



# Carrefournews

Half-year results 2003

Spotlight on hypermarkets

News

Shareholders corner

## FIRST-HALF 2003 RESULTS

SALES EXCLUSIVE OF TAX  
€m 33,588

**+6.3%**

at constant exchange rates

EBIT  
€m 1,162

**+7.1%**

NET INCOME FROM  
RECURRING OPERATIONS  
OF CONSOLIDATED COMPANIES –  
GROUP SHARE AFTER  
AMORTIZATION OF GOODWILL  
€m 472

**+17.9%**



**Daniel Bernard**  
Chairman and  
Chief Executive Officer

## Dear Shareholder,

For the first half, we exceeded the objectives that we had set for our three priorities: achieve higher sales growth, cut back on our distribution costs and improve our cash management. Our Group had a good first half of 2003 with € 33.6 billion in sales exclusive of tax, up 6.3% at constant exchange rates from 2002. We have opened 395 new stores since January and our earnings before interest and taxes (EBIT) has risen by 7.1%.

The new marketing initiatives we implemented in all countries where we do business boosted sales for the first-half of 2003. We revamped our discount product range focusing on developing our line of Carrefour-controlled products, particularly with the introduction of the “No. 1” product line in Europe and Latin America. We rolled out the Carrefour “Ticket Cash” cash-back program in France and beefed up our advertising effort. We also continued to adapt our stores and selections to each country’s retail environment so as to better meet the needs of local consumers. We reduced our distribution costs, focusing our efforts on streamlining our organization and reducing our selling, general and administrative expenses. As a result, the ratio of SG&A, amortization and provisions expenses over sales improved 1 percentage point from 2001 to June 2003.

Lastly, improved cash management and lower capital expenditures helped to reducing our average net indebtedness by 13.6% compared with 2002.

Our priorities remain unchanged for the second half and beyond. We believe the marketing initiatives will pay off for all of the business units concerned, and we expect increased sales at constant exchange rates to continue the trends of the first half. The results are already visible in Spain, Greece and Italy.

We are planning to step up the development of all of our formats, even beyond our forecasts. We have plans to open between 830 and 900 retail outlets this year, hitting the 10,000-store mark in the second half. We also will maintain our commitment to reduce both operating costs and debt during 2003.

Based on the above, and given our action plans, we are raising our growth objective for 2003 sales at constant exchange rates. We now expect sales to rise by over 6% as against the forecasted increase of 5% announced in January. We’re also confident about our double-digit growth objective for net income per share, both before and after goodwill.

To reach these objectives, our employees are focused on a clear strategy, on our priorities and a shared vision and values. This year over 2,000 executives from all of our countries and formats came together at our Global Executives Convention. It was a unique occasion to share our expertise and best practices allowing us to emphasize our growth drivers. The convention enabled everyone to focus on strategy, priorities and challenges while charting a course for the future. It was a milestone in Carrefour’s history and will boost our ability to ensure earnings growth for years to come.

## First-half results in line with objectives

Management is raising the Group's sales growth objectives for 2003 at constant exchange rates with more than 6% and is comfortable with a double-digit growth in earnings per share for 2003.

First-half 2003 results			
in € millions	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	Change
<b>Sales exclusive of tax</b>	<b>33,588</b>	<b>33,090</b>	+ 1.5%
Earnings before interest and tax EBIT	1,162	1,085	+ 7.1%
Net income from recurring operations	662	604	+ 9.7%
<b>Group share:</b>			
• before goodwill	<b>630</b>	<b>558</b>	+12.9%
• after goodwill	<b>472</b>	<b>400</b>	+ 17.9%
Non-recurring income/expense	39	59	ns
<b>Net income – Group share</b>	<b>510</b>	<b>459</b>	+ 11.1%
Average net debt	11,096	12,835	- 13.6%
Net debt – June 2003	10,694	11,541	- 7.3%

### FRANCE

# 17,173

million of sales (1<sup>st</sup> half 2003)

## 216

hypermarkets

## 1,002

supermarkets

## 503

hard discount stores

### EUROPE

# 12,049

million of sales (1<sup>st</sup> half 2003)

# 11

countries

## 305

hypermarkets

## 1,115

supermarkets

## 3,274

hard discount stores

### SALES:

# +6.3%

Sales exclusive of tax rose to € 33,588 million in the first half, a 6.3% increase at constant exchange rates. After factoring in

the negative impact of currency movements, sales rose 1.5%. The sales figures for the first half reflect in particular:

- improved performance in France, driven notably by hard discount and convenience stores;
- new business development in Europe, Spain, Italy and Greece in particular;

- favorable currency movements in Latin America with continued recovery among Brazilian supermarkets;
  - growth in Asian operations despite the effects of SARS early in the year.
- Sales in Asia and Latin America are still affected by the changes in exchange rates, but the impact was reduced by period end.

### First-half 2003 results by geographical region

in € millions	1 <sup>st</sup> half 2003	1 <sup>st</sup> half 2002	Change	Change at constant exchange rates
France	17,173	16,661	+ 3.1%	+ 3.1%
Europe (excl. France)	12,049	11,099	+ 8.6%	+ 8.6%
Latin America	2,198	3,016	- 27.1%	+ 11.4%
Asia	2,168	2,315	- 6.4%	+ 11.8%
<b>Total</b>	<b>33,588</b>	<b>33,090</b>	<b>+ 1.5%</b>	<b>+ 6.3%</b>

**EARNINGS BEFORE  
INTEREST AND TAX (EBIT):****+7.1%**

The gross profit margin remained stable compared with June 30, 2002 at 21.8% of sales. This stability reflects:

- a price-cutting policy and new initiatives aimed at boosting competitiveness and improving the product range for our customers;
- offset by improved purchasing terms and a recovery in certain businesses like Brazilian supermarkets and Belgian hypermarkets.

Distribution costs were reduced by 0.3% of sales, falling from 19.6% to 19.3% of sales. This reflected a 0.2% drop in SG&A expenses and 0.1% in amortization and provisions expense.

Earnings before interest and tax rose 7.1% to € 1,162m.

**NET INCOME FROM  
RECURRING OPERATIONS  
OF CONSOLIDATED  
COMPANIES – GROUP SHARE  
AFTER AMORTIZATION  
OF GOODWILL:****+17.9%**

The Group recorded an 11.8% drop in financial expenses due mainly to the reduction in average net debt. The tax rate, as expected, came to 32.2% as against 30.2% at June 30, 2002. Group share of net income from recurring operations of consolidated companies rose 17.9% after goodwill amortization.

**LATIN AMERICA****2,198**million of sales (1<sup>st</sup> half 2003)**5** countries**140** hypermarkets**250** supermarkets**365** hard discount stores**ASIA****2,168**million of sales (1<sup>st</sup> half 2003)**8** countries**132** hypermarkets**NON-RECURRING INCOME**

Non-recurring income came to € 39 million and relates exclusively from the capital gain realized on the disposal of the Optics business in France and Spain.

**YEAR-END OUTLOOK**

Second-half sales are forecast to show the same trends as in the first half. The impact of exchange rates will be less than in the first half.

Carrefour will continue to lower costs and cut down its debt.

The Group is raising its sales growth objective at constant exchange rates. This will exceed 6% and not the 5% target announced last January.

The Group is confirming its objective of double-digit growth in net earnings per share, both before and after goodwill amortization.

**ACCOUNTING PRINCIPLES**

The accounting principles used to prepare the June 30, 2003 financial statements are comparable with those described in the notes to the consolidated financial statements for the year ended December 31, 2002.

Nearly  
**10,000**  
stores  
at end-June  
2003



## Carrefour's hypermarkets set the course for growth

More successful than ever, Carrefour hypermarkets have resumed their sales momentum. Their product range and price positioning were entirely revamped to consolidate our leadership in the discount area and boost our competitiveness in innovation, product selection and customer loyalty programs.

Carrefour has taken the offensive as reflected by a major effort to lower prices across the board and to strengthen our product selections. This, together with a still greater strength in innovation makes up the marketing program that has been implemented in all of the banner's hypermarkets.

### **THE NO. 1 LINE: CARREFOUR'S DISCOUNT NAME**

Our stores have decided to reinforce their low-price positioning and to use price leaders to fuel their growth. This policy resulted in the unveiling in June 2003 of the "No. 1" product range. With "No. 1", we are now rolling out a new line of easily identifiable and ultra-competitive price leaders that do not compromise our standards of quality. By 2004, our goal is to offer 1,000 "No. 1" items, both food and non-food.



**CARREFOUR PRODUCTS ACCESSIBLE TO ALL**

At the same time, we are enhancing our “Carrefour” brand products by expanding the range with over 200 basic products. Without lowering the quality standards that we have set, we are offering products manufactured under uncompromising quality specifications at prices as competitive as those of hard discount store brands.

Carrefour is thus positioning itself as the most competitive retailer with the broadest range of products. It is in this spirit that we are enhancing and rebalancing the price leader lines and store brands. However, these measures do not stop here.

**CARREFOUR CASH TICKET FOR LOYAL CUSTOMERS**

Since May 27, 2003, the “Carrefour Ticket Cash” has been rewarding customer loyalty with a deferred discount scheme. The “Carrefour Cash Ticket” offers discounted prices on products or entire product families that entitle the customer to a store coupon whose amount in euros appears on the cash register receipt. Our customers accumulate euros each time they pass the checkout stand and the amount awarded is deducted from subsequent purchases made in the store, excluding fuel.

This is a win-win situation. Our customers save money and Carrefour derives a triple benefit. With the “Carrefour Ticket Cash” our banner automatically wins more loyal customers while increasing store traffic and consolidating its low-price image.

**MORE ROOM FOR INNOVATION**

In partnership with our suppliers, we are optimizing our product selections and their store placement in order to free up space on our shelf line-ups to emphasize new products. This initiative strengthens Carrefour’s ties with those manufacturers that rely on innovation to boost their sales and earnings. It also helps to enhance the appeal of Carrefour’s hypermarkets.

This strategy is based on a new order in mass retailing. Our consumers are more demanding and more mature, and they want basic products as well as sophisticated ones. They want locally produced goods and major global brands at the lowest prices and with a high level of permanent quality. Carrefour lends its 40 years of experience to their benefit by taking the offensive and strengthening its positions in each market segment.

Our hypermarkets offer customers one-stop shopping for a broad range of food and non-food products and services.

**80,000** items on average are stocked in a store with 5,000 to 20,000 square meters of sales area plus free parking.

Average annual sales exclusive of taxes per hypermarket:

**€ 58 million** or € 6,213 per square meter

Steady expansion abroad: 30 countries

1963 to 1989		1990 to 1994		1995 to 1999		2000 to 2002	
France	Spain	Greece	Portugal	Mexico	China	Belgium	Slovakia
Brazil	Argentina	Italy	Turkey	South Korea	Thailand	Japan	United Arab Emirates
Taiwan		Malaysia		Poland	Singapore	Qatar	Dominican Republic
				Colombia	Chile	Tunisia	Romania
				Czech Republic	Indonesia	Switzerland	Egypt



## Global Executives Convention

### Over 2,000 executives meet to chart a future course

For the Group's 40<sup>th</sup> anniversary, we organized a global convention at the Le Bourget International Trade Fair Site for our 2,200 executives. The purpose of this convention was to "have the Group get to know itself". Spread over 25,000 square meters, the Carrefour International Fair at Le Bourget was a vast platform for displaying and sharing our areas of expertise. Over 400 representatives spanning all of our formats and the countries

where we do business manned 100 exhibits and workshops to present their best achievements. There were roundtable discussions and plenary sessions to enable participants to better understand the Group's corporate vision, its medium and long-term objectives and the various strategic thrusts resolutely aimed at "the product line, high standards and growth".

This convention revealed an impressive Group in terms of its diversity, its power, its assets and its consistency – a group where everyone is proud to take part in one big corporate venture. The convention also demonstrated that we are putting the customer at the center of our ambitions through a permanent culture of innovation. It also showed how Carrefour could put a human face on globalization through its respect for cultural diversity.

## Carrefour International Foundation

**In July 2001, Carrefour International Foundation obtained approval to maintain "official relations with UNESCO", and today, two and a half years after its creation, it has obtained accreditation from the United Nations Economic and Social Council with "Special Consultative" standing. These acknowledgments distinguish our foundation through its humanitarian actions conducted in the four corners of the earth. Nearly 30 emergency assistance actions following catastrophic events and over 30 programs in favor of disadvantaged people**



**(street children, impoverished women, isolated populations, etc.) to implement literacy, job training and micro credit programs. The Foundation also funds medical and scientific research as shown by its important research program with the Gustave Roussy Institute near Paris to study the correlation between food and the appearance of certain cancers like breast cancer.**

**Thus, through the relevant and concrete actions of the Foundation, Carrefour has become a recognized international humanitarian player.**

# Format **by format**

NEWS OF THE GROUP

## Hypermarket



### EUROPE

#### ITALY

##### Carrefour buys out Hyparlo hypermarkets

Carrefour and Hyparlo signed an agreement in June 2003 under which Hyparlo will sell Carrefour two of its hypermarkets in Italy and a third store currently under construction.

This acquisition bolsters Carrefour's position as Italy's largest integrated retailer and confirms the Group's determination to expand rapidly in its three core businesses. Five hypermarkets are now under construction with store openings planned for 2003 and 2004. In Italy,

Carrefour operates 37 Carrefour hypermarkets, 321 Gs supermarkets, 636 Di per Di convenience stores and 13 cash and carry stores under the Gross Iper and Docks Market banners. These stores are operated either directly or under franchise agreements.

## Supermarket



### EUROPE

#### BELGIUM

##### GB resumes its expansion

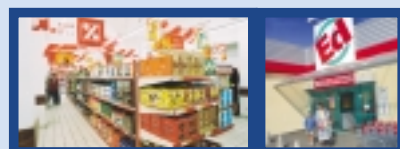
An agreement signed in August with Laurus provides for the transfer of 20 Laurus supermarkets to the Super GB Partner and Contact GB banners. The fact that 42 GB stores will be opened in 2003 is a sign of a flourishing

expansion. In September, the 20 stores will be converted to reflect GB's formats. GB will invest € 50,000 in each consolidated retail outlet, notably to change banners and signage, and to modify their IT, order taking and cash register systems.

GB expects to boost sales at these franchised stores by revamping their product range, introducing GB's store brands, pricing and point system for its customer loyalty card.



## Hard discount



### LATIN AMERICA

#### BRAZIL

From January to July 2003, Dia bolstered its network of 23 consolidated retail outlets, mainly concentrated in the Sao Paulo metropolitan area and in a few cities of the same state. Dia's 67 stores are small in size at 400 square meters and carry a

selection of food products at unbeatable prices. They are essential components of the Group's multi-format strategy in Brazil, which is also based on 78 Carrefour hypermarkets and 124 Champion supermarkets.

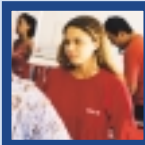
### ASIA

#### CHINA

On July 17, 2003, Dia successfully opened its 4 first stores in Shanghai. The grand opening ceremonies were attended by municipal authorities, Spanish personalities and many media outlets. China is the eighth country where Dia has set up shop, and it boasts the most promising growth potential.

### EUROPE

In July, Carrefour signed a preliminary agreement with the German retailer, EDEKA South West. The agreement would provide for the acquisition of 44 stores under the "TREFF MARCHE" banner.



## Other businesses

### EUROPE

#### Optics

In June, Carrefour sold its Carrefour Optics business in France and Spain to Alain Afflelou and Apex Partners. The business involves 68 stores in each of the two countries with

total sales of € 76 million including taxes. The deal will boost Carrefour's net income from recurring operations - group share in 2003.



## Carrefour stock information

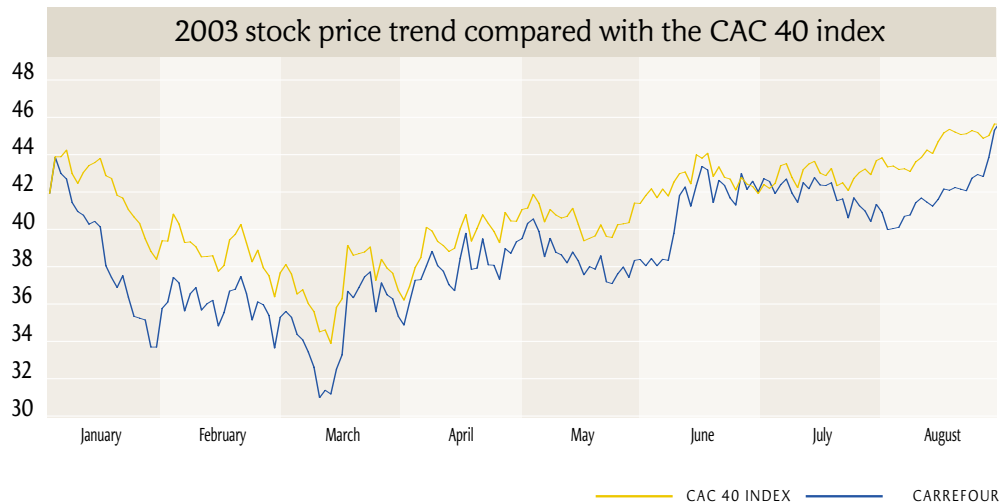
ISIN code:  
FR0000120172

Par value:  
2.50 euros

Number of shares:  
716,141,771

Trading exchange:  
Paris

Member of indices:  
CAC 40, DJ Eurostoxx 50  
and DJ Stoxx 50



### A SHAREHOLDER'S PERSPECTIVE

We want to let you have your say. For the first time in our newsletter, a shareholder shares his thoughts about Carrefour:

*"As a loyal Carrefour shareholder and customer, I actively follow the Group's news. I analyze its progress reports, read the letters to the shareholders and information available in the press. I have not missed an annual shareholders' meeting for five years.*

*As a small shareholder, I am convinced that to succeed in equity investing, one must keep informed of what is going on in the company, understand its strategy and know the value of its management. The current market volatility has lowered the value of my equity portfolio as it has for everyone else. However, I am not worried about Carrefour. The Group has a strong ability to rebound. Its fundamentals are sound and its financial ratios published for 2002 suggest that the merger with Promodès is a total success. The results*

*are in line with forecasts and the hypermarkets sales momentum is strong, yet Carrefour's stock price is undervalued. Without predicting the future, I think now may be a good time to add to one's position. A stock price of around 40 euros looks attractive to me."*

**Louis Bulidon**

agenda

#### October 9, 2003

Third quarter sales

#### October 21, 2003

Shareholders' briefing in Toulouse

#### November 21 & 22, 2003

Actionaria Fair in Paris

#### November 24, 2003

Shareholders' briefing in Lyon

#### December 2, 2003

Shareholders' briefing in Rouen

#### January 8, 2004

Fourth quarter sales

### Shareholders Relations Department

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