

# Carrefour News

LETTER TO THE SHAREHOLDERS • April 2003



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**SHAREHOLDERS' CORNER**

**Dear shareholder,**

- ☐ The Carrefour Group set itself three priorities in 2002: increase sales, lower overhead costs and improve cash management. The Group's successful execution of these three priorities enabled it to meet or exceed all of the forecasts it made at the start of the year.

Our Group reported consolidated sales of €86 billion in 2002, a 4.6% increase over 2001 at constant exchange rates. EBIT rose 7.1%, a reflection of tight cost controls throughout the Group and expanded synergies in Europe, which offset currency effects. Net earnings per share increased at 15.1%, enabling us to keep our promises and even meet the upper range of our forecasts.

- ☐ We owe this performance to our balanced geographic coverage and rapid organic growth. However, we won the most market share worldwide through our aggressive marketing and the creativity of our various formats. Despite the current geopolitical situation, I am convinced that these strengths will maintain the Group's growth momentum. Carrefour's market positioning is such that it can now make continuous advances across the board. Food consumption has grown steadily for 40 years, and now accounts for 80% of our sales, making us the global leader in this segment. This strong commercial position is behind our sound financial condition and the very good fit between our brand portfolio and geographical locations. Over 50% of our sales are made in our home market of France, and 87% in Europe, a very stable region.

We have also been doing business in the "emerging" markets for a long time. Our world-class scope enables us to develop product lines at prices which local populations with limited purchasing power can afford to buy. These countries are the Group's core growth engines, particularly in Asia where we are expanding rapidly, but in Latin America as well. Despite the problems affecting this continent, we continue to gain market share in Brazil and Argentina.

- ☐ The major acquisitions made over the past few years have been integrated. We are reaping the first synergies, which have boosted earnings. This year, we again proved the superiority of our fundamentals. In Belgium, we restored the operating results of the ailing GB's to break-even point. In Spain, less than eighteen months after the change of banner, Carrefour enjoys more than 90% name recognition, and its store brands already make up 18% of sales. In 2003, we will be celebrating our 40<sup>th</sup> anniversary, an age when one reaches maturity. We have never been in such good shape, and we look forward to the coming years with great equanimity and many plans.

**Daniel Bernard**  
Chairman and Chief Executive Officer

# 2002 ANNUAL RESULTS

## ✓ Net earnings per share up 15.1%

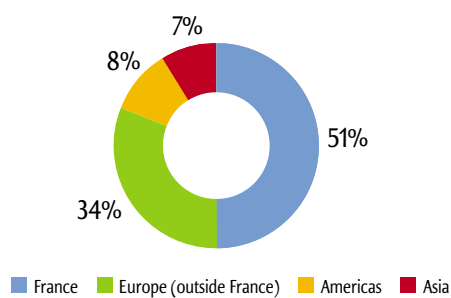
Against a backdrop of volatile currencies, the Group exceeded its net earnings growth forecast of 10-15% in 2002 by focusing on its priorities.

(in € millions)	2002	2001	Variation
<b>Sales exclusive of tax</b>	<b>68,729</b>	<b>69,486</b>	<b>-1.1% *</b>
Earnings before interest and taxes (EBIT)	3,025	2,826	+7.1%
Net income from recurring operations, Group share, after amortization of goodwill	1,389	1,207	+15.1%
Non-recurring income (expense) – Group share	(15)	59	ns
Net income – Group share	1,374	1,266	+8.6%
<b>Net earnings per share after amortization of goodwill (in euros)</b>	<b>1.95</b>	<b>1.70</b>	<b>+15.1%</b>
Cash flow	3,026	2,700	+12.1%
<b>Interest coverage ratio [EBITDA/Non-recurring income (expense)]</b>	<b>8.9 x</b>	<b>7.0 x</b>	

\* Sales rose 4.6% at constant exchange rates.

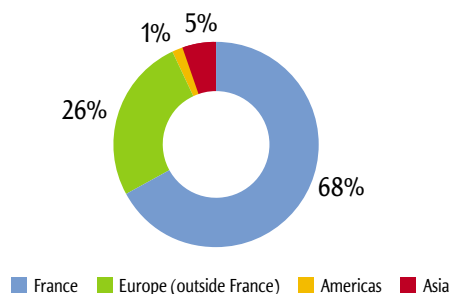
### BREAKDOWN OF CONSOLIDATED SALES EXCLUSIVE OF TAX BY GEOGRAPHIC REGION

TOTAL = €68,729 million



### BREAKDOWN OF EARNINGS BY GEOGRAPHIC REGION

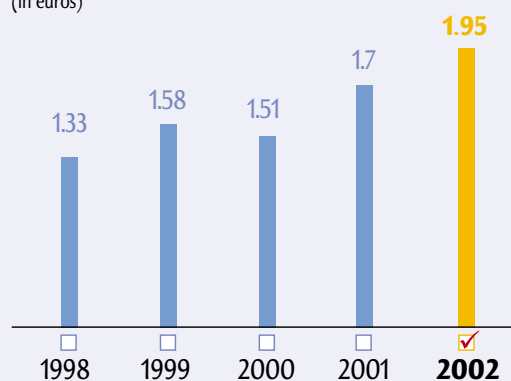
Total = €68,729 million



## ✓ Net earnings per share

### EARNINGS PER SHARE

(in euros)



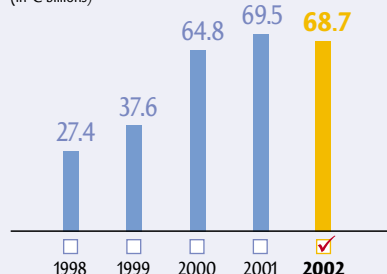
**+15.1%**

The increase in EBIT and a 19% drop in interest expense enabled the Group to exceed its initial forecast of a 10-15% growth in net earnings per share.

# Earnings meet forecasts

## ✓ 2002 consolidated sales exclusive of tax

(in € billions)

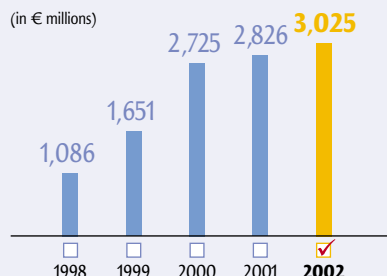


**+4.6%** at constant exchange rates

Foreign exchange translation had a particularly great impact in 2002, not only in Latin America, but in Asia as well. Carrefour's sales were down 1.1% taking into account the currencies impact. The Group's retail networks sales, or the total sales under our banners, stood at €86 billion in 2002.

## ✓ EBIT

(in € millions)

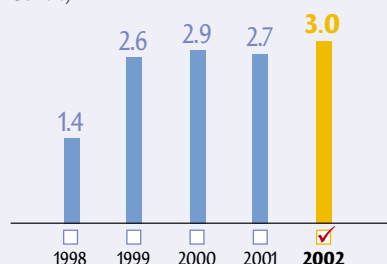


**+7.1%**

Effective cost controls throughout the Group and expanded synergies in Europe offset the unfavorable currency impact.

## ✓ Cash flow

(in € billions)



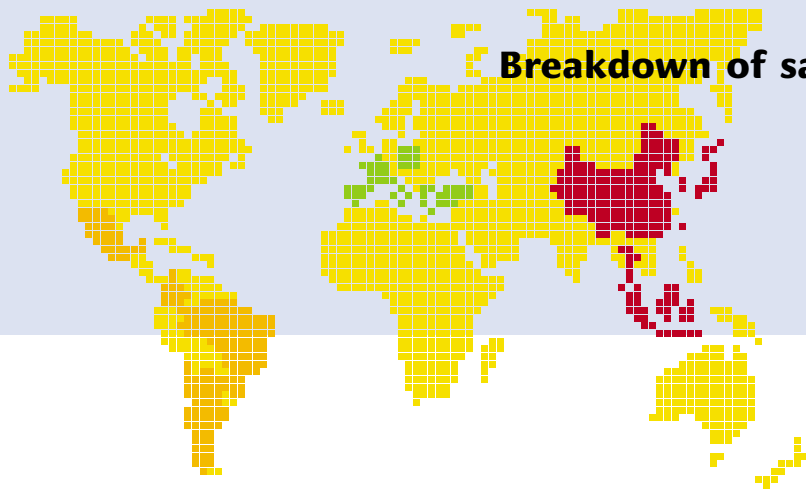
**+12.1%**

The Group reported cash flow of €3,026 million. Total capital expenditures, including financial investments net of asset disposals, came to €2,055 million. Free cash flow came to €971 million in 2002.

## ✓ Outlook

As in 2002, we will remain prudent but confident in carrying out our strategy in 2003, given the economic climate. Our Group will continue its expansion by focusing on Europe, where it has strong growth potential. The emphasis will be on organic growth, boosting sales momentum and expanding our multiformat concept. We have a solid financial base with a strong balance sheet and rising cash flow. We are number one in our primary market, Europe, and our strict investment allocation rules constitute an effective shield against economic fluctuations. We are forecasting sales growth in excess of 5% for 2003 at constant exchange rates and double digit growth in net earnings per share after amortization of goodwill.

# NEWS BY GEOGRAPHIC REGION



## Breakdown of sales by geographic region

Europe	87%
Latin America	7%
Asia	6%

### EUROPE

In addition to being the leading retailer in France, Spain, Belgium and Greece and first integrated distributor in Italy, our Group has a strong growth potential in six other countries. In 2002, Carrefour continued to implement its concepts in Belgium, Italy and Greece by focusing on two growth paths. The first was expansion through a stepped-up program of new store openings involving all the formats in all those countries where Carrefour has operations. The second was to create synergies within the Group. The gains derived from this strategy provide the Group with an exceptional leverage that should really pay off over the next few years.

#### ✓ EUROPEAN STORE NETWORK

- €74,373 million of sales.
- Established in 11 countries: Belgium, Spain, France, Greece, Italy, Poland, Portugal, The Czech Republic, Slovakia, Switzerland and Turkey.
- 517 Hypermarkets.
- 2,071 Supermarkets.
- 3,688 Hard discount stores.
- 2,520 Other formats.

#### ✓ France

France accounted for over 50% of Carrefour's sales in 2002. The Group bolstered all of its networks by opening 1 hypermarket, 6 supermarkets, 33 hard discount stores and 127 convenience stores. Successful promotion and customer loyalty programs won market share for the Group.

#### ✓ Spain

Hypermarket sales were up sharply in 2002, a trend that carried over to supermarkets in the second half. The Carrefour name achieved a 90% recognition rate thanks to a new promotional campaign. Its store brands already represent 18% of total sales.

#### ✓ Italy

The multiformat strategy is one of the main factors behind the Group's good performance in Italy. Sales rose 6.2% on a wider product selection and very attractive pricing.

#### ✓ Poland

Carrefour is pursuing a rapid growth program based on store openings in key cities and on achieving the best possible logistical synergies between the Champion and Globi supermarket networks. In 2002, sales in Poland rose 31.6% at constant exchange rates.





## LATIN AMERICA

Latin America accounted for 7% of the Group's sales of €6,347 million in 2002. Despite widespread devaluations of the region's currencies, our Group performed well in the region, and is planning new store openings in all of the countries where it does business. This progress goes to prove the appropriateness of our strategy, which consists of adapting our business model to the country's local factors.

### ✓ Brazil

The Group profited from brisk sales growth at Carrefour and Dia. The hypermarkets in particular boosted their sales by 14.7% at a constant consolidation scope. The Champion supermarkets resumed their growth in the second-half, in line with forecasts.

### ✓ Argentina

In a difficult economy, the Group proceeded with its integration of the Norte supermarkets and folded in the banner's organizations with those of Carrefour. Dia continued its expansion by opening 23 stores.

### ✓ Mexico

Carrefour focused its growth on renting stores and focusing on smaller hypermarkets. Refurbished product selections stepped up sales growth in 2002.

### ✓ Colombia

Carrefour's sales here jumped 45.7% at constant exchange rates, thanks to modern concepts, aggressive pricing and three successful store openings.

### ✓ Chile

Carrefour Chile consolidated its market share by undertaking large-scale sales promotions. The banner opened a fifth hypermarket in the Santiago area in January 2003.

## ✓ LATIN AMERICAN STORE NETWORK

- €6,347 million of sales.
- Established in 5 countries: Argentina, Brazil, Chile, Colombia and Mexico.
- 135 Hypermarkets.
- 249 Supermarkets.
- 326 Hard discount stores.





**ASIA**

**Our Group does business in 8 Asian countries through 126 hypermarkets. The region's sales rose 6.2% to €5.2 billion at constant exchange rates, accounting for 6% of the consolidated total. China and the Southeast Asian countries made strong contributions to this growth, and we have high expectations for Dia's upcoming expansion into China.**

✓ **China**

Carrefour stepped up its expansion in China during 2002 by opening stores in 5 new cities and installing 8 hypermarkets. The banner now has operations in 19 Chinese cities where it employs 16,000 people. By the middle of 2003, Dia's arrival in Shanghai and then Peking will open up a new pathway for growth to the Group.

✓ **Indonesia**

As Indonesia's biggest hypermarket operator, with 10 stores, Carrefour is maintaining the ground gained over its competitors through rapid expansion in Jakarta. The banner prefers to take the offensive with high volume sales at discount prices, a strategy supported by imaginative advertising campaigns targeting all socio-economic groups.

✓ **Japan**

Carrefour is moving up the learning curve in the Japanese market. In October, it successfully opened its fourth hypermarket in a Tokyo suburb, Sayama. The new hypermarket is one of the best adapted to the demands of Japanese consumers, having incorporated the most successful innovations from the first three. It will serve as a benchmark for future store openings.

✓ **ASIAN STORE NETWORK**

- €5,192 million of sales.
- Established in 8 countries: China, South Korea, Indonesia, Japan, Malaysia, Singapore, Taiwan and Thailand.
- 126 Hypermarkets.



# NEW DEVELOPMENTS

**Satisfying consumer's expectations is an ongoing priority for Carrefour. We are especially attentive to the product quality and safety of our store brands. The Group went still further in this regard by introducing a new line of health foods.**

✓ **We like "J'aime"**

Consumers want to enjoy eating what is good for them as they rediscover the health benefits of a balanced diet. Always at the forefront of a trend, Carrefour introduced "J'aime" in late 2002, a varied line of practical, healthful and delicious products that spans five nutritional areas: intestinal regularity, deficiencies, energy/vitality, cardiology and low-fat foods. These products are prepared with ingredients certified by a committee of physicians and nutritionists. Naturally, they are covered by Carrefour's ethical standards. We will never remove the fatty material from a product and replace it with salt just to make it tastier! Some 40 to 100 "J'aime" products are available in Carrefour's hypermarket aisles. They include fresh eggs, vegetable risotto, coffee flavored frozen dessert, Alaska pollack and others. There is sure to be something to please everyone!



✓ **Quality Lines are still news after ten years**

In 1992, Carrefour pioneered Carrefour Quality Lines. The objective was to provide consumers with products of certified and guaranteed origin. Line products are made by local producers who meet very strict specifications with respect to product traceability, from the production process to when they are put up for sale. For its part, Carrefour is committed to work with selected producers to help them to finance the switch-over of their production to the new line. Ten years later, the initiative has become global in scope. Today there are 250 quality lines of which 118 are in France. Thirteen countries are developing their own quality lines in partnership with 40,000 local producers. This commitment is appreciated by our customers. In France, 65% of the beef, 95% of the pork and 70% of the potatoes sold at Carrefour come from a Carrefour Quality Line.



■ **DIA AT ED: MORE PRODUCTS AT LOWER PRICES!**

*In 2002, nearly 400 Dia-brand items were stocked at Ed stores. The French hard discounter thus profited from the purchasing power of Spain's Dia.*



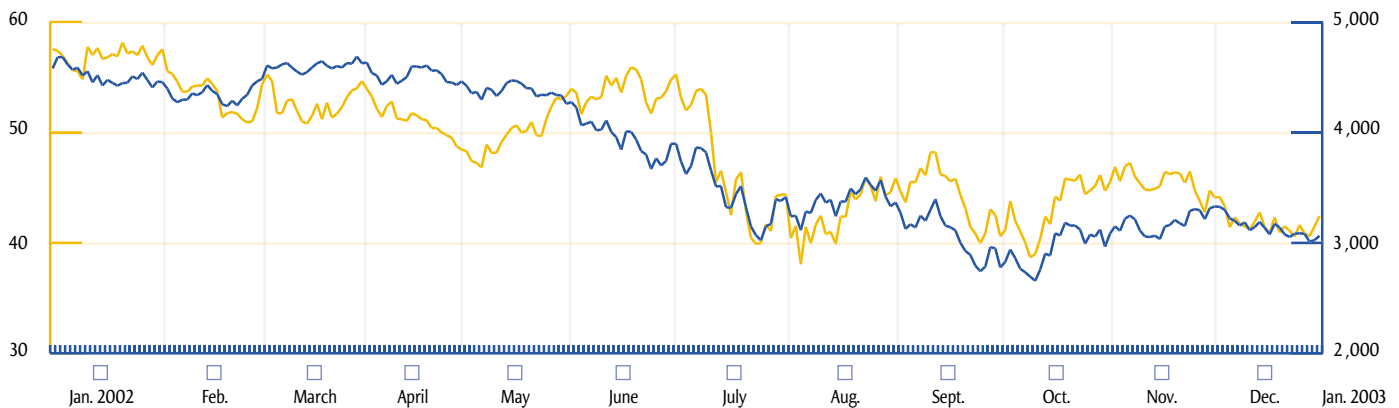
## OUR BANNERS

HYPERMARKETS	Carrefour
SUPERMARKETS	Champion  NORTE  GS  GB
HARD DISCOUNT STORES	Dia  Ed  Minipreço
OTHER ACTIVITIES	SHOPI  MARCHÉ  PLUS  8 A HUIT  express  Contact  PROXI  di per di 5  Promocash  Puntocash  GROSS  Prodirest  ooshop

# SHAREHOLDERS' CORNER

## 2002 STOCK PRICE TREND COMPARED WITH THE CAC 40 INDEX

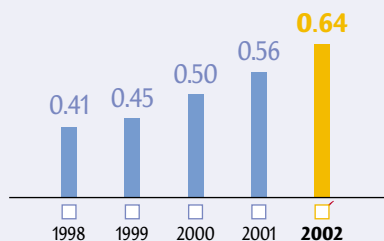
(in euros)



## Dividend

### NET DIVIDEND PER SHARE\*

(in euros)



The Board of Directors will proposed to the shareholders a dividend of 0.64 euros per share at the annual meeting on April 15, a 14.3% increase. The dividend will be payable on April 17, 2003.

\*Dividends lapse to government funds if not claimed in 5 years.

## SHAREHOLDER'S AGENDA

- **APRIL 10, 2003**  
*First quarter sales*
- **APRIL 15, 2003**  
*Annual Shareholders' Meeting*
- **APRIL 17, 2003**  
*Dividend payment*
- **MAY 27, 2003**  
*Shareholders' briefing in Brussels*
- **JUNE 3, 2003**  
*Shareholders' briefing in Bordeaux*
- **JULY 10, 2003**  
*Second quarter sales*
- **AUGUST 28, 2003**  
*First-half results*

## How do I register my shares on the company's books?

By registering your shares on the company's books, you receive the following benefits:

**No management costs:**

Exemption from custody fees and other securities management fees

**The guarantee of personalized information:**

Regular mailings of documents concerning the company and invitations to shareholders' meetings

**Streamlined formalities for attending shareholders' meetings:**

Registered shareholders need not lock in their shares.

**Dual voting rights on each share registered on the company's books for two years or more.**

For additional information, a shareholders' guidebook is available on request.

## CARREFOUR SHAREHOLDER RELATIONS DEPARTMENT

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If you would prefer not to receive this newsletter or if your address has changed, please notify the Shareholder Relations Department.



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