



868
stores

44
stores
opened
in 2004

267,088
employees

57.7%
of Group
sales



Hypermarkets

Carrefour

Under one roof, hypermarkets offer a large choice of food and non-food products at discount prices.

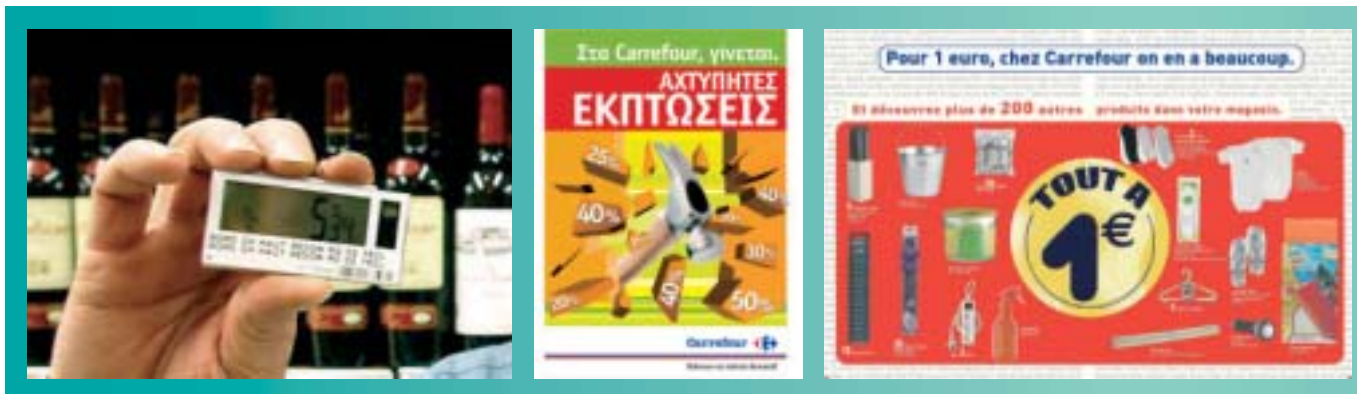
Part of a shopping mall or retail park, hypermarkets attract a great deal of traffic.

In 2004, Carrefour decided to capitalise on the attraction of its hypermarkets:

- by strengthening their position and price image;
- by adjusting the business model to meet customer expectations;
- by making shopping easier so that it can be a pleasure: simplification of messages, introduction of shorter paths around the store, adaptation of the product mix to changing customer requirements;
- by making a personal connection with each customer to serve him/her better.

Being the leader on prices

With the major price reductions implemented in January 2004, the Carrefour hypermarkets showed their responsiveness and their strength over the competition.



► *The new pricing position*

The essence of a hypermarket is to offer a very large range of products at discount prices. In macro-economic periods marked by low consumer confidence, the hypermarkets have seized the occasion to strengthen their price image.

This was particularly the case in France in 2004. Thus, the mass consumer product panel of November 2004 placed 125 French Carrefour hypermarkets amongst the 179 existing price leaders in their customer catchment areas. In most catchment areas and for equivalent products, the Carrefour hypermarkets were less expensive than their competitors. This figure should be compared with the 30% of stores that were first or second in their catchment areas at the beginning of the year.

This also applies to the hypermarkets in Belgium, the price position and image of which have considerably improved.

► *A new pricing system*

The price offensive is accompanied by a new system of assisted pricing.

The electronic tagging system makes it possible to change prices remotely and very quickly. It also eases stock management with very rapid indication, in front of the shelves, of the exact stock level of merchandise. This is a tactical tool, making it possible to respond to local competition with great speed and flexibility. This is carried out site by site, by monitoring the competition in the region and within the customer catchment area.

This tool has been deployed in a number of countries and the tests have proven very conclusive. It will be progressively extended to all stores.



An organic growth to respond to the need for shopping convenience

The expansion of the hypermarkets meets customer demand for convenience, especially through the improvement in the accessibility of the stores. They are carefully located to be as close as possible to the consumers and their size is adjusted to their expectations.

► ***A strengthened price image***

After a good adjustment of the price position, attention must be focused on the price image in order to make gains in market share. Here are a few examples:

► **Price image leader in Taiwan**

The hypermarkets took advantage of their leading position by opening 3 new stores, one of which is located in the centre of Taipei (5 new stores planned for 2005). The modernisation of the stores is supported by a major expansion of fresh produce. Thanks to the launch of the “No. 1” brand and despite the hard discount competition, Carrefour remains the leader in price image.

► **Upward spiral in Spain**

In a very competitive environment, the Spanish hypermarkets have been engaged in an intense price battle for two years. This investment is now showing its fruits.

In 2004, the Carrefour hypermarkets once more improved their price image and increased their market share. More generally the Group has consolidated its leading position as an international retailer in the country. A similar upward spiral has been started with the suppliers. This can be seen in the success of large-scale, innovative operations, as exemplified by the “Código Mágico” interactive game, broadcast on television. The Group and, more particularly, its hypermarkets are thus well-placed to continue their growth in the Spanish market, one of the most dynamic in Europe.

← **PORÓWNAJ I WYBIERZ** →



NAJTAŃSZY PRODUKT



PRODUKTY MARKOWE



PRODUKT
Carrefour



► **Asia: a new store model for the area**

The particularly sustained expansion in Asia benefits from the expertise and experience of the Group with its presence in 32 countries with various store formats. Its decentralised nature and flexibility are particularly beneficial.

In particular, a new store model has been devised to respond to the special characteristics of the local markets. With a sales floor area of 3,500 to 6,000 sq.m, these small hypermarkets will enable the Group to establish itself quickly in the country. Furthermore, their limited dimensions make it easier to obtain planning permission where this might not be granted for larger stores.

In addition, their smaller size enables these stores to play their part in the local and social life of medium-sized towns.

► **Customized hypermarkets in Latin America**

Carrefour adapts its hypermarkets to fit the country. Thus, to respond to the requirements of the Latin American population, they are divided into three living standard categories. The differences are in the number of employees on duty in the store, the number of different mass consumption products offered for sale and the nature of the non-food product mix. Associated with the very aggressive offensive on lowest prices and retailer brands, this approach has led to a steady improvement in the price image amongst the various populations. This is the case in Colombia, where Carrefour has the best price image. In Argentina, the hypermarkets hold second position.

Freedom of choice for the customer

In line with its philosophy, Carrefour offers a wide range, giving the customer a maximum freedom of choice.

Three major product categories are listed in the stores:

- the national brands;
- the retailer brands, "the best quality/price ratio", include the banner brands, the Carrefour International Products, the local products

("Reflets de France", "Terra d'Italia", "Nostra Terra" in Spain, etc.) and the Carrefour Quality Lines;

- finally, the lowest price products with the "No. 1" brand, at prices near or below those of the hard discounters.



► Modernisation and enlargement of the hypermarkets in France

In 2004, a franchised hypermarket of 7,700 sq.m was taken on and eleven stores were enlarged, making a total additional sales area of 41,000 sq.m. These enlargements are very profitable and make it possible to:

- markedly increase shopping convenience for the customers, giving them more space and more accessible display shelves;
- offer a wider product range and thus express the entirety of Carrefour's habitual food and non-food product mix.

This renewal is accompanied by a modernisation plan for all the stores, including those that are not enlarged. With plans for an additional 60,000 sq.m, 2005 will see a return to expansion.

Choice, the diversity of the product mix

Creating special points of attraction for optimum shopping pleasure. The Carrefour hypermarkets stand out not only for their prices and the quality of their product mix but also for its variety. This has been strengthened and special attractions have been created for the non-food products.

The new concepts in non-food

Several areas dedicated to non-food products were created in France during 2004. These include the new "Techno" concept for new technologies, sound and vision. The areas set aside in the hypermarkets have been redefined with a more theatrical presentation of the products. These special areas are now

runned by specialised sales staff, trained for the purpose. Information panels have also been installed at the entries to these areas in order to improve their visibility and offer customers a better reception.

Another example of development can be seen in the textiles area: modernisation of the areas concerned and restructuring

of the collections, the "Tex" own brand in particular.

The household equipment (crockery, small furniture, decorative items, etc.) and general equipment (bin bags, bulbs, batteries, ink cartridges, etc.) also represent solid product lines and therefore benefit from a similar approach.

► A clear product mix

To persuade customers to visit the hypermarkets more often, they must set themselves apart from their competitors, not only in price, quality and adaptation to local context but also in their product mix. To be visible and useful, this differentiation requires a richer and more clearly visible product mix.

► Varied product ranges

The hypermarkets now offer the best price on the 20% of mass consumption products that represent 80% of sales. Furthermore, they give access to a very significant additional product mix. In 2004, this richness was enhanced with a rebalancing of food against non-food which is intended to continue in 2005.

► Fresh produce: our core business

A major factor in differentiation and customer loyalty, the hypermarkets are paying particular attention to fresh produce: cakes and pastries, meats, cheeses, etc. To keep the teams ahead and maintain their professionalism, a major training programme is to be rolled out in 2005. This will affect all employees concerned, from members of the executive committees to sales department managers. Ten hypermarkets have been selected as training stores for this purpose.

► Points of attraction for non-food products

► In the non-food area, the product mix is adjusted as a function of many criteria:

- the customer requirements and macro-economic conditions in the various countries in which the Group has a presence;
- the importance of local competition from specialists: the hypermarkets adapt the effort invested and



Textiles

An association of two collections, one permanent and the other seasonal, with design and purchasing in Spain

aggressivity of their pricing to the reality of local specialist competition. Thus, in France, Carrefour offer a greater range of permanent textile products than seasonal products. The Spanish model, on the other hand, offers a more seasonal textile range;

- the size of the stores and the overall product range.

► **In France, Carrefour has chosen to emphasise certain non-food product categories:**

- the culture is going through major changes with a structurally regressive disc market. Carrefour has anticipated this fall and reduced the space in its hypermarkets given over to discs but increased the space allocated to books;
- technology sales that were compartmented into telephony, computers, audio and photography have now been integrated in the “Techno” concept. This greatly simplifies the access to and coherence of technology. The result is clearer and more precise advice;
- textiles combine the strength of the permanent “Tex” collection with the progressive implementation of the Spanish collections.



Carrefour, the leading bookshop in France

Culture is an attraction and represents a major line of differentiation for the hypermarkets in mature markets by comparison with hard discounters and other competitors. The potential for development in this area is enormous. Already, Carrefour is positioning itself as the leading bookshop in France and, as such, participating in literary life, in particular with its award of the Young Authors’ Prize (3rd edition in 2004). At the end of 2004, putting DVDs on sale for one euro met with a great success. In 2005, the mix of books, comics, mangas, DVDs, CDs and other cultural products will be further improved, giving a very wide choice in line with current events.

Customer loyalty

for better customer satisfaction

To satisfy the diverse expectations of customers, the Carrefour hypermarkets are deploying customer loyalty programmes. Their success can be seen in the sustained and strengthened links with them.

► Numerous advantages for the customer

The success of customer loyalty programmes is connected with the advantages offered to customers. In France, the hypermarket loyalty card operates in a different way from those of competitors. Usable in all hypermarkets under the banner, it enables the bearer to obtain his/her personal reductions on 25 products of their choice and obtain a 5% discount on all Carrefour brand products. Each month, card bearers receive a cheque (8.60 euro on average) and benefit from specific operations. In addition, Carrefour offers loyalty reductions on 400 products every month. The return rate of the cheques reaches 85%, a high score that demonstrates the effectiveness of the programme.

► Towards targeted marketing

Whatever the country concerned, the strategic advantage of the loyalty card is that it permits a steady transition from mass marketing to targeted marketing. Thanks to the information gathered on the customers, it becomes possible to offer customised packages in partnership with the suppliers. Shopping vouchers can also be offered to non-customers to attract them to the stores.

► Carrefour Quality Lines in 18 countries, or how to strengthen loyalty to the banner

On 31 December 2004, Carrefour had 616 product line contracts with about half of them outside France.



During the year, 18 of the 32 countries where the Group has a presence signed contracts of this type. Carrefour also plays a role in the emergence of new agricultural or fishing practices that are less intensive and more respectful of the environment, including in developing countries. In this way, it participates in the activities of more than 40,000 farmers, rearers and fishermen.

Amongst other things, 2004 was marked by the launch of the "Pêche Responsable" [Responsible Fishing] logo for the Iceland cod lines – submitted to intensive fishing techniques, the cod is now threatened with extinction. As an example of synergy between countries, a line for young beef stock has been set up with French rearers to supply the Italian market.

Also worthy of note, the development of relations with the Chinese producers on the local and export market for certain products, such as the exportation of a Chinese grapefruit to France.



Transaction records on 31 December 2004

Leading hypermarkets in each country.

| Country | Hypermarket | Number of transactions in 2004 |
|--------------------------|--------------------------|--------------------------------|
| China | Qingdao - Hong Kong Road | 8,275,545 |
| Poland | Warszawa Wilenska | 7,387,541 |
| Czech Republic | Prague Novy Smichov | 7,120,224 |
| Other European countries | Dubai | 6,388,547 |
| Romania | Orchidelor | 5,499,222 |
| Turkey | Istanbul-Içerenköy | 4,422,206 |
| France | Lyon La Part Dieu | 4,272,504 |
| Slovakia | Polus | 4,070,855 |
| Tunisia | Tunis | 3,973,611 |
| Korea | Seoul - Worldcup Mall | 3,901,633 |
| Indonesia | Lebak Bulus | 3,541,257 |
| Italy | Grugliasco | 3,403,300 |
| Spain | Aluche | 3,318,801 |
| Singapore | Suntec | 3,282,887 |

| Country | Hypermarket | Number of transactions in 2004 |
|--------------------|------------------------|--------------------------------|
| Brazil | Interlagos | 3,086,527 |
| Thailand | Ratchadapisek | 2,754,475 |
| Malaysia | KL - Mid-Valley | 2,693,459 |
| Portugal | Oeiras | 2,674,468 |
| Taiwan | Taichung - Ta Tun | 2,255,870 |
| Colombia | Tienda Bogota Calle 80 | 2,209,045 |
| Japan | Kansai - Mino | 2,201,067 |
| Argentina | San Lorenzo | 2,083,799 |
| Belgium | Auderghem | 2,080,860 |
| DOM TOM | Baie Mahault | 2,073,614 |
| Mexico | Polanco | 2,031,467 |
| Greece | Makedonia | 1,974,411 |
| Dominican Republic | Santo Domingo | 1,951,295 |
| Switzerland | Dietlikon | 1,786,472 |

Nearly 2 million transactions per hypermarket per year on average around the world.

CARREFOUR HYPERMARKETS

Openings in 2004

2004 sales by country

Geomarketing and round tables

The development of loyalty programmes is backed up by a new geomarketing approach. As a function of the specific characteristics of the customers in each catchment area (living standard, preferences, behaviour, etc.), the product mixes in the stores could be adapted to best meet their requirements. This approach complements direct contact with customers in round tables organised by the stores themselves: these contacts remain indispensable to validate with them all those decisions that affect them directly.

| | Sales after tax under banners 2004 | Openings 2004 | Total Hypermarkets |
|-------------------------------------|------------------------------------|---------------|--------------------|
| EUROPE | | | |
| France | 23,394.3 | | 216 |
| Spain/Portugal | 8,794.9 | 2 | 133 |
| Italy | 2,788.3 | 1 | 39 |
| Belgium | 2,475.8 | | 56 |
| Greece | 722.5 | 1 | 16 |
| Poland | 583.4 | 2 | 17 |
| Switzerland | 641.9 | | 11 |
| Turkey | 601.7 | | 11 |
| Czech Republic/Slovakia | 460.4 | 1 | 14 |
| EUROPE TOTAL | | 7 | 513 |
| LATIN AMERICA | | | |
| Brazil | 2,661.2 | 2 | 85 |
| Argentina | 608.2 | | 28 |
| Mexico | 578.1 | 2 | 29 |
| Colombia | 455.7 | 4 | 15 |
| LATIN AMERICA TOTAL | | 8 | 157 |
| ASIA | | | |
| China | 1,572.5 | 15 | 56 |
| Taiwan | 1,174.1 | 3 | 34 |
| Korea | 1,258.2 | | 27 |
| Thailand | 446.6 | 1 | 20 |
| Indonesia | 419.3 | 5 | 15 |
| Malaysia | 204.5 | 1 | 8 |
| Japan | 342.3 | 1 | 8 |
| Singapore | 90 | | 2 |
| ASIA TOTAL | | 26 | 170 |
| FRANCHISED PARTNER COUNTRIES | | | |
| United Arab Emirates | | | 8 |
| Saudi Arabia | | 1 | 1 |
| Oman | | | 1 |
| Qatar | | | 1 |
| Egypt | | | 2 |
| Tunisia | | | 1 |
| Romania | | 2 | 4 |
| DOM TOM | | | 9 |
| Dominican Republic | | | 1 |
| PARTNER COUNTRIES TOTAL | | 3 | 28 |
| GROUP TOTAL | | 44 | 868 |



Champion

Z myślą o Tobie



2,376
stores

88
stores
opened
in 2004

87,328
employees

25%
of Group
sales



Supermarkets

Champion

NORTE

GS

GB

GLOBI

With its adaptability and its integration within the daily life of the customers, the supermarket format is a success in those countries where it is established. It has a number of advantages: convenience services and the quality and freshness of its products; these enable it to establish strong links with its customers.

Performance, adaptability and innovation

Operating under various banners, both in France and internationally (Champion, Norte, GS, GB and Globi), the supermarkets have a role to play in all the geographical areas where the Group has a presence, complementing the hypermarket format.

An urban Champion in the heart of Paris

The adaptability of the Group's supermarkets is illustrated by the new Champion in the Rochechouart district, opened on 4 May 2004 in Paris. Its organisation responds perfectly to the requirements of

the Parisian customer, who has little interest in promotions, seeks sustained low prices, is as much attracted by the national as by the retailer brands and is always in a hurry. A "fast lane" ("illico presto") has been

set up with suitable opening hours (the supermarket is open until 22:00), the fresh produce is self-service to avoid waiting at peak hours and certain checkouts are reserved for baskets and small, two-basket trolleys.

► *The supermarket, a model of flexibility*

► **Adaptation to the locality**

The supermarkets adapt to the local context by taking account of the types of customers, their consumption habits, the nature of the competition, etc. Their model gives the benefit of great flexibility and leads to three types of store:

- the in-town stores, which offer essentially food products;
- the town-fringe stores, which often have a role that is complementary to or even in competition with the hypermarkets;
- the rural stores, characterised by a greater development of the offer of non-food products (textiles, general, etc.).

The very construction of the stores incorporates this flexibility. Highly modular, their architecture facilitates rapid modification.

► **An innovative and flexible product range...**

The Group's supermarkets are also characterised by the presentation of a wide range of products, especially of fresh produce and by their friendliness.

► **...backed up by franchising**

Franchising is a major growth area for the supermarket format. It favours rapid expansion and offers excellent development opportunities.

Franchising meets the increasingly evident requirements of the independents and small chains. These have a great deal to gain from the support of a group like Carrefour. This gives them the benefit not only of powerful central purchasing, strong and effective communication and high-performance logistics but also of the Group's commercial know-how.

With a presence in France, Belgium, Italy (where, of 23 stores opened this year, most were franchised) and in Norway, franchising now represents a significant growth vector for the format.



Launch of the Champion International Products

Since April 2004, the “Champion International Products” (PCI) line has been added to the range of products on offer in the Carrefour Group’s supermarkets, an event that was accompanied by a new reduction of prices by an average of 25% for certain items. The introduction of products common to the various countries leads to a rationalisation of procurement and logistics and thus contributes to financing the price cuts. At the end of 2004, 280 PCI items were listed under various banners of the format.

► *A customer loyalty model*

To satisfy the expectations of its customers, the supermarket in Europe relies on a high-performance tool: the loyalty card.

► **Customer loyalty based on permanently low prices**

To gain market share and strengthen links with their customers, the supermarkets have invested strongly in prices and the development of own brands. From autumn 2003 and throughout 2004, many own brand products benefited from successive price reductions. There were also several occasions on which the prices of one thousand Champion products were frozen for several months.

► **More than 550 lowest price items**

This aggressive pricing was reinforced at the beginning of the year with the launch of the “No. 1” brand, which has since been deployed in all countries. At the end of 2004, the supermarkets offered more than 400 food and more than 150 non-food products under this label.

Establishment in Norway

On 16 September 2004, the first 5 Meny Champion stores opened their doors in Oslo, Norway. This operation is the result of a partnership with the Norwegian retailer, Norges Gruppen, the leader in its country. It enables the Carrefour Group to establish itself in all formats in Scandinavia. The contract linking the partners provides for the progressive transfer of all 136 Meny and Ultra stores to the Champion banner as franchises and the supply of the 1,913 Norges Gruppen stores by the Carrefour Group.



► **Customer loyalty, backed up by great shopping convenience: store modernisations**

In 2004, the stores were modernised. Helping customers find their way in making their choices and in identifying prices, the new signing systems, distinctive in each department (butcher's, breads and pastries, perfumery, etc.), and the signposting contribute to strengthening their links with the banner and its brands.

This attachment lies at the heart of several projects now being devised or rolled out, which aim at an even greater differentiation of the Carrefour Group supermarkets from other retailers.

This detailed work covers the launch of niche brands and new items ("bio", baby and cosmetic products, etc.), and the better exploitation of the existing product ranges, especially the "Quality" lines and the special recipes and fresh produce. This strategy is implemented through the customer loyalty programmes, which facilitate the communication and direct marketing actions.

► **Loyalty schemes, the vehicle for a brand**

Each supermarket regularly measures the satisfaction of its customers through checkout surveys and analyses the changes in their consumption attitudes and expectations. Thanks to this attention to the customer, it adapts, as well as possible and with the greatest responsiveness, its product mix and its promotions.

Start of deployment in China

On 29 April 2004, the Carrefour Group inaugurated its first Champion supermarket in Asia. This store opening, at Nongguangli near Beijing, was followed by that of 5 other stores near the Chinese capital. By the end of 2005, this number should increase to 18, and then some fifty by the time of the Olympic Games in 2008.

► **The loyalty cards, targeting the customers more precisely**

Offered to customers by the majority of Champion supermarkets in Europe, the loyalty cards are eventually to be deployed by this store format in all countries. Their widespread use enables new customers to be won and the frequency of their visits to be increased.

Held by 5.5 million active bearers, the Iris card represents 76% of Champion's sales in France. Whatever the country, the information gathered about the customers is used to launch increasingly targeted actions with the aid of shopping vouchers, free samples or by working with suppliers on changes to products and packaging.

► **A growth model**

Here again we have a flexible growth model that associates all forms of market penetration.

This is shown by the opening of new sales floor area. In total, 107 supermarkets were opened around the world in 2004 (88 new openings and 19 acquisitions),

SUPERMARKETS

Openings in 2004

2004 sales by country

| | Sales after tax under banners 2004 | Openings 2004 | Total supermarkets |
|-------------------------------------|---------------------------------------|------------------|-----------------------|
| EUROPE | | | |
| France | 13,366.3 | 11 | 1,022 |
| Spain | 1,085.9 | 8 | 190 |
| Italy | 2,893.2 | 23 | 380 |
| Belgium | 2,280.9 | 3 | 263 |
| Greece | 805.9 | 21 | 120 |
| Poland | 267.3 | 4 | 70 |
| Turkey | 72.6 | 2 | 7 |
| EUROPE TOTAL | | 72 | 2,052 |
| LATIN AMERICA | | | |
| Brazil | 509.9 | | 97 |
| Argentina | 526.4 | | 114 |
| LATIN AMERICA TOTAL | | 0 | 211 |
| ASIA | | | |
| China | 4.6 | 6 | 6 |
| ASIA TOTAL | | 6 | 6 |
| FRANCHISED PARTNER COUNTRIES | | | |
| Belgium | | 5 | 62 |
| Tunisia | | | 1 |
| Norway | | 5 | 5 |
| DOM TOM | | | 39 |
| PARTNER COUNTRIES TOTAL | | 10 | 107 |
| GROUP TOTAL | | 88 | 2,376 |



Simplified stores in Italy

The reduction of the management costs of the supermarkets is the essential accompaniment of the price reduction programmes. In Italy, for example, the GS store at Spesaidea was changed in October 2004 into a simplified supermarket with an increase in the amount of self-service. The gains made were immediately reflected in the sale prices of the products. This model is to be followed in contexts of intense competition, especially with the hard discount and to develop the banner in new areas.

of which 101 in Europe and 6 in Asia and representing a total floor area of 144,000 sq.m. These openings are carried out not only by the wholly owned stores but also by franchises or by the takeovers of competing franchises.

There are also enlargements of stores as a function of customer catchment areas and local competition. Certain supermarkets are optimised to offer a more extended product range, especially of fresh produce and non-food products. Remodelling the stores also makes it possible to offer the customers greater shopping convenience with greater legibility and a more welcoming atmosphere.

› Nearly 2,400 stores in 12 countries

On 31 December 2004, there were Carrefour Group supermarkets in 12 countries, two more than in 2003. In Europe, they are established in France, Spain, Italy, Belgium, Greece, Poland, Turkey and, since 2004, in Norway.

At the end of 2004, there was a total of 2,119 stores in Europe. In Latin America, in Brazil and Argentina the Group had a total of 211 supermarkets at the end of 2004. The supermarkets are also present in the French overseas departments and territories with 39 stores, in Tunisia with one store and, since 2004, in China with 6 stores. A dozen of new stores should be opened in this country in 2005.

The total number of supermarkets amount to 2,376 stores, half of which are under the Champion banner.

› Different growth mechanisms

Whatever the country, the supermarkets benefit from a growth strategy that encompasses several mechanisms: organic development with the creation of stores adapted to the local context, store enlargements or tactical acquisitions to quickly gain a significant market share. By means of franchising and partnerships, burdensome investments can be avoided, as in the case of the agreement signed in Norway with Norges Gruppen, the leading retailer in the country.



4,934
stores

554
stores
opened
in 2004

36,943
employees

8.3%
of Group
sales



Hard discount

Dia %

Ed

M *minipreço* →

Combining simplicity, modernity and functionality, the hard discount stores meet the needs of customers seeking food products at the lowest price. The 3rd hard discounter in the world, Dia is one of the driving forces of the Group expansion. Backed up by Carrefour's purchasing power and capabilities, Dia offers its customers an original discount.

Dia, 3rd hard discounter in the world

Dia has a presence in 8 countries in Europe, Latin America and Asia. The store network comprises nearly 5,000 points of sale under Dia, Ed and Minipreço banners. In 2004, the sales amounted to 7.5 billion euros. The hard discount format is a model that is very complementary to the hypermarkets and supermarkets as it can be adapted to any local constraints

Inclusion of the Carrefour International Products

In all countries, the hard discount banners benefit from the power and expertise of the Carrefour Group in prices, brands, quality, logistics and IT systems.

Like the other formats, the hard discount stores started in 2003

and continued in 2004 to incorporate international products, developed at the Group level (PCI), in their product range.

At the end of 2004, Dia stores were already offering their customers over 200 PCI items. This not only helps the

hard discount stores to establish their particularly aggressive position in their markets but also contributes to maintaining the high level of quality offered to their customers.

Test in Spain: the new MaxiDia concept

2004 saw the launch of a new concept in Spain: MaxiDia. With a sales floor area of about 1,200 sq.m (compared to 300 to 800 sq.m normally), it displays a wider product range and offers more perishable products.

6 stores of this type were created in the country. Given their excellent results, there are already plans to open or enlarge other stores in Spain to convert them to MaxiDia in 2005 and the model could be developed in other countries.

► *A very flexible model...*

Their small floor area makes hard discount stores easy to expand.

More than half the sales comes from own brands.

This is a very flexible format. The key words are speed of adaptation, flexibility and decentralisation. The stores are regularly re-fitted. Enlargements, changes of location, modernisations or reorganisations are very frequently carried out. Thus, the business model changes with its market.

► *...that takes in three types of store*

The hard discount store adapts to its environment and can be divided into three types:

- the town-centre Dia with a sales floor area of less than 300 sq.m. This format offers a range of food products at minimum price. These rented stores are extremely flexible and firmly anchored in the urban environment;
- the town-fringe Dia, with a sales floor area of about 600 sq.m and a carpark. Larger than the previous



Success of loyalty cards in Spain, Portugal and Greece

In Spain, 7 million households are holders of the “Club Dia” card and card purchases represent 82% of sales under the banner in the country.

In Portugal, where 1.3 million households hold a loyalty card, a new system was inaugurated in 2004 that can be implemented in other countries: the loyalty booklet with coupons.

In Greece, more than 600,000 households hold a loyalty card. Their number should increase rapidly, in line with the sustained growth in this country.

The customer loyalty scheme in the hard discount stores is a great success.

example, its product range is greater. It offers products in wholesale packaging and has a fresh produce section;

- the MaxiDia, concept close to a hard discount supermarket, tried out in Spain in 2004.

► An original model

Dia has developed an original concept, very different from its competitors, that gives it a decisive competitive advantage.

For example, Dia excels in its fruit and vegetable know-how and choice. It offers a small, optimised range of fresh produce, of excellent quality and at the lowest possible price.

The overall product range is precisely defined to maintain a balance of own brands and national brands at unbeatable prices. It is also adjusted according to country and concept maturity. The proportion of national brands can thus vary between 40% and 80%.

The strength of Dia is also founded on continuing communication about quality and food safety.

The accent is on the strengthening of quality controls and increasing frequency of supplier audits carried out by independent laboratories. Special attention is given to the performance of the on-line traceability system.

The loyalty cards are deployed in all those countries where the banner has a presence and are a great success.

Priority given to food safety

While offering their customers the lowest prices on the market, the hard discount stores undertake to ensure a maximum of food safety.



Strong expansion in China

Following the establishment in 2003 of the first stores in partnership with local businesses, 2004 was the year of consolidation of the hard discount store in China. By store, the growth in average sales reached 27.3%. During

the year, 110 new points of sale with an average sales floor area of 256 sq.m were opened.

The objective for 2005 is to reach 264 stores in the country with, in particular, the opening of a 1,200 sq.m store in April in Beijing. 400 own

brand products are offered to Chinese consumers with 20 at lowest price.

As in other countries, the ability to offer low prices is based on the limitation of retail costs. The warehouses are equipped with the latest

technology, such as radio frequency systems – these make it possible to limit mark-downs and to make the logistics organization still more effective and faster.

► An essential line of growth

Wherever the Dia, Ed and Minipreço banners are present, they benefit from sustained growth. From 1999 to 2003, the total average annual growth was higher than 10%. Outside Spain it was 18.5%. Following the opening of 553 stores in 2003, 554 new stores were created in 2004, which represents 290,000 sq.m of additional sales floor area. The Group plans to accelerate the expansion and has set itself the target of opening 1,000 additional points of sale by 2006. The hard discount business sales should then exceed 10 billion euros.

Following Turkey in 1999 and Brazil in 2001, China is the latest country to have adopted the Dia format. In 2003, the first Dia opened its doors in Beijing. 24 months later, China counts more than 160 points of sale.

► Growth, a strategic priority

The Carrefour Group's strategic priority in its hard discount business is to continue its expansion while remaining faithful to its philosophy. This is based on three priorities:

- to offer the customers undisputed product quality;
- to offer unbeatable prices within the customer catchment area;
- to maintain a constant and sustainable level of international growth, driven always and everywhere by the best teams of professionals.

HARD DISCOUNT Openings in 2004 2004 sales by country



| | Sales after tax under banners 2004 | Openings 2004 | Total hard discount |
|----------------------------|---------------------------------------|------------------|------------------------|
| EUROPE | | | |
| France | 2,331.6 | 56 | 642 |
| Spain | 3,676.9 | 136 | 2,651 |
| Greece | 341 | 57 | 327 |
| Portugal | 684 | 20 | 370 |
| Turkey | 121.7 | 59 | 239 |
| EUROPE TOTAL | | 328 | 4,229 |
| LATIN AMERICA | | | |
| Brazil | 137.3 | 76 | 208 |
| Argentina | 183.3 | 40 | 333 |
| LATIN AMERICA TOTAL | | 116 | 541 |
| ASIA | | | |
| China | 40.9 | 110 | 164 |
| ASIA TOTAL | | 110 | 164 |
| GROUP TOTAL | | 554 | 4,934 |

Shared technological developments

The professionalisation of the vehicle fleet and the modernisation of the warehouse management procedures (notably, with regard to perishable products) have led to higher logistics performance in all countries.

New technologies, such as the GPS, have been incorporated in the system.

This is now fitted to the delivery lorries, enabling better monitoring of their routing and a reduction in transport traffic.

Also worthy of note: for all countries, the information system is the same. In addition to increasing efficiency, this harmonisation facilitates the development of the same management and structures for all the teams.

► Strong profitable growth

Dia Spain is the Group's 4th largest business unit and Ed in France is the 10th.

The cost structure is optimised by means of a quasi-industrialisation of the processes. The IT tools, accounting processes and central decision tools are standardised world-wide. The warehouse logistics are optimised, thanks to a voice recognition system.

While maintaining its own position as a discounter and operating its own commercial policy, synergies with the other Group formats are exploited. The format shares the best practices and benefits from the structures already in place. To start its business in China, for example, Dia obtained favourable purchasing conditions by consolidating its procurement with the Carrefour hypermarkets that had been established in the country since 1995.

Sustained growth in Turkey, Brazil and Argentina

With 59 store openings in 2004, Turkey counted 239 hard discount stores at the end of the year. The growth of sales remains high: 16% in number of comparable stores in 2004. The year was used to continue the improvement to the price image and the approach to the customer by adapting the format to the more difficult areas. For the first time, 6 stores were opened under franchise arrangements.

Dia is also expanding in Brazil, with 21% growth in 2004 in comparable number of stores. 76 were opened during the year, of which 26 were franchised, and a new distribution centre of 22,000 sq.m was inaugurated.

In Argentina, 40 stores were opened and the growth in comparable number of stores was 8%. In this country, too, franchising is now being developed.



2,902
stores

228
stores
opened
in 2004

39,336
employees

9%
of Group
sales



Convenience and other businesses



The vocation of the convenience banners is to meet the immediate daily needs of their customers with a practical product mix and speedy shopping in a friendly atmosphere. The Carrefour Group implements store concepts, quality product mixes and innovative services in line with customers' living habits. It also benefits from the commitment of franchisees to increasing the profits of their stores.

A part of the daily life of the customers

Friendly and accessible, the convenience stores offer many services to their customers. In addition to the quality of the welcome and products, customers appreciate their adaptation to their shopping habits and, more broadly, daily lives.



Brand innovations

Launched in 1994, the “Grand Jury” brand continues to be developed (now more than 1,000 references). After its extension in 2004 to domestic utensils and the sandwich range, it will be modernised in 2005. The new “Grand Jury Equilibre” range will offer some forty products dedicated to health and fitness.

Another innovation planned for 2005: the launch at the end of March of the “Euro Sourire” brand with more than 200 products. Specifically for convenience stores, this price leader brand corresponds to the “No. 1” brand in the Group’s hypermarkets and supermarkets. To assist identification by the customers, it presents a very similar design with, in particular, its characteristic red band.

► Geographical proximity

In a continually changing world, marked by an increase in limited households in search of fast and practical services, there is a revival in interest in convenience stores, especially in highly developed regions.

Established in four European countries, the Carrefour Group’s convenience stores are profiting from this trend. In order to make them more attractive, they extend the very concept of convenience, from their geographical location to their friendliness and advice.

► Adaptation of prices and brands

The Group’s strategy in this area combines various directions, above all, on prices.

► Appropriate pricing

The strategy consists of a pricing policy in line with customer expectations. In 2004, the various banners in every country were given the means of competing by reduced prices. In France, a survey carried out at

the end of 2004 showed that eight customers out of ten find the pricing acceptable in the Group’s convenience stores.

► Convenience brands

The other main directions are:

- innovation in own brands: continuing refinement of the retailer branded product mix, which is a fundamental vehicle of brand loyalty;
- the quality of services is a key element in convenience shopping with long opening hours and home deliveries;
- the quality of the product range and continuity of availability: all this relies on perfect integration of the logistics and good mastery of purchasing, benefiting, in particular, from the Group’s conditions.



Elaboration of new concepts

In 2004, the new concepts, Shopi and 8 à Huit, launched in the previous years continued to be deployed in France.

Together with Marché Plus, Proxi Services and Sherpa, these banners form a complete system. This makes it possible to establish a network throughout the country and, at the same time, to adapt

to the varying needs of the customers in terms of practicality, last-minute shopping, friendliness and even seasonality. Shopi is thus positioned as a small convenience supermarket, Marché Plus as a town shop offering multiple services, 8 à Huit as a banner that can play a role in town but also as a small supermarket in rural areas, etc.

During the year, a global consideration of the evolution of these concepts was launched. One example amongst many, the new "Convenience" concept of Marché Plus and 8 à Huit, the launch of which is planned during the first half of 2005. In these urban last-minute stores, fresh produce and ready-to-eat items will be strongly developed.

► *The franchise, a pillar of this convenience*

Because convenience trading demands continuous adaptation to customer requirements, practically all the stores are managed by franchisees. They benefit from the experience of the Carrefour Group in many areas.

► **Finance and accounting aspects**

To strengthen the effectiveness of the model, the budgetary forecast of each store is drawn up at the sector and regional level. Each month, the franchisees return their results to the Group for detailed, real-time monitoring of the business. Various control tools have been put in place: regional barometer, assessment of the franchisees with regard to Carrefour services, etc.

► **Relations with suppliers**

The convenience store addresses various types of customer. Carrefour knows these customer types and can share this knowledge with manufacturers, so that their products best meet customer expecta-

tions. This is why three days of exchange of ideas and work were organized with the manufacturers in 2004 in order to identify the right product mix for the convenience trade.

► **Food safety**

With regard to food safety, the Group encourages franchisees to call twice a year on the services of its approved testing laboratories. To be able to act very quickly in the event of a problem, an information system dedicated to product withdrawals has also been set up.

An enlarged product range

In convenience stores, customer loyalty depends on friendliness, the development of services and the enlargement of the range of fresh produce.



► *Enlargement of the product range*

Their location in the heart of the districts or villages where their customers live makes convenience stores highly visible and they can make themselves more attractive by developing their communication: distribution of leaflets, consumer magazines, especially for the Shopi stores, loyalty cards (Shopi and 8 à Huit stores in France, Di per Di in Italy), in-store radio, etc. This attractiveness is increased by the offer of a wider range of additional services. Thus, the Marché Plus stores also offer home delivery, dry-cleaning, photo development, the sale of stamps and telephone cards, photocopying, a fax service, automatic ticket machines, etc. Located mainly in the mountains, Sherpa's range of services is particularly adapted to its customers, especially the seasonal trade: return of unused products, hire of raclette and fondue appliances, remote ordering, etc.

► **Development of fresh produce**

In addition to this wide range of services and the friendliness of the stores, customer loyalty depends on developing new relations. Such relations benefit from the introduction of new technologies and the enlargement of the range of fresh produce.

This is why the allocation of appropriate display shelves and the quality of the product range and supply now represent a major investment for the modernisation of the stores and the development of new concepts.

► **Continued expansion**

In 2004, 52 convenience stores were created or acquired in France and 19 were enlarged. In the other countries, 65 stores were opened in Italy, 88 in Greece and 18 in Belgium.

Still more should be opened in 2005.

CONVENIENCE

Openings in 2004 2004 sales by country

| | Sales after tax under banners 2004 | Openings 2004 | Total Convenience |
|-------------------------------------|---------------------------------------|------------------|----------------------|
| EUROPE | | | |
| France | 3,497.6 | 52 | 1,638 |
| Italy | 1,110.6 | 65 | 695 |
| Belgium | 504.4 | 18 | 176 |
| Greece | 178.6 | 88 | 134 |
| EUROPE TOTAL | | 223 | 2,643 |
| FRANCHISED PARTNER COUNTRIES | | | |
| DOM-TOM | | 2 | 56 |
| PARTNER COUNTRIES TOTAL | | 2 | 56 |
| GROUP TOTAL | | 225 | 2,699 |

Other businesses

Openings in 2004 2004 sales by country

| | Sales after tax under banners 2004 | Openings 2004 | Total Cash & Carry |
|-------------------------|---------------------------------------|------------------|-----------------------|
| CASH & CARRY | | | |
| EUROPE | | | |
| France | 1,709.4 | 2 | 157 |
| Italy | 332.7 | 1 | 14 |
| Spain | 191 | | 32 |
| EUROPE TOTAL | | 3 | 203 |
| OOSHOP | | | |
| EUROPE | | | |
| France | 46.4 | | |
| Spain | 21 | | |
| GROUP TOTAL | | 3 | 203 |

New logistics for fresh produce in Italy

The enlargement of fresh produce in convenience stores requires appropriate logistics. In Italy, the opening in 2004 of multi-format warehouses for fresh produce was accompanied by the creation of structures dedicated to the convenience trade. This new organisation leads to an improvement in the service to the stores, an improved product mix for the customers and an overall reduction of costs.

► The cash & carry business, too, continues to develop

To serve restaurateurs and food trade professionals, Carrefour is developing the cash & carry business in France (Promocash), in Spain (Puntocash) and in Italy (Docks Market). The cash business counts 203 stores.

► Prodiest

Again this year, the banner confirmed its position as the leading supplier to the restaurant trade, with 25 establishments and 400 vans.

► Ooshop

The e-commerce Web-site continues to satisfy many customers, offering home deliveries of products at the same prices as the hypermarkets. The concept is available in France and Spain.

