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CA.PA - Q4 2011 CARREFOUR S.A. SALES CONFERENCE CALL

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PRESENTATION

Operator

Welcome to the Carrefour conference call. I now hand over to Mr. Pierre-Jean Sivignon. Sir, please go ahead.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Thank you. Good morning and happy New Year to everyone on this call. And welcome to this conference call to present our 2011 fourth quarter and full-year sales.

I am Pierre-Jean Sivignon, CFO of Carrefour. And I am joined in this call by our Investor Relations team, Reginald Gillet, who joined recently, Alessandra Girolami, Sondra Livinec and Matthew Mellin.

You have no doubt already seen the press release we issued this morning. And I invite you to go to our website and download the presentation that I will be referring to during this call. After the presentation we will be happy to take your questions.

Let me begin with the key highlights of both the full year and the past quarter before going into a more detailed presentation of our sales performance by geography.

I'm not betraying any secrets by telling you that we operated in a challenging environment in 2011 in virtually all of our markets. And that environment became increasingly tougher in the fourth quarter. In spite of this, as you see on slide two, Carrefour posted a slight rise in reported sales in the full year. This slight rise was supported by our continued expansion in emerging markets and notably Brazil. Indeed, one of the most satisfying highlights of the year was the confirmation of our recovery in Brazil hypermarkets after we restructured our network of stores.

We also saw a confirmed turnaround in other countries, notably Taiwan and Belgium. On the flip side, however, we continued to experience a disappointing underperformance in our French hypermarkets, which we are actively addressing through the action plan which we unveiled in August. I will turn to all of this in greater details later on in this presentation.

Our Q4 sales, however, were affected by lower discretionary spending, as we will see shortly. This is particularly true in non-food, which was impacted by the generally tougher trading environments, while food sales were broadly resilient.

In this context, we are confirming our previous guidance for 2011 current operating income which we expect to be in the lower end of the range which we provided, of 15% to 20% lower -- to be lower by 15% to 20% than in the one of 2010 which was of course adjusted for the year.

Let's now look at all this in greater details. As you see on slide three, our total reported sales at current exchange rates and including petrol grew by 1.1% in the full year reaching EUR91.5b. Excluding petrol and on a like-for-like basis our sales were down 0.6%.

And to give you complete picture, at constant currencies excluding petrol our annual sales rose 0.5%, taking into account the positive effect of expansion. If you now include a negative 0.6% currency effect, ex-petrol sales were virtually flat, down 0.1% on the year.

The rise in reported sales for the full year was supported by a solid, overall performance in emerging markets, particularly Latin America, as well as by expansion.

On slide four, let's look more closely at the key numbers as well as the highlights for the fourth quarter. As I said, the environment took a downward turn in the last quarter of the year and we witnessed a drop in discretionary spending that is reflected in our sales performance. Overall, our total reported sales in the fourth quarter came in at EUR24.2b, a year-on-year drop of 1%.

Excluding petrol, our like-for-like sales were down 1.9% and down 2.3% if you take the calendar effects into consideration. At constant currencies, adjusted for calendar and excluding petrol, our sales dropped 1.2% in the quarter and 2.5% at current foreign exchange rates, principally as a result of swings versus the euro of both the Brazilian real, which fell by 5.3% over the year, that is to say fell versus the euro, and the stronger Chinese yuan, which appreciated versus the euro by 5.8%.

Our sales performance in Q4 resulted from a combination of factors. The tougher trading environment and drop in discretionary spending I mentioned sharply impacted our non-food sales in several countries. And this was compounded by the unusually mild weather conditions that affected apparel sales in particular and non-food generally. This was partly offset, however, by resilient food sales in most of our key markets.

Let's now take a closer look at our performance by geography. And I will begin by France on slide five. In the full year our overall like-for-like sales, excluding petrol, were down 1.6% in France and down 1.2% including expansion.

In Q4 our like-for-like sales, excluding petrol and adjusted for calendar, were down 2.7%. That fall was slightly lower at 2.3% taking into account the positive impact of expansion. The drop is attributable to many factors, including the tougher trading environment that hit non-food sales. But it's also due to the expected initial effects of our action plan in France and our very conscious decision to shift our pricing strategy to move towards consistently lower prices and more targeted and efficient promotions. And I will expand on this shortly.

As you will see on the following slides, we posted a mixed performance by format in France, with hypermarkets underperforming but supermarkets and convenience formats both growing. In convenience in particular we saw like-for-like growth of 3.6% in Q4 and 4.6% in the full year, including a double-digit growth at stores converted to the Carrefour banner.

Slide six focuses specifically on hypermarkets. Sales were down 3.4% on the year in our hypers on a like-for-like basis, excluding petrol. And that drop reached 5% in Q4, adjusted for calendar. Of course, we can't be satisfied with that. But as we told you in August and again in October of 2011, we expected a short-term drop in sales in France as a result of the implementation of our reset plan.

As you know, one of the key planks -- one of the key planks in that plan is a new commercial mix that shifts away from inefficient promotions to focus more on steady low pricing. This inevitably has a near-term impact on sales but should gradually lead to improved performance along with an improved price image. We have already gained back some price competitiveness and our co-leaders by our own measures in prices on 500 branded staple products according to an internal survey. And traffic trends showed some improvement, with the drop in Q4 limited to 3.5% compared, in Q4, compared to 5.6% in the third quarter.

The reset plan also focused on sharply reduced out-of-stocks. And we are also achieving success on that front. We also began rolling out our Drive concept and totaled 17 stores with pick-up points at the end of 2011.

Slide seven now focuses on our French supermarkets. As I mentioned, we had a satisfactory performance in the supermarkets format, both in the full year as well as in Q4. Ex-petrol and adjusted for calendar, like-for-like sales at Carrefour supermarkets rose 0.3% in the full year and 0.2% in Q4. If you exclude -- if you include expansion, that growth reached 0.6% in the fourth quarter and 0.7% in the full year.

As in hypermarkets, we also saw an improvement in our out-of-stock situation. And we will continue those efforts in 2012, while also investing in prices and sharply accelerating the rollout of Carrefour Drives, building on the 13 deployed so far in supermarkets last year.

Let's now turn to Spain on slide number eight. As you all know, Spain, like other Southern European markets, showed deterioration in the economic environment in the fourth quarter. And this was reflected in our sales, which fell by 8.7% on the like-for-like basis, excluding petrol and adjusted for the calendar effect. On a similar basis, Carrefour sales in Spain for the full year dropped by 5.2%. In the fourth quarter, food sales in Spain proved resilient. But the worsening environment led to a sharp 16% drop in non-food sales.

In a very competitive market Carrefour Spain is continuing its price investment to satisfy its customers. We are also taking some innovative commercial initiatives to adapt to the tough environment, including reimbursing value added tax on fresh products for senior citizens aged above 65 years old. And we also announced this week that we are carrying out test of Carrefour Express convenience shops in BP stores -- petrol stations in Spain.

We continue our look at Southern Europe with Italy on slide nine. Here too we are facing a persistently difficult trading environment and our Q4 sales were down 5.1% on a like-for-like basis, excluding petrol and adjusted for calendar. For the full year on a similar basis the drop was 4.1%.

As a result of the macroeconomic context, which has for Spain sharply hit non-food, we continue to see underperformance in our hypermarkets, with like-for-like sales, excluding petrol and adjusted for calendar, down 8.9% in Q4 and 5.7% in the full year. On the other hand, supermarket sales were slightly more resilient but also show a drop of 4.1% like-for-like adjusted for calendar and 4.2% like-for-like for the whole of the 2011.

In Italy we are also continuing our efforts to improve our price competitiveness through a new commercial mix that favors consistently low prices over promotions.

Turning to Belgium on slide 10. We posted a satisfactory performance, confirming that our business there is now on a sound footing following the recovery plan which we implemented in 2010. For the full year we posted like-for-like growth of 2.8% excluding petrol, while Q4 sales on the same basis were down 0.5%, but broadly flat taking expansion into account. We consider that performance solid given the current competitive context in that particular country, especially since we were facing tougher comps in Q4 after the deployment in H1 2010 of our restructuring plan in the country.

We are now moving to emerging markets. And I will begin with Brazil on slide 11. We continue to see solid growth in what is now Carrefour's second biggest market, confirming that here too we have successfully turned around our operations.

For the full year, like-for-like sales were up 5.1% excluding petrol. This growth was driven by both hypermarkets and by Atacadao. Hypermarkets in Brazil were back on a growth trajectory in 2011, with full-year like-for-like sales up 2.5% and Q4 sales up 2.9% like-for-like, excluding petrol and adjusted for calendar. This is a direct result of the turnaround measures which we implemented in Brazil, including a restructuring of our store portfolio.

As you know, our portfolio restructuring in Brazil includes closing five hypermarkets and eight supermarkets, while converting six hypers into Atacadao banner. Of the six planned conversions from Carrefour to Atacadao, only three have already reopened in 2011 and the remaining three are due to reopen in the first quarter of 2012.

This restructuring plan explains the 6% drop in expansion in the fourth quarter that you see on the graph on the bottom left-hand side of the slide as these three specific stores that have not reopened yet lead to a mechanical drop in sales that will start contributing again in the first quarter of 2012.

Concerning Atacadao, we continue to see strong growth, with sales up 11.5% in Q4, of which 4.6% was like-for-like adjusted for calendar. We opened 10 stores in 2011, seven organically and three transfers, as I just explained. Three stores were actually specifically opened in the fourth quarter of 2011.

Let's now move on to China with slide number 12. Overall our [slides] in China rose 7.5% in 2011 and 2.5% in Q4, adjusted for calendar. This growth was principally driven by expansion, with 23 openings in the full year, including 13 openings in the fourth quarter alone.

On the like-for-like basis our sales in China were down slightly in 2011, with a drop of 0.8% excluding petrol. In Q4 the drop stood at 5.9%, adjusted for calendar. This fall results from unseasonably mild weather conditions that significantly impacted non-food sales, but also from a change in regulation that curtails markdowns. It's -- it also partly reflects the deceleration in inflation that we have seen in China in the recent months.

On slide 13 we provide you with an updated picture of the Carrefour Planet roll-out. At year end 81 stores had been converted to the concept, in line with our rollout plan announced back in August 2011. 39 of these stores were converted in Spain, 29 in France, 10 in Belgium, two in Italy and one in Greece. Of this total of 81 stores, 31 were converted in the fourth quarter alone.

Almost half of the Q4 conversions, 14 to be precise, took place in France, as you see on the slide. The remainder were in Spain with 12 conversions, in Belgium were 10 stores were converted, and in Italy were one store was converted in the fourth quarter.

In Belgium and Spain, where at the end of 2011 we had already completed two-thirds of the overall conversion plan, we continue to see outperformance of our Planet stores in terms of sales as compared to the non-converted stores.

Turning to France, where at the end of 2011 we have only completed around one-quarter of the overall conversion plan, the sales outperformance is less marked. Moreover, as I just mentioned, a large number of these stores in France were opened in the fourth quarter, literally in the past few weeks, and we need to give them a bit more time to be able to assess our performance in a relevant manner.

Of course, we need to judge these performances in light of the tougher trading environment due to weaker economy in Southern Europe. This is especially impacting non-food, which is an important element of the Planet concept.

For all these reasons we believe it is appropriate and indeed sound management to pragmatically review the Planet rollout plan on a country-by-country basis, based on the prevailing macroeconomic conditions and our heightened discipline in CapEx allocation. We will provide you with a more comprehensive look at Planet and an updated rollout plan for 2012 at our results presentation on March 28 -- excuse me, on March 8, in six weeks from now.

Let me now conclude with the help of slide number 14. As a result of the overall picture that I have just presented I can confirm today our guidance on 2011 current operating income, which we expect to come in the lower end of the range. As you recall, we said that we expected current operating income to be between 15% and 20% below that of 2010, adjusted for the spin-off of Dia.

Looking ahead, we will continue executing our reset plan with determination in 2012. And our focus will be on, firstly, continuing our investments in prices and more targeted promotions, supported by new advertising campaigns which is about to come in the next few days; second, further reducing our level of out-of-stocks in both food and non-food; thirdly, increasing our Carrefour-branded product offer; and last but not least, accelerating the rollout of Carrefour Drive, building on the 17 that were deployed at year end. And that is a key element, of course, in our multichannel strategy.

Before handing over to you for your questions, I will add a few words about our priorities for 2012. We expect the environment to remain challenging and uncertain. And in that context we will continue to help improve our clients' purchasing power by extending our efforts to improve our pricing strategy throughout Europe, favoring consistent low prices over promotions and building on the first positive results that we have seen.

We will pursue our expansion in emerging markets. We will continue to focus on cost savings that we initiated with our transformation plan and we will heighten our financial discipline to confront the challenging environments. We will have the opportunity to provide you with greater details on these priorities on March 8, when we present our full-year numbers.

I thank you for your attention. And I'm now happy to take your questions with the team.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We have a question from Mr. Edouard Aubin from Morgan Stanley. Sir, please go ahead.

Edouard Aubin - *Morgan Stanley - Analyst*

Yes. Good morning, Pierre-Jean and team. Just two quick questions. First of all on emerging markets, clearly a weak performance I guess almost across the board there when we take into account local food inflation and your competitors' performance. Now you've mentioned some specific issues regarding China and other countries. But what's the overall issue you think in emerging markets? Is it a pricing issue? Is it a format issue? If you could elaborate there.

And I guess the second question is on 2012 profits. I guess it's clearly too early for you to give a guidance for the year, but when I look at consensus, assuming that your profits are going to be down 20% in 2011, consensus is currently forecasting something like 4% EBIT growth in 2012. So again, I'm not asking for any specific figure, but do you think it's realistic at this point of time to assume that your profits could be up in 2012?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. Good morning. I think on the weak performance of -- in emerging markets, I think I would react to this by saying that I do not agree. I think I would say that in a situation where in reality, and I think I will have to take, and that's probably the way to answer your question, market by market, I think we had a good performance in emerging market. But let's go through them one by one.

If you take Brazil, clearly Atacadao still strong and I would say even probably very strong, even in situations where we have done quite a bit of reorganizing of our portfolio. One of the things -- and that's why we took the effort to detail it is that three stores have got lag in terms of their reopening. So that has clearly in particular impacted the expansion column. But excluding that, and actually even if you were to reset that, you would see that Atacadao, which is already strong, really had a stronger quarter.

And in the particular case of hypers, where basically, as you know, a couple of years ago we were actually not doing well, I think now we see consistently strong performance in our hypermarkets.

I think the numbers visually might sound not very impressive. But one of the things you have to realize as well is that in Brazil there was a slowdown in inflation in the latter parts of the quarter which I'm sure has had an impact on our numbers, even though it's not easy to qualify it.

I think as far as China is concerned, there the performance was impacted by non-food. And there I would say you know the basic, I would say rationale which was already applicable in the previous quarters, which was of course a change in legislation on the [VAR] price, and you remember that. There is, of course, as well the disappearing of the incentives that we discussed as well in previous quarters.

But I think in the case of China one of the important factors, and I think that has been flagged by others and we confirmed that, is that inflation by our own measure is slowing down in China. And we've clearly heard about customers potentially delaying purchasing as a result of expected lower inflation. So I can't quantify that either, but that is certainly something which has impacted the food side of things.

One more thing on non-food is clearly, I don't know if you've been to China in the course of Q4, I've done that. The winter there was really, really, really late and that has taken an impact. I think the temperature is now down to something a bit more normal, but certainly in Q4 there was really an abnormally warm weather in China.

Now if I look at other emerging markets, if I look basically at, for instance, Poland, in Poland we were down 3.5%. And there there was promotional pressure which was somewhat less intense in the quarter. And I think this is a slightly better quarter for us than in Q3. So Poland I would say is probably a better quarter in Q4 than it was in Q3.

If you move to Romania, basically overall sales there were up 5.1% on the constant currency. And even though non-food there was a little bit impacted, but basically I would say Romania we had actually a pretty robust performance.

And as far as Turkey is concerned, on a constant exchange rate we posted an increase of 2.1% with an improved like-for-like performance of 0.7%.

So I think -- and I could go through -- it is already five countries that I have detailed. So I would not concur with your weak performance statement. I would say the one statement I would concur with is certainly the slowdown of non-food in China. And I've explained that obviously to you for -- with the particular specifics that I gave to you.

Now to your second question which relates to the consensus, I think that I will stay away from that question. I think I will answer it most probably in -- on March 8. And for this particular call, besides confirming that we are within the guidance that we gave to you basically two months ago, I would like to stay away from comments on the bottom line, not because I want to avoid it. Not at all, because simply it's not the purpose of this particular call.

Edouard Aubin - *Morgan Stanley - Analyst*

Of course. I understand. But just quickly on China and, sorry, Brazil, you talked about inflation moderating. What's your sense of where inflation was in the fourth quarter in these two countries?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Sure. Let me -- I think as far as China is concerned, I think in the fourth quarter we had a number of, if I recall, let me tell you, you want Q4. I think we had 6% and 4% actually in the latter part of the fourth quarter. And as far as Brazil is concerned, I think 6% to 6.5% in the latter part of the quarter. And in both cases our perception that we were 1 to 2 points down in the course of that fourth quarter. So clearly some slowdown of inflation.

And, as I said, in the particular case of China, a feedback that customers who, as you know, are extremely opportunistic in that particular country, very well informed, delaying a little bit, waiting, of course, for the -- with the Chinese New Year taking place, as you know, on the other side of the end of our own calendar year, moving a little bit their purchasing to the other side of the year in order to benefit from that lower inflation.

Edouard Aubin - *Morgan Stanley - Analyst*

Okay. Great. Thank you.

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Operator

We have a question from Mr. Jerome Samuel from HSBC. Sir, please go ahead.

Jerome Samuel - *HSBC - Analyst*

Yes. Good morning, Pierre-Jean, and good morning, everyone. The question is on France. When do you expect the plans in French hypermarkets to bear fruit and deliver positive traffic? When Noel Prioux presented his plan back in August, one of the targets was really to regain competitiveness. And I was wondering if you're now happy with your pricing positioning. It seems that the gap with Leclerc has increased again at the end of the year. So if you could comment on that.

And also a question on Carrefour Planet rollout. I understand the reason why you don't want to disclose at this stage the number of Planets to be rolled out in 2012. However, can you share with us perhaps the number of stores planned at least for the first quarter, and also the latest performance of the latest model of Planet? Thank you.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Sorry, the latest --? I missed your very last one. Could you repeat the very last sentence?

Jerome Samuel - *HSBC - Analyst*

The latest performance of Carrefour Planet.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. All right. So I'll try to -- I will try basically to give you all these answers, your six points, if I can count correctly, on France.

So first question is when do we expect the so-called reset plan to bear fruit? For all the -- all of the audience I just want to refresh, bear in mind it was launched officially in Q2, within months after the -- I should say actually within weeks of Noel coming in. So it was actually late second quarter, to be very specific, early Q3 presented to you, within a few weeks after the arrival of Noel.

So what Noel has said on August 31 and I think we -- and I think that was repeated by Lars in the second speech on August 31, we see that as an 18-month plan. I think that's the kind of timeframe that we have in our mind. If you recall, Lars was quite adamant that we wouldn't be surprised if we were to lose some market share initially upfront, right, because the game was actually ultimately, of course, written to regain the competitiveness that you just talked about.

So first answer to your question I would say 18 months. If we can -- that would be the completion of the plan. Certainly we would like to see the effect before that.

Now you're asking me what are the effects that you've seen already? I think it's -- the plan is quite fresh. I can tell you that it is absolutely being deployed. I will give you one indicator I didn't mention in the opening speech, which is a reduction in promotion rates, which is pretty consistent. If you go back to your notes you will see that I had disclosed the amounts quarter to quarter, that is to say Q3 to Q3, the amount of reduction of promotion that we did in Q3.

I can tell you that in Q4, if you compare Q4 to Q4 year on year the amount of reduction in promotion in France was pretty consistent in that fourth quarter with the one that we did in Q3. So this is to show you the dedication and the steadiness of the deployment of that particular plan.

The other thing that you can see and that I did say in the text is that in terms of trend of the debits we have seen, and I don't want to call it a good performance because it is still a negative performance, but you could see that the traffic in terms of trend year on year was -- and those figures I gave so I won't repeat them. But you could see that the Q4 traffic in terms of trend in our French hypermarkets was almost 200 basis points better in terms of trend versus the one of the third quarter. So I won't call it a sign, but certainly something to take into consideration. And we will have to see if this is being confirmed in the first quarter of 2012.

Now you moved to the question of pricing. If you -- and you mentioned the name of one of our competitors. By our own count, and you remember very well, I'm sure, that at the end of S1 when we talked to you basically in August, we had definitely diverged from the name you mentioned. And I think as far as today is concerned, we, by our own accounts, and I'm sure you'll be able to see it yourself, we have come back to the level where we were at at the beginning of the year 2011.

That is not quite yet where we would want to be. As you know, our intention is not to bridge totally. I think we've been explicit about that. But we still have a little bit of way to go. And we will work on that as part of the plan I just mentioned. But we are back to the level where we started the year, which we clearly already see as an achievement.

Second point is that if you look at our competitors, we are now -- we now have another competitor which is 7 points more expensive than we are. And you will see that vis-a-vis the overall crowd, if anything in that fourth quarter we have improved our performance versus the pack. So that's, I would say, another very specific point of measure.

Another point of measure, and I'm sure this will be disclosed probably in the weeks to come because this is by our own measures, we have checked what we call, and I said it in my text, 500 staple items which we consider and the market consider as key items, kind of symbolic items. We've tracked those 500. And by our own account, as at the exit point of December on those 500 staple items, we have now reached the point of being the lowest peer to peer versus competitors on a geographic area -- by geographic area in France, which for us is absolutely an achievement.

And not only is it important for our customer base, but is important as well as an illustration point of the pricing discipline that we've of course put in place as part of reset, basically, I should say, six months ago.

As far as the Carrefour Planet plan is concerned, I think I gave you pretty much where we are. In essence for the Belgian and the Spanish plan, two-thirds of the way and news which, in terms of outperformance, has been given to you. So there the plan is largely deployed.

I think the real question was obviously on France. And there, as you could hear, that was the essence of the deployment which took place in the fourth quarter basically. So you could see that these stores are actually extremely young. They are barely a month. Actually for a number of them they are actually in weeks. And there the first results we have, and I said that in the call, are less marked in terms of outperformance.

So you saw the comments I made in the context we are in for this Planet deployment. We need, of course, to study those numbers because in a few cases we don't really have yet full analysis of December. So that's one reason. Second it's very new. And then we have to combine that with what I said, which is the economy which is impacting non-food, as you've heard, in Southern Europe, as well as, of course, discipline on CapEx. I think we have to put all that and come back with a plan which we will have reviewed. And we'll mention to you in detail, of course, early March. I think that's what I said in the call and I will stand by that.

Jerome Samuel - *HSBC - Analyst*

Thank you. But it would be helpful if you could share the level of increase.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

No, I don't -- well, I think I gave you pretty much -- I think you can read -- I think Spain and Belgium are numbers which have been disclosed. I think for France I said it; less marked. And I think I won't give you more numbers than that, because I know that you want precise numbers and we will give you precise numbers, but I just want to make sure that we give them to you after having analyzed them.

As -- I can tell you, as far as I am concerned, on my desk I don't have yet the full analysis myself of December. So that makes it difficult basically to give you an explanation because, of course, we need to do that after having fully done it because, as I said again, a number of these installations took place at the very end of the month of December. And in order to really understand on such a short period of time you really want to make sure that you understand what you are talking about, given, in particular for France, the late installation of the mix in the quarter number four.

Operator

The next question is from Jaime Vazquez from Santander. Sir, please go ahead.

Jaime Vazquez - *Santander - Analyst*

Yes. Good morning, everyone. On implementation of the new commercial policy in France, is this being done category by category or is it all categories at the same time? That's the first question.

On the second -- the second one is on Planet. Are you planning to do any conversions in the first quarter of 2012 or do you think you need to give yourself time to see the performance of the existing conversions before you start any new conversions?

The third question is on China. Can you give the food like-for-like? Thank you.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. The first one is on the deployment of the pricing strategy, which is essentially the reduced pricing and in exchange for more -- less and more targeted promotion. I think let me be a bit more specific there. For -- we've actually started in August with the large-size packs in August. I think that was where we started. Then, in parallel, we have systematically lowered price on the supply of branded staples, like yogurt, ham, milk and laundry detergents. And of course for these type of products which we call the staples that I'm sure you will appreciate will continue -- this one will continue to be our focus in 2012.

And as a result of these efforts, and as I just mentioned two times, we are now, by own measures, co-leaders on prices for 500 supplier-branded staples. So I think that's the answer. Clearly you can see that it's being done category by category. I think that's probably the short answer.

As far the -- I'm sorry, go ahead.

Jaime Vazquez - *Santander - Analyst*

Sorry, just to stick to -- sticking to that question then before moving to another one, so are you seeing -- other than generally traffic improving by 200 basis points quarter on quarter, are you seeing any signs of improvement in the categories that you have touched?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

No, I don't have that -- now you're asking me do I see -- your question is do I see traffic by category? I can't measure that.

Jaime Vazquez - *Santander - Analyst*

No, not traffic. Volume.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Now do I see improvement in those categories in the mix of turnover? Well the answer is, A, I don't have that information, and, B, I think if I had it, to be brutally honest, I don't think we disclosed between categories of -- but I think as a year ago, by next year, when of course this subject which I very much believe will be a key subject, I'm sure we'll give you a little bit of -- probably of flavor on this. But I would say certainly that is the intention. We'll see if this works, but as at today, I don't have that information. And, as I said, if I had it, I would say it's a bit early in the game to disclose it.

Jaime Vazquez - *Santander - Analyst*

Okay.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Your second question was related to the Planet deployment in Q1, I think. In Q1 we have very, very few, but that was planned like this -- we have -- given that we pushed quite hard in the fourth quarter. But I think just to -- in -- we pushed quite hard in the end of the fourth quarter, but I think in Q1 we have very little deployment currently planned. So that is to say that when we talk to you in early March, we won't be, quote-unquote, I would say not polluted but we won't be -- the reading will be made on conversation, which at least are, I would say, two months old, which will make the exercise a touch simpler. So I would say very few conversions in the fourth quarter.

As far as China food, I think we don't disclose that particular number. But I would say that it was part of the resilient comment that I made for the whole of food across the portfolio of Carrefour countries, right. I think it was one of our key items. You saw it, I think, on slide one, resilience in food. And basically discretionary, in particular in Southern Europe and in China, under some pressure. I think that's a theme of this call.

Operator

The next question is from Mr. John Kershaw from Merrill Lynch. Sir, please go ahead.

John Kershaw - *Bank of America-Merrill Lynch - Analyst*

Yes. Good morning, guys. Just a couple from me. Can you comment on the rate at which you've exited the quarter? It's been quite a tough quarter, but have things been fairly stable or has it got worse or better?

Secondly, how do you see yourself relative to the competition? Do you feel like you're on track with your measures, because clearly the figures themselves are quite weak but the market is tough?

You mention, thirdly, in the statement about CapEx and cost discipline. Can you expand on that and perhaps see whether there's accelerated cost savings or lower CapEx for 2012?

And then just finally, I know you won't comment explicitly on guidance for 2012, but the statement talks to lots more investment in price, getting aligned with the competition on price, further marketing. It sounds like there's another [divot] to margin in 2012. Why am I misunderstanding that?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. First question is the exit for 2011. I think the comment I can make on this is that the Christmas sales, because that's really what you are talking about, were at the level of our expectations, so nothing out of the specs either way. I think we had a quarter end which was in line with what we expected. So I think that's pretty much the answer to your question.

Of course, now the next checkpoint will be clearly Chinese New Year, which, as you know, takes place in the latter part of January. So that's obviously a conversation for the first-quarter revenue discussions. So in line with expectation, I would say, is the answer to your question number one.

Question number two is where are we with our measures? I think there is a qualitative answer and there is a quantitative answer there. Quantitatively, if I look, and let's spend a little bit of time on France, right. We have basically reduced certainly versus where we were at the end of the first half. Last time we talked about that in great details. We have reduced our pricing gap versus the name you mentioned.

And all in all, if you look at all the other players, and I'm specifically talking hyper France, all in all our position I would say has improved. And I will say again that we're not quite there where we would like to be vis-a-vis the leader of the pack. But I think all in all we've started moving, clearly illustrating that when we talked about investing in pricing we are serious about it.

The second measure, and I won't repeat it a second time or third time actually, is the 500 staple products. That's obviously important for us and for obviously our customers. And I would say it's even more important for our customers than for us. The third one, and I had not mentioned that, a very important part of the plan was a reduction in out-of-stocks. We have actually -- we had committed, Noel had committed to reducing out-of-stocks for both food and non-food in the second half in France. And I think he mentioned just about 50% for both indicators. And let me tell you that in one case we are at 40% reduction; in the other case we are at 50% of these indicators.

So it's not quite where we want it to be. We still believe that we have some work to do, in particular on food, but a marked improvement definitely in that second half and with an indicator which is still moving into the right direction. So that would be another expression of the progress.

I told you about the clear reduction of promotion rates, and I gave you a number and I said that number, that drop was basically down by the same kind of points in Q4 versus Q4 last year as compared to the reduction that we had experienced in Q3. So you can see that the discipline of Q3 was carried over in what is always a difficult quarter in terms of managing the control of your promotion, and we have been able to do that in Q4. So that, I would say, is another point.

And last but not least, of course, is what has happened in traffic. But I don't want to conclude on traffic because it's way too early to make any conclusions there. So in terms of the progress we are making from a quantitative point of view, I hope that I have given you enough evidence that we're not there but we have moved.

Now, in Spain as well -- I didn't -- I had not mentioned Spain. We have as well evidence that we have reduced promotions in Spain in the fourth quarter of 2011 versus the fourth quarter of 2010. So there as well we have quantified evidence that this plan is in motion as well.

Now, from a qualitative point of view, you were asking me how does that compare to competitors. Of course, it's very difficult to do because I can only measure that ultimately with the evolution of traffic; that's the ultimate judge. And there that's early -- too early to say. As you know, on top of that a lot of our competitors still have not published or will not publish. But we certainly have a feeling that in our organization there is a determination in this plan and a plan we want to stick to.

And in terms of timeframe, I was asked by one of our -- one of your peers two questions ago, a plan that we plan to stick to for a period of time of certainly 18 months. So if you say that it started basically in the third quarter of 2011, this is a plan which will see us at least beating on the same, obviously subject to the very end of 2012 at least. So I think that's the best answer I can give to you.

The plan is explicit. It's deployed. We will incentivize our managers on the back of it and we'll keep the scorecard. And I already gave you a good chunk of the elements that we will use in that scorecard.

So next question was on CapEx and cost discipline. I think as far as CapEx, I'm not there to give numbers. But yes, actually we might have a lower CapEx in 2012 versus 2011, but I can't say how much, but basically we might have some lower CapEx there. I think that's something that we will keep an eye on.

As far as cost is concerned, no, I think what we are saying is that we have presented to you, I believe, two years ago or actually three years ago one of the so-called initiatives. And these initiatives were disclosed to you in great details at the semestrial. We'll do that in six weeks from now. We'll do another checkpoint on that. You know that on some of the cost categories we were basically late.

And the point is that we don't want to leave that money on the table and we will continue to chase that money and we'll continue to be absolutely focused on cost. And we don't want to leave the impression, given that one of those categories was a bit behind the objective when we gave you the scorecard six months ago, we don't want to give the impression that we are giving up on that. So I think there is the restatement that the attentions to cost, of course, is very much there.

As far as guidance is concerned, actually you really are asking me the same question. One of your peers said -- will you guide and what's your guidance? I said I would not answer it. And I -- of course I will stick to what I said two questions ago.

I will just make one extra comment because you add -- you ask another question. You said -- is the game where you invest into obviously lower prices a balanced game versus basically reducing your promotion by focusing on more targeted promotion? Yes, I think that is something that had been disclosed on August 31. There is of course an offset there, right.

So I'm not guiding you, but there is no reading of -- by actually us focusing on the deployments of the plan which was announced to you basically four months ago now, four months and a half ago, there is no reading that this plan is a plan with necessarily a negative impact from that particular point of view on the bottom line. And I think that's what we said at the time and that's what I will repeat today.

Operator

We have a next question from Mr. Johnson from Citigroup. Sir, please go ahead.

Alastair Johnson - *Citigroup - Analyst*

Hello. Morning, everybody. Yes. Two questions really. Well, the first one, you provided some very helpful guidance on earnings for 2011 and revised the guidance on that. Could you possibly just give us an indication of what the cash profile of the business looks like as of the end of 2011? I presume working capital will have been quite difficult for you given the year-end trading. So if you could say anything about working capital or net debt, that would be very helpful.

The second question really, I just missed a comment on the Planet conversions. You said that you're seeing less marked uplift in a certain country. I think I heard France but I'm not sure which geography you were referring to. And perhaps you could give some numbers around uplift. I think the question's been asked before, but any color you can give would be very helpful.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Yes. Actually cash is of course a very good question, very important one, which I will not answer because if I answer this we definitely have now a call on results and not a call of revenue. But you will have absolutely a full disclosure on cash, cash flow and working cap, absolutely. But not for this call because this is the way it works at Carrefour and we have this two-step process where today is essentially obviously revenue. So I won't talk about cash, cash flow. But you will absolutely have full details on this on the -- in six weeks from now.

As far as Planet is concerned, yes, I think I did mention, and I was very specific on one country, which is France. I said on France basically a lot of stores opened very late in the year and even actually late within the fourth quarter. And I said that on the back of the evidence that we currently have, but not fully analyzed, in that specific country, i.e. France, there is less marked uptick of outperformance versus the stores of reference, i.e. same country, same type of store for the Planet project versus what we have experienced and still experience in the two other important countries for that project, which are Spain and Belgium. Did I give a specific number? No. Will I give it today? No.

Operator

The next question is from Mr. James Grzinic from Jefferies. Sir, please go ahead.

James Grzinic - *Jefferies - Analyst*

Yes. Good morning, everyone. I had two quick ones really. The first one is can you perhaps give us the magnitude of improvement on the pricing position in France beyond the KPIs you mentioned?

And the second one, can you perhaps give us where you are in terms of levels of out-of-stocks in France right now? I appreciate you've given us the improvement, but it would be interesting to see where you are on that level, in food and non-food, please.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. I think pricing improvements, I will apologize but I -- it's really hard for me. I think I've gone as far as I could in terms of describing to you where we are. So, difficult for me on pricing to give you very much more than where we are. I think the team, I'm sure, offline can maybe give you a little bit more help. But as far as I'm concerned, I think on this particular one I can't give you much more than all what I described in terms of pricing position vis-a-vis our peers.

Now on the out-of-stocks, the -- yes, I will -- that I will answer. I think basically the numbers and those numbers we had actually disclosed, I think Lars had actually disclosed them to you with Noel on August 31. So if you recall, those numbers of course are for France, right. We are specifically talking about France. We were at 7% for food and we were at 18% for non-food. And I told you we have basically, in terms of exit point of December for food, we are actually down 50%. And for non-food we are down by, own measures, a bit north of 40%.

So we are almost where we said we would be when we talked to you actually in August. And, as I said, we do not consider that as a point where we want to be and we will continue to work on both ratios. And actually on both of these ratios we continue to see trends which are on the improvement side.

James Grzinic - *Jefferies - Analyst*

And just to clarify, that is an exit rate rather than the average for the quarter? Can you perhaps give us where the out-of-stocks were for the quarter as a whole?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

No, it is an exit rate. I do not have the average. I think when we look at average we look at average for the year. So I can't -- then if I look at that, it won't answer your question because of course it will encapsulate the impact of the first half. So -- but I think what matters of course is the exit rate. And I think I gave you that exit rate.

It was not like all of a sudden we saw the problem on the last week of December, if that's your question. It was a steady -- I think Lars went into great details and I think Noel did as well when we explained back in August the rationale behind these out-of-stocks and we explained to you the moves and the IT issues in terms of ops which were linked to it.

So the fixing of this, of course, is a process which comes bit by bit in a consistent and resilient manner. So it's not like we did a miracle in December. It was a continuous, steady improvement, ending up in the exit rate, which I just described to you and quantified for you for both food and non-food in France.

Operator

The next question is from Mr. James Anstead from Barclays. Sir, please go ahead.

James Anstead - *Barclays Capital - Analyst*

Thank you. Three quick questions, please. On China, it seems you've not really found a way of dealing with the new non-food legislation. Do you think there is a solution to this or will that effect just drop out when you annualize it in the second quarter?

Secondly, what are your plans with opening Drive concepts outside France this year?

And finally, on French hypermarkets, I think that you said in the summer that there was a very small number of French hypermarkets that actually were unprofitable. Has that number increased quite significantly now that your French EBITs have declined, I guess, more than the circa 20% for the Group in 2011 or is that still a very small number?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. Sorry, your last question was on the small franchise businesses in a loss position. Is -- was that your question?

James Anstead - *Barclays Capital - Analyst*

No. I think I remembered in the -- I think at the first-half results someone mentioned that the number of your hypermarkets --.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Hypermarkets.

James Anstead - *Barclays Capital - Analyst*

Yes, sorry, hypermarkets that were actually loss-making was a very small number, maybe only two or three. Yes. Has that number increased a lot now that your French profits have come under a lot of pressure in 2011?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. I think the non-food legislation in China, basically the issue is that the comps were really impacted by three things, actually you could say four things in Q4. And we have to see which one of those four will remain. And some of it will disappear simply because of the weather and some of it will disappear simply because the comps will be obviously easier as well. So let's take them one by one.

What has impacted the non-food in Q4, we had four things, in essence. One was the weather. Okay. I think that one actually will solve by itself. First, the weather is now there in China. And second of all, that one is obviously something which, as you know, will solve by itself.

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The second one was the tougher comps coming from the fact that some of these apparel sales had been subsidized a year before. We enter now year 2012 where that subsidy have actually disappeared in 2011. So, again, that is an issue which will, from that perspective, solve by itself.

The third one was actually the lower inflation and -- or the perceived lower inflation by Chinese consumers. And we've commented on the fact that we've heard comments, difficult to quantify this. We'll see if it happens in the real world. But we certainly have seen quotes of customers moving their purchases by actually -- and in particular in non-food, where it's probably more relevant, but actually waiting for the end of the impact of the reduction of inflation. So we'll have to see how it impacts Q1. Q1 will of course be very much impacted by Chinese New Year. But it will be important to see if in Q1, where the combination of Chinese New Year and the expected lower level of inflation will -- this have been a help in Q1 in China non-food, right. But clearly there is in Q4 that slowdown of inflation, which I quantified three questions ago, which we think has impacted the market.

And the fourth reason, of course, is the legislation on cut prices, on what we call prix barre in French. There it's a bit the same. I can't comment on that legislation. It's quite stringent. We've debated it at length in previous calls. The only thing I can say is that in the comps, obviously of 2012, since that legislation started kicking in, if my -- I'm looking at the team, pretty much early -- actually I'm told by help on the side, by the team on the side, that it actually started in February.

I would say maybe in comps in Q1 we will still have comps a bit difficult to read there, but as soon as we go into Q2 2012 then this is another comp number which will be cleaned up from that 2010/early 2011 impact. So I'm trying to be as specific, subject by subject, as far as the comps of the non-food is concerned for China. Hopefully I have answered your question there.

Your next question was do we have a strategy for Drives out of France? And the answer is I think it's going to be a handful of them. I think we will. We'll discuss that in detail. I think when Lars presents this early March, we'll discuss Drives. Now what I'm disclosing to you basically today is for France. It is actually in the presentation that you have seen.

We believe that the Drives has taken basically something which could be up to 1.6% of the market in France. This is an important number. The number of people using Drives are basically people who are using them in 2011 for the first time, so this is a market which is still there. And we will be basically investing heavily in Drive in France next year in order not to catch up everything, but to catch up a pretty substantial part of or lag on this particular conduit in 2012. So I would say not too many out of France and a significant effort expected for both hypers and supers in France in 2012, as disclosed in the presentation which is in your hands.

Your last question was on do we have an increasing number of hypers in a loss-making position in the fourth quarter of 2012? Not that I'm -- the answer is not that I'm aware of. Right. I said I wouldn't make any comment on basically the bottom line, but I've just made one to help you out.

Operator

We have a question from Mr. Xavier Le Mene from Credit Suisse. Sir, please go ahead.

Xavier Le Mene - *Credit Suisse - Analyst*

Yes. Hi. Good morning. Two questions, if I may. The first one, just to understand a bit more in France. Sorry to be back on that subject about price investment, but can you give us some indication of what you have done in Q4 versus what you have done in Q3? In Q3 you have cut prices on 1,000 SKUs. You have cut the level of promotion from 24% to 20%. So what have you done on the top of that in Q4? That's really my first question.

The second one is about non-food on Planet. I understand that you don't want to give an indication on Planet, but do you think that Planet will solve the issue you've got in non-food in future or do you think that unfortunately it's not yet answering the -- it's not a good answer for the bad performance you've got in non-food? Can you elaborate a bit more about that?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. I think on pricing I'm running out of numbers to give to you, right. So you -- I gave you the model you know. I gave you the promotion rates. I gave the exit point in terms of price positioning versus our competitors. So I told you it's now at -- versus the one you all have in mind, we are back. We have re-bridged by actually regaining the lost territory in 2011, so our exit point there is back to where we started the year. So this is quite a quantified number there.

I told you that versus other competitors we have either improved our position or stabilized it. And I gave you another number, which is that vis-a-vis one of these competitors we now have a 7-price-point difference in hypermarkets. And I said as well that the -- we will continue obviously beating on that nail. And I said that this model is a model we will continue to deploy. We said 18 months. We have now basically six months, I should say, under our belt and we will continue to deploy this.

I think this is as quantified as I can be. And of course, I added one more thing, which was that for 500 staples, products, we have actually now reached a point of a peer level with the leaders there. And I have as well, just to make sure that I'm [exhausted], described to you the pace and the type of products we selected to basically deploy. So I am running myself out of -- but again, the team, offline, is going to be more than happy if they can supply to you with more data, within of course the restrictions that we have given [on servicing]. They will be more than happy to give you those additional information offline.

Now as far as your second question is on Planet and non-food, I think the non-food subject is -- besides China, and I have answered China I think in excruciating details. As far as Southern Europe is concerned, I think clearly the economy is there. I think we've said that the food was resilient. The non-food at a store on its own in a couple of countries, I didn't mention it but must have been part of it, as you know, part of food is textile, and textile was impacted certainly by the warm weather. It's always hard to quantify this, but there is an element there.

And how do we plan to fix this? I think definitely pricing as well. I think our policy on pricing is we've talked a lot about staples, which are lovely food, but the policy on pricing is a policy which we'll deploy category by category over time, but it will impact as well of course non-food. And you ask Planet, Planet is not the solution to non-food. It's one of the solutions of course to the battle on non-food in terms of volumes and, of course, margin.

Xavier Le Mene - *Credit Suisse - Analyst*

Okay. One remaining one, if I may. I know you are not commenting 2012 EBIT consensus, but can you at least give us where the consensus is for 2012?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Yes. I think if you give me one second, I -- that number, I will apologize because I don't know it by heart and I will read it to you. Okay. I think the consensus for the -- for what we call in our jargon the [ROC] I think stands at around EUR2.3b for 2012. I think that is a number which we are using internally. Not everybody has submitted this number, but of the population which we track, I think we have -- I'm told by the team that we have about 20 names in the database. And the number is at EUR2.3b for the year 2012. Okay?

Operator

The last question is from Miss Gulliver from Espirito Santo. Madam, please go ahead.

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. All right. So one more question. So please, go ahead.

Caroline Gulliver - *Espirito Santo - Analyst*

Good morning, everyone. Can I just ask a question about Brazil, and particularly the turnaround in hypermarkets? You said the fourth quarter like-for-like was up 2.9%, which I think is below inflation. So I'm assuming volumes are down. Could you, A, just confirm that? And also I think at the third quarter you said you thought you were closing the gap with the competition. Is that still the case or do you think the gap has widened again?

Pierre-Jean Sivignon - *Carrefour S.A. - CFO*

Okay. I think we -- I think you know the history of hypers and I -- you obviously know the stuff very well, so you have the full history of our hypers over the last few years. And I think what we are saying is that we've done, as you know, a very significant restructuring plan which basically is still in motion. We have closed or transformed a number of stores. And you could see that, if you look at the expansion of the Brazil portfolio in the third quarter, you had still a lot of action taking place in that particular format. And if you look now at the overall year for 2011, you will see that we have -- we've had a consistent performance.

Now your next question is like for like. Now you're in a format which was still being restructured in terms of either transfers to Atacadao in terms of transformation or in terms of basically closures of the particular stores which were not performing. So now you're asking me, for the specific point of hypermarkets, have we basically caught up? Are we at the level of our competitors? The answer is no. But -- and we will be working on this. And we expect to bridge some of that gap or to continue to bridge some of that gap.

The specific performance now of Q4, as I said in the call, we believe is somewhat explained by the slowdown of inflation, which is about 2 points by our own reading. I gave you the number that we use internally on inflation. Now are we at the level of inflation in terms of like-for-like growth for hyper? No, but we intend to get there. Now for the rest of Brazil Atacadao, all our numbers of course are north of inflation, as you could see. Even if you exclude expansion, we're there.

And I want to add as well that for Atacadao in Brazil, our numbers are hurt by the fact that we basically shut down some stores which used to be in the hyper, basically, portfolio and which are not yet in the Atacadao portfolio, basically in the numbers for the fourth quarter.

We have a couple of other action plans which we want to flag, since you're getting back onto the subject of Brazil. We are considering basically an important driver for the non-food territory for Brazil, which is the fact that inflation, even though it has actually come down in Brazil, salaries are actually basically going up. And that is something which for us is a bit of a leading indicator. And that has been mentioned by one of our competitors a couple of days ago, and we concur with that, that wage inflation, if you control it and manage it properly, has a good side to it, which is that it's a good leading indicator for what could be consumption in the coming quarters. So that is something which has been mentioned by one of our peers and I think we stand by that, in particular for those emerging markets.

So I think we are -- we've used the time allocated. I want to thank all of you for this first call of the year. I take one last opportunity to wish all of you happy New Year, mention again that the line is now open for the whole team under the helm of Reginald, who actually joined the team, as you know, and will be leading his first Q&A session post a quarterly call with his team. So the line is open and they will be more than happy to take your questions from now on.

Thank you very much and talk to you next time.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you all for attending. You may now disconnect.

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