

Carrefour

LETTER TO SHAREHOLDERS
SEPTEMBER 2002

news

Dear Shareholder,



With earnings before interest and taxes (EBIT) up 4.4%, and net income from operations up 25% after goodwill, Carrefour's earnings in the first half of 2002 are in line with our objectives. The first six months of the year were marked by an economic slowdown, a volatile monetary environment, and a significant decline in financial markets. Even early in the year, Carrefour anticipated this situation in its forecasts. As you know, Latin America is experiencing a major consumer crisis and renewed inflation. This situation affected the Group's sales, which fell 1.1% in the first half, primarily due to currency effects. It also had a significant impact on the Group's equity. However, the effect on earnings was much more limited. In the first half of the year, Latin America accounted for 9% of the Group's sales.

Given this environment, we have focused on the three priorities we set for the year 2002: sales, costs and cash. The speed and effectiveness of the work performed by our teams in these areas have rapidly begun to reap results.

Strong sales growth has returned in all our countries and all our stores, backed by aggressive discounting, marketing tailored to local needs, and successful store openings. Our cost-cutting efforts were substantial. We cut distribution costs by 4% in the first half of the year by simplifying organisational structures, reducing SG&A expenses and streamlining logistics. We plan to pursue this approach to improve efficiency on a permanent basis.

Finally, our merchandise cash position improved substantially, and we plan to continue these policies in the second half of the year.

Since the beginning of the year, we have exercised caution with regard to economic trends. However, the successful execution of our action plans improved our earnings in the first half of the year. This means we can confirm our earlier forecasts for sales growth this year of about 5% at constant exchange rates and an increase of 10 to 15% in net income from recurring operations after amortisation of goodwill.

HALF YEAR 2002

SALES

€ 33,090 million

+3%

at constant exchange rates

-1.1%

at current exchange rates

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

€ 1,085 million

+4.4%

RECURRING NET PROFIT BEFORE AMORTISATION OF GOODWILL

€ 558 million

+11.9%

RECURRING NET PROFIT AFTER AMORTISATION OF GOODWILL

€ 400 million

+25%

DANIEL BERNARD
Chairman and Chief Executive Officer

Half-year results 2002

(in millions of euros)	1st half 2002	1st half 2001	Change
Sales, net of taxes	33,090	33,467	-1.1%
Earnings before interest and taxes (EBIT)	1,085	1,039	+4.4%
Recurring net profit	604	535	+12.8%
Recurring net profit, Group share,			
• before amortisation of goodwill	558	498	+11.9%
• after amortisation of goodwill	400	320	+25.0%
Non-recurring income	59	121	negl.
Net income, Group share	459	441	+4.1%

Sales

In the first half of the year, sales net of taxes totalled € 33,090.40 million, an increase of 3% at constant exchange rates. After foreign exchange losses, sales were done 1.1%.

Sales trends in the first half of the year reflect the following:

- in France, a satisfactory performance by hypermarkets and supermarkets;
- in Europe, a hypermarket recovery in Spain as well as a significant increase in sales in Italy and Belgium;
- in Asia, growth in operations despite a consumer slowdown in Taiwan.

In Latin America, Carrefour made satisfactory gains in local currencies, with a 2% increase in sales in the region coming primarily from the hypermarkets in Brazil and Argentina. However, sales were affected by sharply falling exchange rates. As of 30 June 2002, the Argentine peso and the Brazilian real had lost 62% and 27% respectively of their value against the dollar since the beginning of the year.

Earnings before interest and taxes (EBIT)

The retail margin amounted to 21.8% of sales, a slight decrease from 21.9% in the first half of 2001. This change reflects the continuation of our aggressive sales and marketing policy and price reductions in the stores.

This slight decline was more than offset by lower retailing costs. SG&A expenses were cut by 4.3% in one year—from 17.7% to 17.1% of sales.

Earnings before interest and tax (EBIT) rose 4.4% to € 1,085 million.

Recurring net profit

In one year, interest expense fell 17.3% to € 283 million.

This decrease is the result of a reduction in our average net debt, which declined from € 13.1 to 12.8 billion and to a reduction in the average interest rate on the debt (from 5.33% to 4.59%).

Sales by geographical region

(in millions of euros)	1st half 2002	1st half 2001	Change	Change at constant exchange rates
France	16,661	16,505	+0.9%	+0.9%
Europe (excluding France)	11,099	10,459	+6.1%	+6.0%
Latin America	3,016	4,293	-29.7%	+2.0%
Asia	2,315	2,210	+4.8%	+5.5%
Total	33,090	33,467	-1.1%	+3.0%

The tax rate was 30.2%, comparable to last year's rate of 30.9%. Recurring net profit rose 12.8% to € 604 million.

Recurring net profit- Group share after amortisation of goodwill: +25%

The Group share of recurring net profit rose 11.9% before amortisation of goodwill and 25% after amortisation. Carrefour posted an 11.5% reduction in goodwill amortisation expense, reflecting the decline of the Latin American currencies and the extraordinary amortisation on Norte in late 2001.

Non-recurring income/expense

Non-recurring income totalled € 59 million, reflecting the following:

- proceeds from disposals of retail centres in France and Italy for € 120 million;
- the final costs for the euro changeover amounting to € 31 million;
- other non-recurring expenses totalling € 29 million.

Thus, Carrefour posted net income of € 459.2 million, an increase of 4.1%.

Accounting principles

Carrefour has always demonstrated the utmost discipline in its accounting methods. In the current environment, this is a major asset.

The prudence and clarity of our accounting principles is particularly evident in our debt management, depreciation and amortisation methods, and our accounting of off-balance sheet commitments.

- **Debt management and exchange rates:** since 96% of this debt is denominated in euros, there is no speculation on exchange rates. Furthermore, all Carrefour's business and financial transactions are completely covered.
- **Depreciation and amortisation methods:** these methods are strict and are the same in all countries. Intangible assets are all amortised without exception; goodwill is never assigned to non-amortisable items; all our stores are amortised over 20 years.
- **Carrefour's off-balance sheet items are simple and clear:** they do not include any acquisitions, either former or potential; our employee retirement commitments are recorded as expenses for the period, and Carrefour does not hold any employee pension funds.

Outlook

In the second half of the year, Carrefour should record greater sales growth than in the first half thanks to higher increases for comparable selling space, a steady schedule of store openings, and a lower impact from the disposals of Spanish hypermarkets made in 2001. Latin American currency devaluations have a significant impact on Carrefour's sales and net position. The effect on earnings is much more limited.

Therefore, Carrefour is confirming its objectives for the year to achieve:

- sales growth of about 5% at constant exchange rates;
- an increase of 10 to 15% in the Group share of recurring net profit, after amortisation of goodwill.

Store Network

In the first half of the year, Carrefour opened 10 hypermarkets, 14 supermarkets and 86 hard discount stores. As of 30 June 2002, the number of consolidated stores (stores managed directly by the Group, not including franchises) totalled 5,341, including 672 hypermarkets, 1,416 supermarkets, 3,000 hard discount stores, 166 Cash & Carry stores and 87 convenience stores. Including partner stores and franchises, Carrefour operates 9,405 stores under banners. In the second half of the year, the Group will continue to move ahead by opening stores at a steady pace. We are planning to open 31 hypermarkets (in other words, the same number opened in the entire year in 2001), 43 supermarkets, and 146 hard discount stores.

Public offer of exchange by Carrefour for Centros Comerciales Carrefour

On 18 September 2002, Carrefour announced a public exchange offer for the stock of its Spanish subsidiary Centros Comerciales Carrefour, in which Carrefour held directly or indirectly 79.7%. The offer is for the 20.3% of the stock held by minority shareholders. The exchange parity proposed is 3 Carrefour shares for 10 Centros Comerciales Carrefour shares. This would yield a premium on Centros Comerciales Carrefour shares of 14.4% based on the 17 September 2002 closing price, and 20% over six and twelve months. With this operation, Carrefour continues to expand its activities in Europe, after the acquisition of GS in Italy and GB in Belgium in 2000 and 2001.

The operation will have no impact on Carrefour's 2002 earnings; the impact on earnings per share will be slightly positive before and after amortisation of goodwill.

Following approval by the Spanish market authorities and approval of the offer by the Board of Directors of Centros Comerciales Carrefour, an Extraordinary Carrefour Shareholders' Meeting will be called to approve the issuance of the stock to be used to pay for the transaction. The specific date of the meeting will be announced at a later date.



Activities

in the first half of the year

In all countries and all store formats, operations in the first half of 2002 were directed at achieving the three priorities set by the Group: sales, costs and cash.

Sales policies

• Price cuts

In France, we continued price-cutting policies in all the hypermarkets. After the euro was introduced, prices on all "controlled products" (house brands and *premier prix* low-priced products) were frozen until June. This operation involved roughly 10,000 products accounting for 28% of sales. Major promotional campaigns are planned for the fall season, starting with a back-to-school theme promoting 500 products at lower prices than in 2001, and a new "3-for-2" offer. Another campaign is set for later in the season to mark the Carrefour anniversary. Thanks to these policies, we are regaining market share.

A new hypermarket was opened on August 27 at Carré Sénart in the Paris metropolitan area (see insert) and is positioned as the least expensive store of all the brand's hypermarkets in France.

In the Champion supermarkets, promotional activities are held regularly with the "Champion Ticket+", which a consumer can return to the store and exchange for discount coupons. The tickets are being returned at a rate of 40% and are a major tool for generating customer loyalty. They supplement the Iris

Champion card, which is still highly successful (5 million card-holders in France).

In the second half of the year, a dozen new stores will be added to the Champion network.

In the rest of Europe, a number of initiatives have also been implemented to stimulate sales and gain market share.

In Poland, sales grew 33.5% in the first half. Major capital expenditures were made in pricing, promotional activities were stepped up, and discount coupons were introduced in all stores, resulting in a sharp increase in the number of customers (21%) for the first months in the hypermarkets.

Two stores were opened in Gdansk and Wilenska in the first half; a third store will be opened in August, and a fourth store

Opening of Carrefour Wilenska (Poland) in June 2002.



Carré Sénart: Carrefour opens its 215th hypermarket in France

On August 27, Carrefour inaugurated a new 14,000 m² hypermarket in the Carré Sénart retail centre in Seine et Marne. After Bègles, Drancy and Calais, created in 1995, Chelles and Marseilles Grand Littoral (formerly Continent) created in 1996, this is the first time in six years we have opened a hypermarket in France.





Dia in Buenos Aires (Argentina).

opening is planned for the end of the year. After these openings, Carrefour will own 13 hypermarkets in Poland.

In Greece, hypermarket sales increased 13.9% at comparable selling space, thanks to a highly aggressive pricing policy. Two stores opened in Athinon and Petras were highly successful from the very beginning.

The Champion-Marinopoulos supermarkets continue to reap the benefits of the store renovations completed in 2001, especially in fresh products, and the expansion of the Kerdokarta customer loyalty card. This card was introduced in September 2001 and there are already 440,000 cardholders. The card is used in 42% of our sales. The generic product line was expanded, and the Champion product line was added.

In Spain, hypermarket sales increased 2.1% with comparable selling space. Brand name recognition has now been achieved, as 93% of Spaniards are familiar with Carrefour. Sales of

grocery products increased in all the stores, and strong sales growth was recorded in non-food departments. These positive results are due in part to television advertising campaigns.

• **New concepts**

The introduction of new concepts in the stores also boosted sales. Innovation is one of Carrefour's major assets. It is one of the elements that sets us apart from our competitors and increases the impact of our departments.

In Poland, for example, the "Arts of the Table" area has been redesigned and improved, contributing to a 14% increase in non-food sales.

In Thailand, we introduced a new concept for displaying fruits and vegetables that resembles the local street markets and matches the buying habits of our customers more closely. Fresh product sales have increased by 10%.

Carrefour Samrong (Thailand).



The goal of this store is to make running errands a genuine life experience. "This new store represents the culmination of several years of experience in the hypermarket sector. We designed it so that it can be adapted to changes in consumer patterns and trends in the different markets. The attraction of the brand, aside from the discounts, lies in the fact that it can be adapted to different regions and to the latest trends", explains Léon Salto, Carrefour's Managing Director in France.

Carrefour Carré Sénart offers customers all Carrefour's latest innovations and new concepts. In addition, it is positioned as the least expensive store of all the Carrefour hypermarkets in France.

An aggressive pricing policy is needed to win customers and ensure their loyalty. This is the sales and marketing strategy initiated by Carrefour over 18 months ago, which is now clearly achieving results.

Carré Sénart has been highly successful since it opened. The number of daily cash register transactions far exceeds projections. The projected annual sales by the store are estimated at € 120 million over a full year.





Champion in Sao Paulo (Brazil).



Opening of Carrefour Hangzhou in China.

• Simplified organizational structure

In Latin America, the work done in the Brazilian hypermarkets illustrates our dynamic sales and marketing approach. Over the past year, the Group has demonstrated its ability to respond effectively to local events and has adapted its stores to the current economic situation in the country.

The principal measures taken in the stores to deal with the situation included an increase in the number and frequency of catalogues, aggressive promotions, and the creation of new non-food spaces.

Stores were simplified and adapted to local needs by redefining product lines, with more emphasis on regional products, reorganising head offices, and developing specific action plans for four stores with operating losses.



Convenience stores: a format for the times

In France, Carrefour has a network of convenience stores composed of 1,553 franchises organised under three high recognition brand names: Shopi, Marché Plus and 8 à Huit.

This store format is growing rapidly in downtown areas where flexible store hours and quality of service are meeting the needs of city-dwellers. The new sales concepts recently introduced by the brands have made these stores even more attractive.

The first half of 2002 featured major sales promotions. For example, Shopi held its "crazy" week with the "7 Shopi days" event held

in March, while 8 à Huit celebrated its "25th anniversary" with its customers in June. In the first half of the year, convenience store sales increased by almost 7%.

In 2002, Carrefour continues to expand its convenience stores. Selling space has increased by 35,000 m² as a result of new stores, take-overs and expansions.

In Belgium and Italy, the Group also operates a network of convenience stores under franchise in addition to its hypermarkets and supermarkets. Carrefour owns 111 convenience stores in Belgium and 576 in Italy.



Carrefour Ansan (Korea) opened in August 2002.

As a result of all these measures, the Brazilian hypermarkets reported a 10.10% increase in sales, at comparable selling space.

Thus, we have mobilised the resources of all our countries and all our formats to strengthen our sales and marketing strategy, especially in the discount business. Carrefour is beginning to reap the rewards of this approach in terms of sales and market share, and plans to continue these efforts in the second half of the year.

Cost cutting

Two factors are important for achieving our objective to cut our retail costs:

- strict control of SG&A expenses;
- simplification of head offices.

Action plans have been implemented in all countries to bring SG&A costs under control and simplify head offices.

In Taiwan for example, head office costs were cut from 1.3% to 1.1% of total sales by renegotiating all service contracts and optimising personnel costs.

In Spain, we ended the integration of sales & marketing and administrative systems and reorganised the accounting departments.

In France, we continued to adapt overhead costs, simplified the organisational structure, and streamlined the major divisions. In addition, the strong growth of GNX, the world's leading electronic retail supply market proved to be a major factor in cutting costs. Three times as many auctions were held in the first six months of the year as in the first half of 2001, and twice as many purchases were made. Carrefour was able to save 11% more on purchases made through GNX than in the first half of 2001.

Thus, in the first six months of the year, we reduced our retail costs by 4.3%, from 17.7% of sales to 17.1%. Carrefour plans to continue this strategy.

Cash management

In the first half of the year, our cash position on merchandise sales increased by € 171 million, or 1.4 shopping days. We are focusing on reducing inventory and improving payment terms. Our aim is to increase our cash position from merchandise sales by 10 to 15%, or 4 to 6 days, by mid-2003.

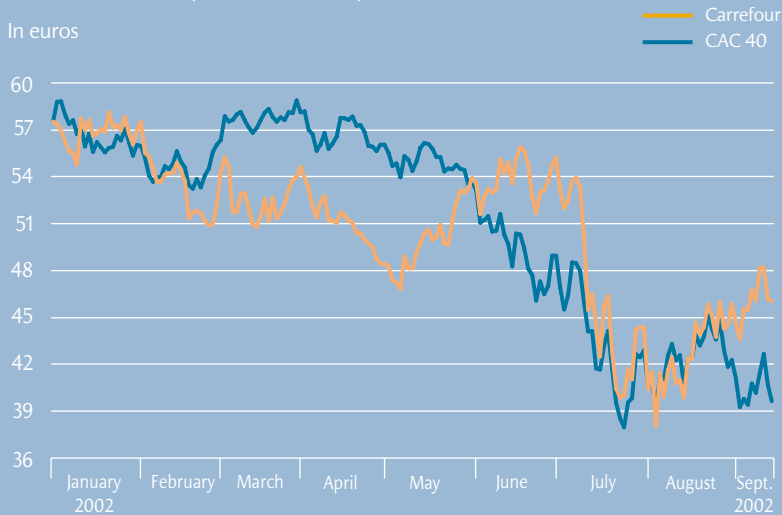
In the coming months, we plan to move ahead with the improvements undertaken in the first half of the year, and to pursue plans targeted at logistics and inventory management, especially in the non-food area.



Shareholder's notebook

Share price

The Carrefour share price in 2002 compared with the CAC 40 Index



Share data

SICOVAM Code: 12017

Number of shares as of 30 August 2002: 711,164,926

Par value: € 2.50

Market: Premier Marché of the Paris Stock Exchange, eligible for the SRD (deferred settlement service)

Member of the CAC 40, EuroSTOXX 50 and STOXX 50 indices

Store Tours

Hypermarket tours reserved for shareholders will be held starting in December to give you a chance to get to know our business lines and our stores. This will also be an opportunity for Carrefour to get to know its shareholders. You will see the entire hypermarket operation, from delivery of the merchandise to stocking the products on the shelves. The tours will last approximately an hour and a half and will include a presentation by the store manager and a guided tour of the different departments.

Tour schedule:

Nice, Carrefour Lingostière	5 December 2002
Paris metropolitan area, Carrefour Carré Sénart	23 January 2003
Lille, Carrefour Lomme	13 February 2003

If you wish to participate in these tours:

- You can register by phone with the Carrefour Shareholders' Department.
- Tours will be held for groups of approximately twenty and requests will be taken in the order received.
- Tours will begin directly at the store.
- Please be advised that these tours involve a great deal of walking throughout the store.

Agenda

10 OCTOBER 2002

Publication of sales figures for the third quarter of 2002

22 OCTOBER 2002

Shareholders' presentation in Grenoble

22 AND 23 NOVEMBER 2002

Actionaria Show in Paris

9 DECEMBER 2002

Shareholders' presentation in Marseilles

9 JANUARY 2003

Publication of annual sales figures

5 MARCH 2003

Publication of 2002 results

15 APRIL 2003

Annual Shareholders' Meeting

Invitations to the Actionaria Show will be available on request from the company.

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