

# LETTER TO SHAREHOLDERS

OCTOBER 2008



**Dear Shareholders,**

The Group achieved solid performances during the first-half in a very demanding competitive and economic environment. Sales rose 8.5% at constant exchange rates or 8% at current exchange rates. The Activity Contribution also had a solid growth of 5.5%. This growth was the best first-half performance since 2005; proof that we have the correct strategy.

In the current context, we must work harder to continue our profitable growth and to create value. Consequently, we have implemented a five-point action plan since July consisting of: a stepped-up commercial activity at hypermarkets in France, an accelerated deployment of Carrefour Market, a tighter screening of capital allocation and cost reduction plan, accelerated store openings in our growth markets, and a use of Carrefour Property as an operational lever. I am confident that we can reach our 2008 objectives by implementing this plan with the active involvement of everyone at Carrefour.

The Group has robust fundamentals, with a business model focused primarily on food, a balanced portfolio of formats, leading positions in the countries where it operates and a strong balance sheet. I am sure that these strengths, along with our competitive advantages such as the power of our brand and our real estate potential, will give us the means to forge ahead and create greater value.

**José Luis Durán**  
Chief Executive Officer



**Dear Shareholders,**

Carrefour's new articles of association adopted by the shareholders' meeting held on 28 July will improve corporate governance and enhance our responsiveness to changes in the industry and business environment. This is thanks to a streamlined organisation and to a faster decision process.

The Board announced the strategy and the Chief Executive Officer will implement it. The strategy is focused mainly on a more rapid development of our business models, a rapid expansion in growth markets, a more responsive pricing, a more active sales and promotional programme in French hypermarkets and a significant reduction in operating expenses.

The good first-half figures are an encouragement to boost our efforts to adapt ourselves to an increasingly difficult economic environment.

The goal is to improve our competitiveness, gain market share and increase our return on investment.

Your Directors are providing their expertise and support to the management in its effort to grow the company for everyone's benefit.

**Amaury de Seze**  
Chairman of the Board of Directors

# SOLID GROWTH IN SALES AND ACTIVITY CONTRIBUTION FOR THE FIRST-HALF OF 2008

The performance achieved in the first-half of 2008 highlights the pertinence of our multi-format, single-brand strategy, the strong performance in growth markets and the Group's strength in a difficult economic and consumer environment in Western Europe and France.

NET SALES

**€41,948 M**

+ 8.0% at current exchange rates  
+ 8.5% at constant exchange rates

ACTIVITY CONTRIBUTION

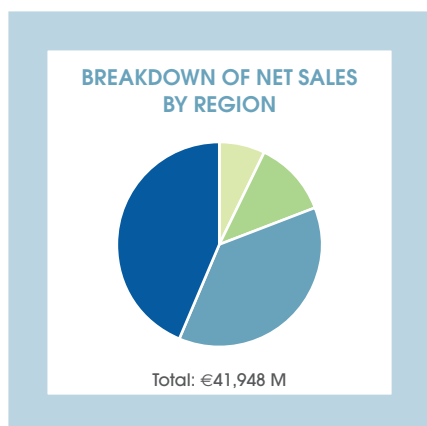
**€1,404 M**

+ 5.5%

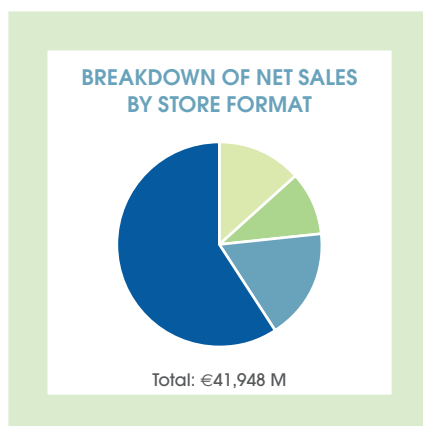
NET INCOME FROM RECURRING  
OPERATIONS, GROUP SHARE

**€750 M**

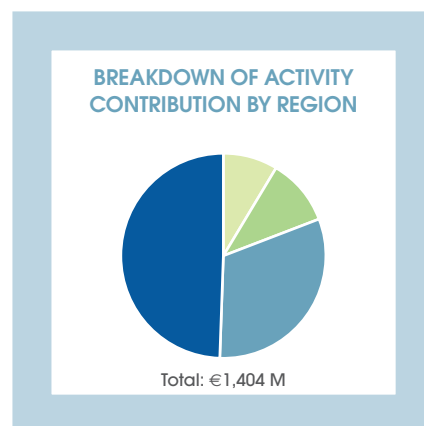
+ 1.2%



43.7% ■ France  
37.4% ■ Europe (excl. France)  
11.8% ■ Americas  
7.1% ■ Asia



59.2% ■ Hypermarkets  
17.7% ■ Supermarkets  
9.9% ■ Hard-discount  
13.2% ■ Other



49.5% ■ France  
31.5% ■ Europe (excl. France)  
10.5% ■ Americas  
8.5% ■ Asia



### NET SALES

Sales rose 8.0% (8.5% at constant exchange rates) to €41,948 million. This solid growth was driven by a good like for like performance, up 3.1% in the period. It was also driven by openings of new stores, mainly in growth markets, and by the contribution from tactical acquisitions, including Atacadao in Brazil and Ahold in Poland.

All geographic regions contributed to this sales growth.

In France, the good performance of the smaller store formats offset that of the hypermarkets, resulting in a 1.2% increase in sales for the six-month period. Sales rose 4.3% in Western Europe (Spain, Italy and Belgium). The growth markets, which exclude France, Spain, Italy and Belgium, reported a strong sales performance of 25.5%.

### ACTIVITY CONTRIBUTION

The Activity Contribution has seen an increase in the first-half, up 5.5% at €1,404 million. This was Carrefour's best first-half growth since 2005.

In France, after several years of decline, Activity Contribution was broadly stable. This takes into account the additional costs of €41 million associated with the renegotiation of the employee profit sharing scheme. In Western Europe, the Activity Contribution was also broadly stable, up 0.7%, reflecting strong promotional activity. The growth markets booked a strong performance with the Activity Contribution up 30%, exceeding that of sales. For example, Brazil's was up 78%, China's 17% and Romania's 95%.

### NET INCOME FROM RECURRING OPERATIONS, GROUP SHARE

Net income from recurring operations, Group share, rose 1.2% to €750 million. Financial expense increased by €31million. This mainly reflects the increase in the Group's average debt (from €9.4 billion to €10.2 billion), resulting from acquisitions carried out in 2007, share buy-backs and rising interest rates over the period.

The lower Group tax rate (26.4% in the first-half of 2008 versus 28.9% in the first-half of 2007) is mainly attributable to low taxation of the capital gain booked by Carrefour on disposal of the Merter property in Turkey. This transaction also had a strong impact on minority interests, up 121.9% in the first-half of 2008.

The higher contribution from associates is mainly due to the first-time half-year consolidation of MAF Hypermarkets, our partner in the Middle East.

### CONFIRMATION OF 2008 OBJECTIVES

- Sales growth of 7% at constant exchange rates
- Growth in Activity Contribution broadly in line with sales growth
- Generation of €1.5 billion in free cash flow from operations in 2008



# A REINFORCED ACTION PLAN FOR THE SECOND-HALF OF 2008

Implementing the operational action plan combined with strong first-half performance makes us confident in achieving the 2008 objectives. This action plan will have an impact on 2008 and beyond, putting the Group on the right track for 2009.

The operational action plan is five-pronged:

## ■ Stepped-up commercial activity at hypermarkets in France

The Group has significantly boosted its commercial activity at hypermarkets in France with the aim of winning back market share. Our sales plan is based on campaigns to enhance consumer purchasing power to respond to our customers' current concerns.

## ■ Accelerated deployment of Carrefour Market

150 Champion stores will be switching over to the new Carrefour Market banner by the end of 2008, instead of the 100 initially planned. Carrefour-label products will be available to customers at all of the 1,050 supermarkets even before full conversion, and should account for 80% of all own-brand goods sold in supermarkets by year-end.

## ■ Tighter screening of capital allocation and cost reduction plan

More capital (€200 million) will be redirected towards investments that generate higher value, such as opening stores in growth markets and brand convergence. We have taken steps to save about €100 million on Group-level operating costs by the end of the year in order to more than offset the additional costs generated by the Taxe d'Aide au Commerce et à l'Artisanat (TACA - Small Businesses Support Tax) in France, as well as the communication and marketing expenses for our plan to boost hypermarket business in France.

## ■ Accelerated store openings in our growth markets

In 2008, nearly 70% of new sales area is scheduled to be opened in our growth markets. They will account for a rising share of our total portfolio, thereby further shifting the Group's centre of gravity.

## ■ Use of Carrefour Property as an operational lever

The Carrefour Property team's mission is (i) to identify opportunities for new sites for all of the Group's formats; (ii) to develop more actively the management of shopping malls to improve their attractiveness and positioning; and (iii) to make optimal use of our existing sales area.

# CORPORATE GOVERNANCE CHANGE

The Carrefour group's Combined General Meeting held on 28 July, chaired by Amaury de Seze, approved the change in the Group's corporate structure by a wide majority. It adopted the Board of Directors system to replace that of a Supervisory Board and Management Board along with the resulting change in the articles of association.



**This change was motivated by the Group's initiative to facilitate and speed up its decision process.**

Once the shareholders adopted all of the nominations, the Group's Board of Directors is now composed of 12 members:

- René Abate;
- Bernard Arnault\*;
- Sébastien Bazin\*;
- Nicolas Bazire\*;
- Jean-Laurent Bonnafé;
- Thierry Breton;
- René Brillet;
- Charles Edelstenne;
- Jean-Martin Folz;
- José Luis Leal Maldonado;
- Amaury de Seze;
- Anne-Claire Taittinger.

The Board of Directors meeting held after the Combined General Meeting unanimously elected Amaury de Seze as Chairman.

The Board of Directors appointed José Luis Durán as Chief Executive Officer who then appointed his Executive Committee composed as follows:

- Javier Campo, Executive Director Hard Discount;
- Pascal Duhamel, Executive Director Carrefour Property;
- Thierry Garnier, Executive Director in charge of South East Asia (Indonesia, Malaysia, Singapore, Thailand), European countries (Bulgaria, Greece, Romania, Turkey), Russia, India and the International Partnerships Department;
- Ignacio Gonzalez, Commercial and Merchandise Director;
- Eric Legros, Executive Director China; the Executive Director of Taiwan reports directly to him;
- Gilles Petit, Executive Director France;
- Jean Marc Pueyo, Executive Director Brazil; the Executive Directors of Argentina and Colombia report directly to him;
- Eric Reiss, Chief Financial Officer;
- Guy Yraeta, Executive Director in charge of Spain, Italy, Belgium and Poland.



\*Non-independent Director

# BRAND CONVERGENCE IN FRANCE IS AT THE HEART OF THE GROUP'S MULTI-FORMAT, SINGLE-BRAND STRATEGY



Following a period of positive tests, the Carrefour group announced last June that it would deploy the Carrefour Market brand in its French supermarkets after doing so in Spain, Argentina, Poland, Brazil and Turkey. This programme is an additional step in the Group's multi-format, single-brand strategy.



### ■ Much more than a change of banner

As it expands, the Carrefour brand brings new perspectives to all of the Group's audiences:

- to its customers, by offering the best range of products and services adapted to local needs and still at the best prices;
- to its franchisees, by providing new profitable growth opportunities generated by the potential of the Carrefour brand, and in particular its own-brand products;
- to its suppliers, by providing additional outlets, based on a broad offering and an increase in sales, but also the strong reputation and quality image of the Carrefour brand;
- to its employees, by opening up the possibility of taking part in a large scale commercial initiative that will enhance the appeal of the stores and enable employees to develop their careers;
- to local authorities, by making an ongoing commitment to the local community, stimulating the local economy, fulfilling the duty as a socially responsible business, and helping to protect the environment.

### ■ A plan to create value

The adoption of a single brand in France creates value. Brand convergence is first and foremost a commercial project, but the opportunity goes beyond that. The increase in own label volumes under the Carrefour brand, the reinforcing of our loyalty programme, and the construction of the number one network of fran-

## Carrefour Market: what is changing in the stores

- Product range: wider (an increase in own-brand products of almost 20% under Carrefour brands) and more diversified (development of apparel ranges, culture and leisure, and tableware in particular).
- Store layout: customer flow will be simplified through the use of new signage, a more modern layout and a clearer presentation. This new atmosphere will offer customers a completely new store experience.
- Services: customers will benefit from a common loyalty programme, following a decision to make the benefits offered by the Carrefour card available across the Carrefour network (supermarkets and hypermarkets).



chisees in France will allow the Group to gain volumes and win market share. This has proven to be the case in all the countries where the Group has put the project into place as well as with the first wave of Champion stores to have taken on the Carrefour Market banner in France. These first results reinforce our confidence that we will achieve sales growth of between 5 and 7% on average across all our converted stores.

This project will be value creating with an excellent return on capital employed. The €200 million which we will be investing – capital which has been reallocated from less value-creating opportunities – will deliver €200 million of additional Activity Contribution by 2011.

### ■ Accelerated deployment of Carrefour Market

By the end of 2008, 150 supermarkets will be converted versus the 100 initially forecast. This rhythm will accelerate and 900 stores will be converted by the end of 2009 and all the 1050 Champion supermarkets by mid-2010. In order to successfully complete this deployment, a task force of 200 people was formed to help out the store employees.

### ■ The Carrefour brand – a key asset

The brand convergence in France brings out the full potential of the Carrefour brand, which enjoys a high reputation. Consumers view it as a synonym for quality, choice, modernity and low prices.

The power of the Carrefour brand is evident not only in the banner but also in the products which are sold under the Carrefour brand name. The Carrefour own-brand products will be available to customers at all the Champion stores from the second-half of 2008, even in those stores not converted until 2009 and 2010. Thus, by the end of the year, around 80% of own labels at Champion will be under the Carrefour brand. Brand convergence will be a concrete reality for all current Champion customers in the weeks to come.

## The Carrefour share

Share price performance in relation to the CAC 40 index and the BEFOODR\* index (Base 100) (over one year)



— Carrefour  
— BEFOODR  
— CAC 40 Index

\* Composition of BEFOODR Index:  
Carrefour, Casino, Colruyt, Delhaize, Sainsbury,  
Ahold, Metro AG, Wm Morrison and Tesco

ISIN Code: FR0000120172  
Nominal value: €2.50  
Place of listing: SRD Eurolist Paris  
IPO on the Paris Stock Exchange:  
16 June 1970  
Main indices:  
CAC 40 and DJ Euro Stoxx 50

## ACTIONARIA TRADE SHOW 21 AND 22 NOVEMBER 2008

The Carrefour group will be attending the Paris Actionaria trade show, the biggest European financial trade show exclusively devoted to the financial markets. Carrefour's representatives will be happy to receive you and respond to your questions.

To receive an invitation to the Actionaria trade show to be held at the Palais des Congrès at Porte Maillot in Paris on 21 and 22 November 2008, please contact the Shareholder Relations Department on +33 1 55 63 39 00.

**ACTIONARIA**  
LE SALON DE LA BOURSE

**21 and 22 november 2008** | 9:30 a.m.  
Palais des Congrès in Paris | 7:00 p.m.

## Calendar

### ■ 21 and 22 November 2008

Actionaria Trade Show in Paris

### ■ 3 December 2008

Meeting of shareholders in Lyon

### ■ 15 January 2009

4<sup>th</sup> Quarter 2008 sales press released

### ■ 12 March 2009

2008 Annual Results

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