

NOV. 2006

# LETTER to shareholders



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## SHAREHOLDER DIARY



**editorial** by the Chairman of the Management Board

Dear Shareholder,

At our Annual General Meeting last May and in my last editorial letter to shareholders, I presented the year 2005 as a year of change with the implementation of a new model of growth.

Now, today, I want you to know that 2006 has become launch year for this new model that should enable us to become once again the benchmark in our business in terms of profitable growth.

The Carrefour Group's First Half results 2006 show this dynamism has returned. The increase in sales is the strongest rise recorded in the last five years. We have continued to gain steadily our market share in foods in France. And the growth of our profits is moving closer to the growth in our sales.

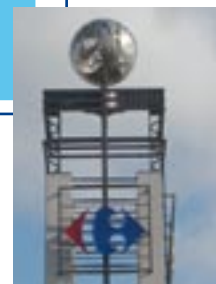
These results tell us that the strategy and the priorities set out by the Management Board are the right ones to give our customers what they want, step up growth, and demand profits from all our operating units. It also tells us we were right to make competitive pricing an obligation across all our business formats within each catchment area.

As you can see from reading this letter, the Group has made progress on all these points. However, with an economic outlook of pressure on consumer markets and stiff competition, the Group must pursue its priority objectives single-mindedly. Much remains to be done.

The results certainly confirm that we are now on the right path for achieving our goal of lasting growth in sales and Activity Contribution of about 10% per year as of 2008.

Buoyed by your support and confidence in us, I believe that our Group is now, more than ever, well armed for success.

**José Luis Duran**



# RESULTS FIRST HALF 2006

## Profitable growth under way

First Half results 2006 meet forecasts and mark a new stage in the performance of the Carrefour Group's strategy.

### The model for profitable growth is delivering results

Sales ex-VAT have become dynamic once again, growing 8.8% for the first half-year with a 6.2% rise in France. The Group continued its steady gain of market share in foods in France (0.7% in the first half according to TNS Secodip).

The first half of the year also brought continued optimisation of the asset portfolio, a higher and more targeted rate of expansion, and unrelenting competitive pricing both in France and abroad.

### First Half results 2006 in line with Group expectations

The commercial margin of the Group remained stable in France and internationally while operating costs were kept in check.

Thus, Activity Contribution before depreciation and amortisation grew 7.5%.

Activity Contribution increased by 4.7% (€1,355m) even though the growth strategy has meant an increase in asset costs (rents and depreciation).

All regions contributed to growth in Activity Contribution.

The increase in interest rates and in Group debt explains the rise in financial charges in the Half, up 12% to €241m. The tax charge remained broadly stable at 29.5% versus full year 2005.

Net result before discontinued activities (Group share) increased by 0.5%. The divestment of insufficiently profitable activities led to a non-recurring exceptional charge of € 30m. This amount, which was lower than what was reported in the First Half 2005, meant that the Group was able to report an increase in Net result (Group share) up 10.8% to €706m.

The balance sheet and financial ratios remained solid, despite an increase in average financial debt of €575m, the logical consequence of an acceleration of growth and deterioration in operating working capital as a result of the shortening of payment terms particularly in Spain.

### Objectives confirmed for 2006-2008

In an environment characterized by fierce competition and weak consumption, especially in Europe, the Carrefour Group is more than ever focusing on its priority goals: customers and growth.

The growth targets for 2006 have been confirmed:

- Opening of around 100 hypermarkets and approximately 1.5 million new square metres of sales area.
- Increase in sales at constant exchange rates greater than that reported in 2005.
- Activity Contribution up, but not as fast as sales as a result of the programme of new store openings.

The Group forecasts that its net debt at year-end will be down compared to 2005.

And a further acceleration of growth is expected in 2007, which will translate into an increase in sales and Activity Contribution of around 10% from 2008.



# FIRST HALF RESULTS KEY FIGURES

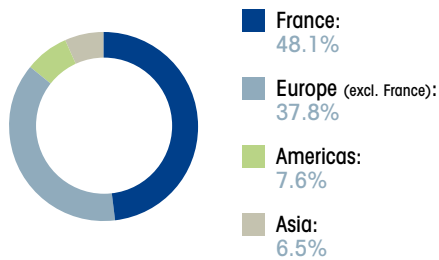
**Sales ex-VAT**  
**€ 37,298m**  
**+ 8.8%**  
**7.5%** at constant  
 exchange rates

**Activity Contribution**  
 before Debt and Am.  
**€ 2,139m**  
**+ 7.5%**

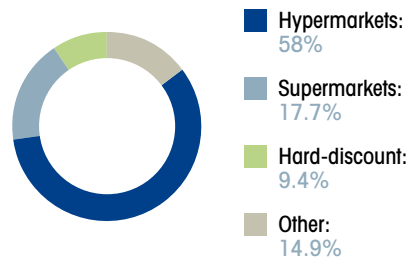
**Activity Contribution**  
**€ 1,355m**  
**+ 4.7%**

**Net result**  
 before discont. activities,  
 Group share.  
**€ 735m**  
**+ 0.5%**

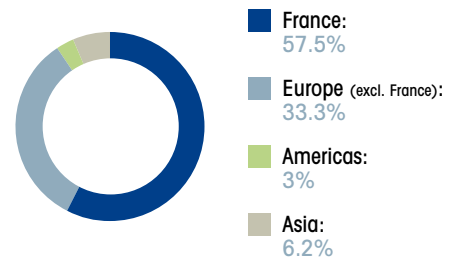
Sales ex-VAT by region



Sales ex-VAT by store format



Activity Contribution by region



The H1 accounts are presented in keeping with IFRS principles. The accounts for H1 2005 have been restated to take into account IFRS 5, and are adjusted for the divestments made or announced in the last twelve months.



# STRATEGY GROWTH

## Stepping up growth of new selling space

At half-year 2006, the Carrefour Group stepped up the opening of new selling space, expanding its growth opportunities. It opened or acquired 423 stores, a total of 584,000 new square metres of selling space.

### Organic Growth

Of the total of the 584,000 square metres of new space, 538,000 were “organic” which means they did not come from acquisitions. This figure represents an increase of almost 24% compared to the first half of 2005.

All geographical regions were part of this growth. In France, 93,000m<sup>2</sup> were opened while in the rest of Europe the figure was 326,000m<sup>2</sup>, in Latin America 37,000m<sup>2</sup> and in Asia 83,000m<sup>2</sup>.

To accelerate growth, the Group also took advantage of its experience as a multi-format distributor. Since the last letter to shareholders, new formats such as Carrefour Express, Carrefour Mini and Maxi Dia have continued to be rolled out. Apart from Spain, these concepts have been adapted to the specific local conditions of the catchment areas in some markets including France, Italy, Poland, Portugal, Brazil and Colombia.

### Tactical Acquisitions

Along with organic growth, the Group continued to strengthen its asset portfolio by making tactical acquisitions in key markets.

In Spain, the Carrefour Group acquired 4 hypermarkets from Caprabo, 2 Dinosol hypermarkets in the Canary Islands, and 29 stores for its Dia brand in Andalusia. All the acquisitions will be accounted for in the second half of 2006.

In Italy, the acquisition of Dugan filled out the Group’s network of stores with 6 franchised supermarkets, and 15 convenience stores.

In France, 102 former Penny Market stores were brought together under the ED brand during the first six months of this year.

In Taiwan, the 6 hypermarkets purchased from Tesco were consolidated by the Group as of the beginning of June 2006.

Lastly, following the bid tendered in February of this year, the Group began rebranding the 12 French hypermarkets and 5 Romanian Hyparlo stores. Since then, two additional hypermarkets have been opened in Romania.

The first half of 2006 also saw the Carrefour Group divest its Korean activities to invest its capital in more profitable markets elsewhere.

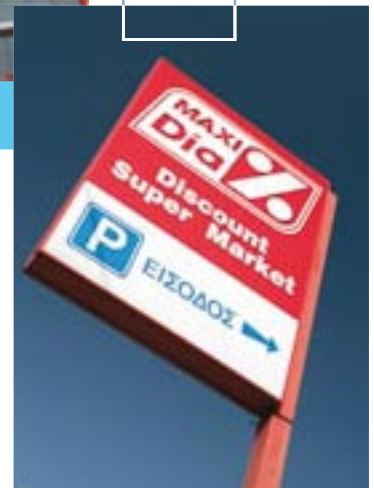
### Growth Beyond the First Half of 2006

Overall for fiscal 2006, the Carrefour Group is on the right path to achieving its target of creating some 1.5 million new square meters, including 1.3 million organically and 200,000 in tactical acquisitions. This figure will be double that of the new selling space opened each year from 2000 to 2004.

Given the projects already locked in, the Group is confident of its ability to open approximately 100 hypermarkets in 2007, and another 100 in 2008.

## Opening of the 1,000th Carrefour Hypermarket

In the second half-year of 2006, the Carrefour Group will open its 1,000th hypermarket, to be located in Beijing, China. This one-thousandth opening is emblematic of Carrefour’s return to dynamic growth.





# STRATEGY CUSTOMER

## Listening to and satisfying customers

Customer satisfaction comes from a relentlessly lean pricing policy and a fine-tuned analysis of customer expectations that enables improvements in product lines and new service offerings.

### Competitive pricing is the number-one priority.

For the Carrefour Group, competitive pricing remains a priority across its store formats and markets. The goal is for each store to achieve the best price positioning in its catchment area.

In France, our hypermarkets have held onto their competitive pricing since the beginning of the year. Today, they are ranked number one or two in pricing for their catchment area. Our price image has also improved since the beginning of 2005.

The introduction of the “Price Alert Line” last April shows how important competitive pricing is to Carrefour. This scheme encourages customers to alert Carrefour via a special phone line if they find the same product at a lower price at a competitor’s store within a 30-kilometre radius. The Carrefour store will lower the price of the product concerned within 24 hours.

Outside France, the price image of Carrefour brands is improving in many markets.

In Argentina, for example, the reaction of consumers to the “clustering” strategy has been very positive. This strategy adapts each store to the particular features of its catchment area.

At present, Carrefour ranks among the top three players in terms of price image, not far behind the Group’s hard-discount brand, Dia, the national price leader.

This is also true in Poland, Indonesia and Colombia where the Group’s hypermarkets are ahead of the field in terms of price image.

### Always meeting customer needs better

Carrefour is constantly looking to improve its response to customer expectations. One way it has done this is to develop customer loyalty cards so it can target business more effectively. The use of these cards in France, Spain and Taiwan illustrates this perfectly.

The Group is also continuing to revamp its own brands both in the food and non-food areas. Its own-brand product lines are being relaunched in France and other countries such as Colombia, Poland and Brazil.

In conclusion, the Carrefour Group continues to expand its range of in-store services. A few months ago, the Champion supermarkets in France introduced the “Pass card” and the “Champion Services Pack” that offers insurance, entertainment and financial services to customers.



# SHAREHOLDERS' DIARY

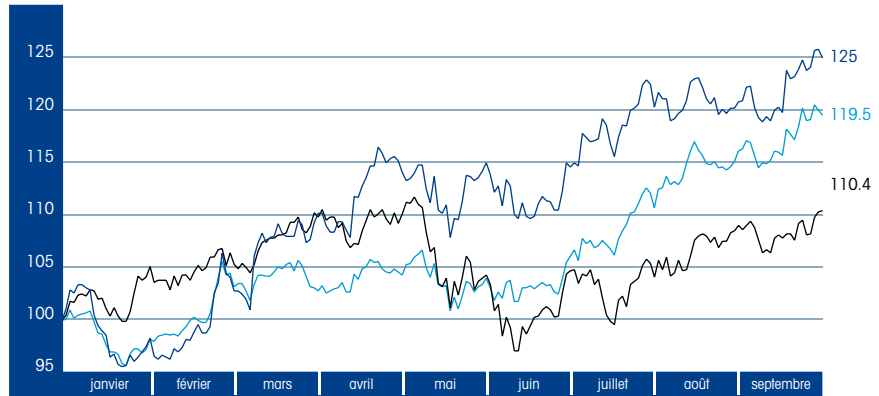
## The Carrefour Share

### Share price performance in relation to the CAC 40 index and the Reuters Food Retail index

(Base 100)  
(January to September 2006)

— Carrefour  
— ICAC 40 index  
— Reuters Food Retail index\*

\* Composition of the Reuters Food Retail index: Carrefour, Casino, Metro AG, Ahold, Tesco, Morrison, Sainsbury, Colruyt and Delhaize



source : Reuters

**Code ISIN**  
FR0000120172  
**Par value**  
2.50 euros

**Listing market**  
Eurolist Paris (deferred settlement system)  
IPO on Paris stock exchange on 16 June 1970

**Main indexes**  
CAC 40, DJ Euro Stoxx 50 and DJ Stoxx 50

## Calendar of Events

### 17 & 18 November 2006

Salon Actionaria in Paris

### 20 November 2006

Shareholders' meeting in Strasbourg

### 27 November 2006

Shareholders' meeting in Nancy

### 5 December 2006

Shareholders' meeting in Rennes

### 11 January 2007

Net Sales 2006

## Salon Actionaria

**ACTIONARIA**  
LE SALON DE LA BOURSE  
[ 17 & 18 novembre 2006 ]  
Palais des Congrès de Paris

The Carrefour Group will participate for the sixth consecutive year in the Salon Actionaria, the biggest European financial trade show devoted solely to the stock market.

The Carrefour teams would be delighted to meet you and answer any questions, and provide you with direct information on the Group's business and its development prospects.

If you would like to receive an invitation to the Actionaria trade show to be held at the Palais de Congrès at Porte Maillot, Paris, on 17 & 18 November 2006, please contact the Shareholder Relations Department on +33 805 902 902.

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