry's fastest growing sector worldwide

Bottled water is the most vigorous sector of the world food and



Key dates

October 10, 2001: Sales for the first 9 months

February 18, 2002: Publication of 2001 financial statements

April 25, 2002: Annual General Meeting

Sharing and enriching our culture



With the rapid international expansion of recent years, Groupe DANONE has integrated many new companies from widely varied cultural backgrounds. In so doing, we have increased the complexity of sharing values and a culture built on a dual commitment to business success and social responsibility. Which is, in turn, the reason behind our **DANONE Way** program, designed to ensure unflinching commitment to our management culture and favor continuing improvements in practices as regards all stakeholder groups - consumers and customers, shareholders, employees, suppliers and civil society - as well as the environment.

Launched as a pilot scheme at 12 companies this year, it will be extended by stages to all Groupe's entities in the course of 2002 and 2003.

Research driving profitable growth

Teams at the Danone Vitapole research center have been awarded the DAN'INOV Research prize for two important projects.

Improving mineral water bottles and yogurt containers with digitized simulation

Mathematical modeling tools allowing accurate simulation of our packaging's performance on the job accelerate and facilitate assessments of design proposals. These tools, and the expertise of DANONE teams, have led to continuing improvements in

Designed to provide practical guidance, the **DANONE Way** program is structured around observable, measurable practices and performances to allow increasingly accurate reporting in areas where a purely quantitative approach may not be possible or sufficient.

In developing this program, we have built on the ideas and methods developed by rating agencies specializing in sustainability assessments.

Founded some ten years ago, these agencies frequently work in close association with investment funds, factoring economic, social and environmental issues into their ratings. This has involved the development of a multi-stakeholder approach - an initiative that has inspired our own program and provides an objective basis for comparison between companies in these areas.

Sustainability in practice

- In 2000, Dow Jones Inc. launched its Sustainability Index, representing 200 companies selected on the basis of social and environmental standards from the world's 2,000 largest by market capitalization. Groupe DANONE was recently included in the index for the second year running.

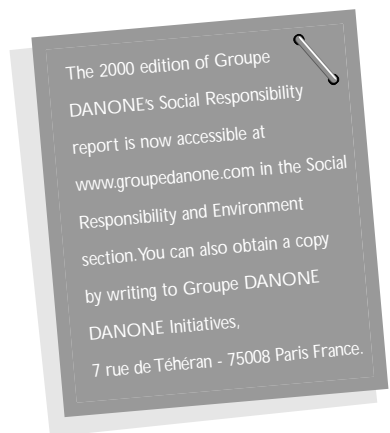
packaging, enhancing overall quality, appeal, and convenience, as well as increasing strength and reducing weight. The result is innovative, environment-friendly packaging that is also attractive and practical, as exemplified by Evian's 1.5-liter crushable bottle and its 1-liter "hook-on" bottle.

Glycemia index research and nutritional quality of biscuits

A number of studies into the nutritional properties of our biscuits have highlighted their benefits in

- In France, the first rating agency to specialize in environmental and social issues is Arese, which focuses on component stocks of the SBF 120 index, representing France's 120 largest listed companies, as well as major corporations in other parts of Europe.

Following Groupe DANONE's announcement of plans to reorganize its Biscuit operations, Arese carried out an assessment of these plans. Drawing on information from a variety of sources, the agency then maintained its positive rating of our group's performance in the area of human resources.



New developments of Groupe



Badoit sparkling flavor



In June Badoit launched three new sparkling water products on the French market, combining the appeal of fruit flavors and mild carbonation.

Its Vertigo lineup now includes mango/lemon, raspberry/green apple, and lemon/lime, as well as lemon, orange and mint classics.

These refreshing, subtle flavors are associated with very low sugar levels for products that appeal mainly to adults with a thirst for something new.

Badoit Vertigo a real break in the routine.

Danao, reaches out



Danao's launch in France in April 1998 marked a new departure, with a blend of fruit juice and milk that combined smooth texture, nutritional value and full-fruit flavor.

Danao's dual appeal for health and flavor quickly won over French consumers, making it an obvious priority for expansion into other markets.

The move has now begun, with Danao on sale in continental Spain and the Canaries since June this year.

Following the launch of new packaging in September, Danao is now poised for further cross-border expansion, targeting markets in other parts of Europe and in Latin America.

LU takes root in Brazil

Following the acquisition of Triunfo in 1998, the launch of new ranges under the Danone name, and the acquisition of Aymore in 2000, our Biscuits business line this year united its operations under the LU brand.

In Brazil, the launch of the LU brand has generated new synergies, favoring a

united marketing approach centered on a name synonymous with taste appeal and nutritional quality.

Core ranges are now LU Triunfo for adults, LU Aymoré for the family, LU Breakup for teenagers and LU Danyts for children.



Taking the weight out of water

Always a pace-setter, Evian recently introduced a peel-off bar code for six-packs - a first following innovations that have included the first six-liter pack with a handle, the first screw-on bottle top and the first crushable plastic bottle.

With these new labels, supermarket customers no longer have to lift a heavy pack on to the checkout desk; instead, they simply peel off the label on the top of the pack and hand it to the cashier for scanning.

Simple, quick and convenient - a genuinely practical way to make life easier.

Backing up this new departure, Evian launched an advertising campaign designed for maximum aesthetic appeal, blending feminine beauty and the purity of water in a film that projects an image of effortless grace.



DAN'INOV

This year's seventh annual DAN'INOV prizes, awarded in recognition of innovation within the Groupe, clearly reflect both our international scope and the value of our brands.

In the Water division, the prize went to Aguas de Argentina for its Siphon Brio, the first mineral-water siphon, while in Biscuits the winner was the LU Petit Déjeuner for a major new departure in the form of Long Lasting Energy.

In Dairy products, Danone Czech Republic took first place with Danissimo Extreme, a product

targeting markets throughout Eastern Europe. Other winners included Blédina's Gallia Calisma, a powdered milk replicating the properties of natural mother's milk, and Amoy Food's Cheong Fun which has proved a big success with Chinese gourmets.

Congratulations to our winners - proof that innovation is an on-going process at DANONE.



Rachel TESKE triumphs at Evian Masters 2000

The world's top women golfers gathered on the prestigious Evian course from June 13 to June 16 for the eighth Evian Masters, the world's number-two tournament for women.

This year's winner was Australian Rachel Teske, following in the footsteps of last year's champion, Annika Sorenstam of Sweden. Maria Hjorth and Beth Daniel came in second and third.

The event drew 40,000 spectators and was covered by TV in over 80 countries.



Notes

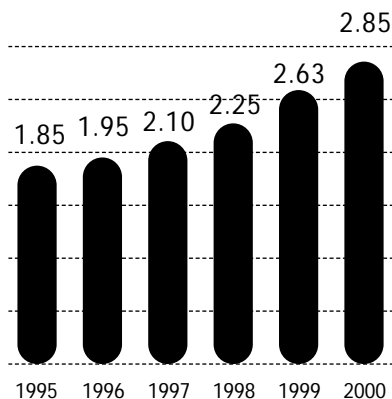
Shareholder

DANONE share performance

In 2000, DANONE shares gained 37%, beating a fall of nearly 1% in the CAC 40 index by a wide margin. This year, they have held their ground, edging up 1% from January to June, compared with falls of 12% in the CAC 40, 12.6% in the Eurostoxx 50, and 6% in the DJWorld Food index. From June 2000 to June 2001, DANONE rose 16%, placing it well ahead of other main French and European stocks, since both the CAC 40 and the Eurostoxx 50 slid nearly 19% over the same period. These strong showings demonstrate market confidence in our group's sound business fundamentals.

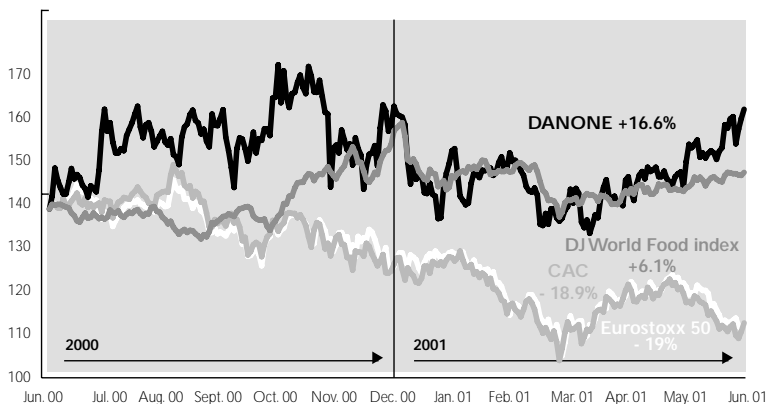
Past performance : dividends paid to Groupe DANONE shareholders

Gross figure* in EUR



* assuming tax credit representing 50% of the net amount: the actual figure will depend on the tax regime applicable to the beneficiary

How we measure up: DANONE shares compared with Eurostoxx 50, CAC 40 and DJWorld Food indexes - June 2000 - June 2001



2001 Benchmarks

Market performance	Closing price, June 30		Year-on-year change	High	Low
	2000	2001			
DANONE (in EUR)	139	162,1	+16.6 %	173.0	131.7
CAC 40	6447	5225	-18.9 %		
EUROSTOXX 50	5145	4169	-19.0 %		
DJ World Food Index	128	136	+6.1 %		

DANONE shares: key features

- 149,428,152 shares listed on June 30, 2001; nominal value EUR 1
- Shares listed on Euronext (Paris (SRD), Brussels and Amsterdam), London Stock Exchange, the Swiss Stocks Exchanges and NYSE (ADR).
- Euroclear (formerly Sicovam) code 12064, DANO.PA and DA

Contacts

Full financial information at www.finance.danone.fr
Figures, news, company profile, key dates...

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DANONE