

In France, we are winning food market share

Our operating and financial ratios continue to improve. We confirm our objectives for 2004

Our strong cash flow allows us at the same time to open one million square metres of new space, to reduce net debt, and to increase our dividend payout and begin to buy back shares

Net sales
€34,549 m

+ 4.0 %

at constant exchange rates

+ 2.9%

at current exchange rates

EBIT
€1,214 m

+ 4.5 %

Recurring net profit
group share before
goodwill
€690 m

+ 9.6 %

Recurring net profit
group share after
goodwill
€531 m

+ 12.6 %

We have made significant progress strengthening our business in H1.

In France, our pricing position has never been stronger.

As a result, we are beginning to win back market share in food.

We achieved strong organic sales and earnings growth in Europe ex-France and overseas, which are now becoming important new engines for growth for the group.

We are on track to open one million square metres of new space in 2004 (80% will be outside France).

We reduced average net debt by €1.5bn thanks to strong cash flow and excellent cash management.

1st HALF 2004 KEY FIGURES

In m Euros	1H 2004	1H 2003	Chge
Net sales	34,549	33,588	+2.9 %
EBITDA	2,028	1,954	+3.8 %
EBIT	1,214	1,162	+4.5 %
Recurring net profit	720	662	+8.8 %
Recurring net profit - Gp share			
before goodwill	690	630	+9.6 %
after goodwill	531	472	+12.6 %
Non recurring items - Gp share	6	39	ns
Net Result Group share	537	510	+5.3 %
Average net debt	9,626	11,096	-13 %
Net debt June 2004	9,250	10,694	-14 %

Net sales up 4.0% ex currency

In m Euros	1H 2004	1H 2003	Chg.	Chg. at ctt exch. rates
France	17,068	17,173	-0.6%	-0.6%
Europe ex France	12,775	12,049	+6.0%	+6.5%
Americas	2,241	2,198	+1.9%	+6.7%
Asia	2,465	2,168	+13.7%	+23.3%
Group	34,549	33,588	+2.9%	+4.0%

Our priority has been to invest in price in our French hypermarkets. Today, 80% of our hypermarkets are now either number one or number two on price in their catchment area compared to only 30% at the beginning of the year. We expect to see an improvement in like for like sales in the Second Half as these investments begin to pay off. Ex France, sales increase by 8.7% at constant currency.

Gross margin stable, EBIT up 4.5%

As a result of buying synergies, supply chain improvements and turnarounds, gross margin increased as a percentage of sales in Europe ex France and Asia despite continuous price reinvestment in all countries.

This increase offset a 20 basis point decline in the gross margin in France. Overall, group gross margin was stable as a % of sales.

SG&A as a % of sales was stable at 16.9%. Across the group, investment in marketing and advertising costs to reinforce our pricing strategy, and higher rents from leased stores, were offset by lower costs as a result of our ongoing program of back office reengineering.

EBITDA margin increased 10 basis points to 5.9%. EBITDA grew 3.8%, with France growing 1.1%, Europe ex-France 4.8%, and Asia and Latin America by 7.6% and 67.8% respectively at current exchange rates.

Depreciation and provisions increased in line with sales.

Thus, EBIT increased 4.5% to €1,214m

Recurring net profit Group share after goodwill amortization up 12.6%

Financial costs fell 13% due to the reduction in average net debt over the period.

The tax rate remained stable at 32%. As last year, we expect a lower tax charge in the Second Half

Recurring net profit Group share increased by 9.6% before amortization of goodwill, and increased by 12.6% after amortization of goodwill.

We confirm our 2004 objective of around 5% sales growth ex currency, double digit eps growth, and ROCE of 19%

FIVE KEY PRIORITIES FOR THE NEXT 12 MONTHS

1. improve our pricing position and win back market share in France.
2. grow profitability and Return on Capital Employed outside of France. We will divest those assets which are non-core and non-profitable. We will acquire assets which reinforce our market position.
3. maintain strong organic sales growth (opening at least one million square metres a year) so that we can achieve, and sustain, high quality earnings growth. We will also create a new real estate holding company in Europe.
4. continue to reduce debt by at least €500m a year.
5. return to shareholders, through an increased payout and share buy backs, the cash left over after we have met our objectives for square metres and debt reduction.

AGENDA 2004/2005

12th October 2004 : Sales 3rd quarter
11th January 2005 : Sales 4th quarter

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