

Annual report 2001

Our customers come first



Profil

The world's second largest food retailer, Carrefour operates over 9,000 stores in 30 countries.

The Group is recognized for its expertise in three major food retail formats: hypermarkets, supermarkets and hard discount stores.

It is also developing convenience and cash & carry stores in some countries. Thanks to the complementary elements of its different store formats, the Group can meet the consumer needs of all its customers.

As the leading European food retailer, Carrefour has carved out strong strategic positions in two regions with high growth potential:

Latin America, where the Group is the leader in modern food retail, and Asia, where it was the first international retailer to establish a presence.

In 2001, Carrefour posted consolidated sales of € 69.5 billion (51% from international business) and net income from recurring operations of € 1.2 billion. As of December 31, Carrefour had a total workforce of 383,000 worldwide.



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AN INTERNATIONAL GROUP STREAMLINED FOR SUCCESS

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2001: REVITALIZING OUR SALES DYNAMICS

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FINANCIAL REPORT

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Overview of the Group

Three powerful concepts developed internationally

Hypermarkets:

■ Concept

Offer the customer in a single location a wide array of food and non-food products (general merchandise, household products, entertainment products, etc.) and services at competitive prices. An average of 80,000 items are offered in stores measuring 5,000 to 20,000 square meters with free parking.

■ Strategy

Acquire market share in a wide shopping zone and attract more customers with prices that compete with the lowest in the market and regular promotions. Continue to develop store brands with a reputation for quality, and expand our services offering, especially in other countries.

A single trade name: **Carrefour** 

731 stores, including 74 franchises

28 countries in Europe, Latin America, Asia

€ **50.9 billion** in retail network sales

Supermarkets

■ Concept

Meet the needs of a convenience store customer who shops about every five days: a practical layout that saves time, quality fresh products, strong customer relations and competitive prices. Stores generally have between 1,000 and 2,000 square meters of sales area and offer approximately 10,000 different items.

■ Strategy

Increase store frequency rates and customer loyalty through card programs, the quality of fresh products and attractive prices. Expand store networks in countries where the hypermarket is already widely established.

Four high recognition names: *Champion* 







2,301 stores, including 910 franchises

9 countries in Europe and Latin America

€ **23.6 billion** in retail network sales

Key steps in the growth of the Group

1959

The Carrefour company is created.

1963

The first hypermarket opens in France; Carrefour invents a new retail concept.

1973

The concept is introduced abroad for the first time with the opening of a hypermarket in Spain.

1975

Carrefour opens its first store in Latin America with a hypermarket in Brazil.

1979

The hard discount business is developed with the creation of the Ed chain.

Hard discount stores

■ Concept

Offer a limited array of food products at unbeatable prices in sales areas of between 300 and 800 square meters, with a large proportion of house brand products.

■ Strategy

Adopt a highly centralized organizational structure and standard management and operating principles. Competitive prices, together with product innovations and the benefits offered by the customer loyalty card, ensure very rapid growth this concept in any country in which it is introduced.

Three trade names:



3,754 stores, including 822 franchises

7 countries in Europe and Latin America

€ 5.7 billion in retail network sales

Other business lines

■ Convenience stores

Neighborhood or village stores offering a range of products covering all food needs at reasonable prices and adapted to the convenience market. An array of services is also generally offered.



2,236 stores including 2,149 franchises

■ Cash and carry

Primarily wholesale and retail food self-service targeted at professional customers.



198 stores including 32 franchises

Developed in France, Spain, Belgium and Italy

€ 7 billion in retail network sales

■ Catering

A product offer of over 7,000 items to meet the needs of a wide variety of customers in retail and institutional catering.



■ E-commerce

An on-line cybermarket for Internet shopping and home delivery. This site offers a broad range of over 6,000 products, including 1,200 fresh products.



1985

Carrefour brand products are introduced.

1989

The first Asian Carrefour hypermarket opens in Taiwan.

1992

The first quality lines are introduced to guarantee product origin and traceability.

1998

Acquisition of French retailing group Comptoirs Modernes, which operates supermarkets, convenience stores and convenience stores.

1999

Merger with Promodès, making Carrefour the largest food retailing group in Europe and the second largest in the world.

Message from the Chairman

Interview with **Daniel Bernard**



“With its dense store network in Europe, its complementary formats and its solid foundation in emerging regions, Carrefour has exceptional growth potential and is now ready to take advantage of these strengths.”

■ **The objectives you set in 2001 have been achieved. What is your overall assessment of the year just ended?**

We achieved growth of 7.2% in consolidated sales for the year, which represents an 8.8% increase at comparable exchange rates. That's a strong performance when you consider trends in the retail market. These figures were adversely affected by the current crisis in Argentina and by some changes in consolidation. Last year we sold 19 stores in France and 30 in Spain. These disposals, as well as the sale of our stake in the Cora company, were made to comply with the requirements of the anti-trust authorities. This year we also decided to sell our interest in Picards Surgelés, as the frozen food business is no longer a strategic activity for the Group.

At the same time, recent acquisitions were consolidated, such as GB in Belgium, where 56 hypermarkets and 45 supermarkets, out of a total of 72, were converted in a few months, together with GS in Italy, Norte in Argentina and Marinopoulos in Greece.

■ **After two years of major acquisitions by Carrefour, 2001 was devoted to consolidating your positions. Does this mean the end of acquisitions?**

Years of strong external expansion gave us a solid basis for growth, as well as an enviable size and positioning.

Now it is time to take strategic advantage of our lead. In 2001, we consolidated a high profile company which it has taken two years to harmonize with our Group. Now we are making organic growth a priority, focusing our investments on pricing, marketing and sales tools to make our stores more attractive and enhance customer satisfaction. These expenditures, which affected our operating performance, will guarantee market share gains in 2002 and thereafter. It must be clearly stated that with our dense store network in Europe, our complementary formats and our solid foundation in emerging regions, we have exceptional growth potential, and we are now ready to take advantage of these strengths.

■ **One of last year's priorities was to revitalize sales strategy and win back market share. Have those objectives also been achieved?**

As we announced, the Group won back customer loyalty through major efforts in repositioning and public relations. We lowered prices in all our countries and continued to improve our product selections everywhere to give consumers more than one good reason to shop in one of our stores. Today, given the substantial improvement posted by all formats in the last quarter, we believe that Carrefour sales strategies are working well and that the integration of employees, stores and tools accomplished in record time was a success. These strong results were confirmed early in 2002 with gains in market share in all countries.

The changeover to the euro was also a major event for the year, and went off without a hitch in the 8,600 stores affected, thanks to the efforts and involvement of all our employees. We began preparing for the event two years ago with information and awareness programs for our customers and training sessions for our employees. The currency changeover proved to be a fantastic opportunity to further enhance our relationships with customers.

■ **You say that multiple formats are the wave of the future. What is the future for hypermarkets today?**

While multiple formats are the wave of the future, the hypermarket is the beachhead its development. This format is expanding rapidly worldwide. The strength of the concept lies in its global offering, combining food and non-food items, house brands and major national brands, discount prices and promotions. As long as hypermarkets change as consumer behavior changes, there is a future for hypermarkets. Carrefour has unique expertise in this area, as illustrated by our success in the areas of computers, videos and film, in which we are now the top company in France, ahead of the specialized stores.

■ **What are your priorities for 2002 and beyond ?**

All our operations up to this point have been conducted with one goal in mind—to give potential to the Group. In 2002, we intend to invest further in retail, our core business, in pricing, promotions and product assortments. We are going to take maximum advantage of the new stores opened this year, with emphasis on three priorities:

- to focus our growth on the existing structure: we have hypermarkets in 28 countries, but supermarkets are limited to 9 countries, and hard discount stores are limited to 7 countries. This represents an enormous potential for the future;
- to improve our profitability by cutting retail costs. The synergies developed among formats and geographical locations will help us return to historical growth in our operating income;
- to improve our working capital requirements, primarily through better inventory management.

We will also continue to work to demonstrate that we are a group with values in every sense of that word, in the eyes of our shareholders, our employees and consumers around the world.

Management

Board of Directors

The Carrefour Board of Directors sets policy for business lines, risk management and overall objectives. It approves strategy and takes into account any major changes in the Group. Finally, it approves all acquisitions and disposals of assets that could have a major impact on the financial statements and on any major acquisitions or disposals outside current operations. The Board's actions are guided solely by concern for the interests of the company, from the standpoint of shareholders, customers and employees.

The Board of Directors is made up of eleven members, including three independent directors who do not hold a position and have never held a position within the company or any of its subsidiaries. Each director must own at least 600 shares during his six-year term of office. The Board of Directors met six times in 2001 with a 91% attendance rate for all directors.

Board Members as of March 1, 2002

- **Daniel Bernard**
Chairman-Chief Executive Officer
56. Term expires in 2003
 - **Joël Saveuse**
Chief Operating Officer
49. Term expires in 2004
 - **Jacques Badin**
Representative of the Badin family,
one of the Carrefour founding families
and a shareholder of reference
54. Term expires in 2003
 - **Alain Bessèche**
Former Chief Financial Officer of Promodès
72. Term expires in 2004
 - **Christian Blanc**
Independent Director
President of Merrill Lynch France
59. Term expires in 2003
 - **Hervé Defforey**
Representative of the Defforey family,
one of the Carrefour founding families,
and a shareholder of reference
52. Term expires in 2003
 - **Philippe Foriel-Destezet**
Independent Director
Chairman- Chief Executive Officer of Adecco SA
66. Term expires in 2004
 - **Paul-Louis Halley**
Representative of the Halley family group,
founding family of Promodès
and Carrefour shareholder of reference
67. Term expires in 2004
 - **Robert Halley**
Representative of the Halley family group,
founding family of Promodès
and Carrefour shareholder of reference
66. Term expires in 2004
 - **François Henrot**
Independent Director
52. Term expires in 2003
 - **Carlos March**
Chairman of Banca March
and Corporacion Financiera Alba
56. Term expires in 2003
- Secretary to the Board **Etienne van Dyck**, Carrefour Secretary General.

Detailed information on the terms of each director is provided on p. 88

Committees of the Board of Directors

The Board of Directors has three specialized committees, the members of which have been chosen from Board members. The role of these committees is to study thoroughly certain specific issues and to report to the Board of Directors.

- **Strategic Orientation Committee**
The role of this Committee is to prepare the decisions that are most important for the future of the Group, to direct the preparatory work for organizing the Board of Directors' annual seminar.

It operates as a think-tank and may use the services of outside individuals selected for their expertise and experience. The Strategic Orientation Committee is composed of four members:

Paul-Louis Halley, Chairman
Daniel Bernard,
Jacques Badin,
Carlos March.
It met twice in 2001.

Executive Committee



Daniel Bernard
Chairman
Chief Executive Officer



Joël Saveuse
Europe



Philippe Jarry
Americas



René Brillet
Asia



Javier Campo
Hard Discount



José Luis Duran
Finance
and Management



Bruce Johnson
Organization
and Systems



Vincent Mercier
Merchandises
and Marketing



Jean-François Domont*
Other
European countries



Jean-Claude Plassart
Supermarkets



Léon Salto*
France



Jacques Beauchet*
Human Resources

*Members of the expanded Executive Committee.

■ Audit Committee

The primary role of the Audit Committee is to review the parent company and consolidated financial statements before they are presented to the Board of Directors in order to ensure the relevance of the accounting methods used and verify the Group's internal control systems. The Committee regularly evaluates the company's principal financial risks.

The Audit Committee is composed of three members:

Jacques Badin, Chairman
François Henrot, Independent Director
Robert Halley.

It met three times in 2001.

■ Compensation Committee

The Compensation Committee proposes the compensation of corporate officers, determines the total stock option package, and validates the compensation policy for the principal executives of the Group.

The Compensation Committee is composed of four members:

Carlos March, Chairman
Daniel Bernard,
Christian Blanc, Independent Director
Philippe Foriel-Destezet, Independent Director

It met once in 2001.

Mr. Daniel Bernard does not sit on the Committee when he is personally concerned.

Financial highlights

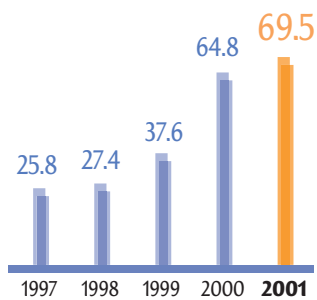
Consolidated sales in 2001: +7.2 %

Excluding foreign currency effects, growth was 8.8%. Carrefour earned over half its sales internationally. Europe (excluding France) accounted for 32% of revenues and posted 30% growth in sales in 2001. Retail network sales in 2001 totaled € 87 billion.

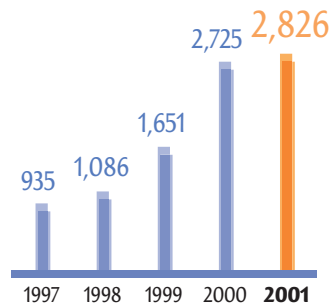
EBIT (earnings before interest and tax): +3.7%

With comparable consolidation and exchange rates, growth was 8.1%. With comparable consolidation and exchange rates, EBIT rose significantly in France, Asia and Europe (excluding France). In Latin America, it was affected primarily by the crises in Argentina and Brazil.

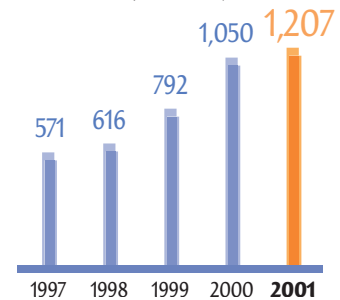
Consolidated sales exclusive of tax
(in € billions)



Earnings before interest and tax (EBIT)
(in € millions)

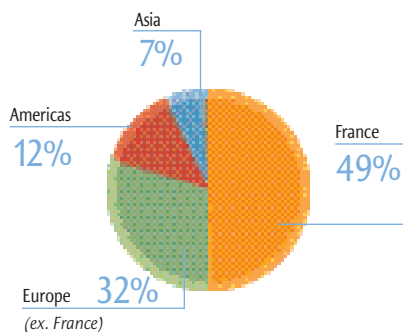


Net income from recurring operations after minority interests and goodwill
(in € millions)



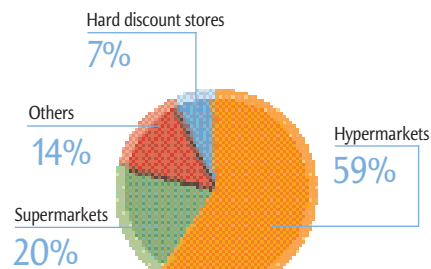
Breakdown of consolidated sales by geographic region

TOTAL = € 69,486 million



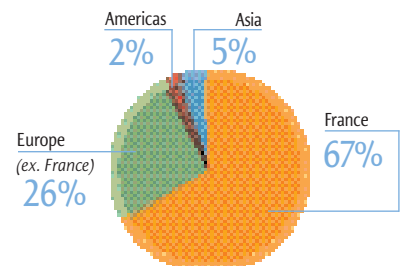
Breakdown of consolidated sales by format

TOTAL = € 69,486 million



Earnings before interest and tax (EBIT) by geographic region

TOTAL = € 2,826 million



Debt down 21%

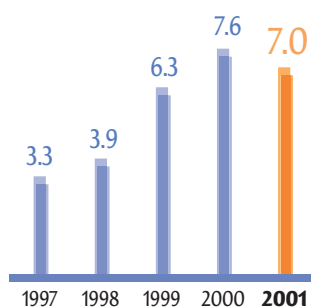
The debt/equity ratio dropped from 123% to 106% thanks to a sharp reduction in the debt as a result of the initial effects of an improvement in working capital and the disposals of Picard, the shopping malls and the stakes in Cora and Métro France.

Net income from recurring operations: +14.9%

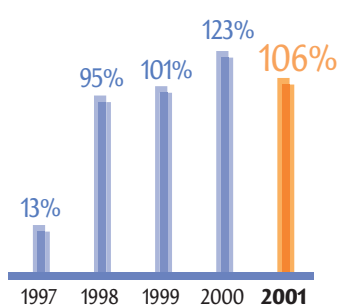
The increase in net income from recurring operations is in line with the objectives announced in early 2001.

Net earnings per share: +12.1%

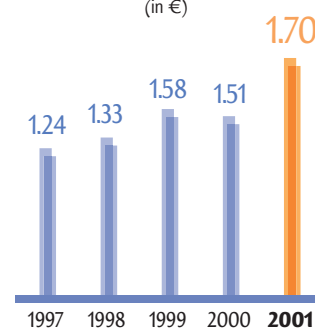
Shareholders' equity
(in € billions)



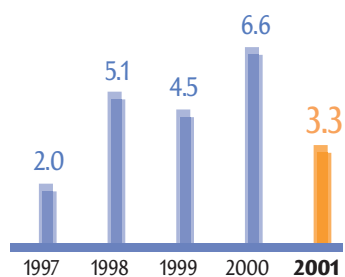
Gearing
(as a % of shareholders' equity)



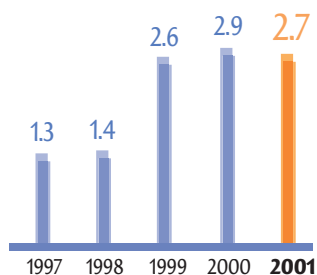
Group share of net income from recurring operations per share
(in €)



Capital expenditures
(in € billions)



Cash flow
(in € billions)



Shareholder information

Capital stock

As of December 31, 2002, the capital stock of Carrefour totaled € 1,777,889,635. It was composed of 711,155,854 shares with a par value of € 2.5, compared with 711,143,440 shares one year earlier. A total of 12,414 new shares were issued in 2001 as a result of stock options and warrants exercised and bond conversions.

■ Capital structure

There were no major changes in the capital structure in 2001.

The table below shows the capital structure as of December 31, 2001:

| SHAREHOLDERS | Number of shares | In % | Number of votes | In % |
|----------------------------------|--------------------|---------------|--------------------|---------------|
| Halley Family Group | 81,837,652 | 11.51% | 87,714,072 | 11.21% |
| Badin-Defforey-Fournier Families | 39,291,637 | 5.53% | 62,560,613 | 7.99% |
| March Group | 23,396,040 | 3.29% | 46,792,080 | 5.98% |
| Shareholders' Agreement | 144,525,329 | 20.33% | 197,066,765 | 25.18% |
| Employees | 20,509,308 | 2.88% | 30,491,835 | 3.90% |
| Shares owned | 11,156,100 | 1.57% | - | - |
| Shares held by affiliates | 6,126,048 | 0.86% | - | - |
| Public | 528,839,069 | 74.36% | 554,969,945 | 70.92% |
| TOTAL | 711,155,854 | 100% | 782,528,545 | 100% |

A shareholders' agreement was signed on August 29, 1999 by the Halley family group, the Badin-Defforey-Fournier families, and the March group. The agreement provides for a preemptive right to all or part of any Carrefour shares held, and for consultation among the parties before Annual Meetings or if a tender offer on the company's stock is announced.

As of December 31, 2001, there were 782,528,545 voting rights. Treasury shares and shares held by affiliates do not carry voting rights. A double voting right is granted to shares with proof of registration for more than two years.

The number of shareholders is estimated at approximately 450,000.

The Carrefour share

The Carrefour share is listed on the Premier Marché of the Paris Stock Exchange (Deferred settlement service, Euroclear code 12 017). It is included in the CAC 40, the DJ Euro Stoxx 50 and the DJ Stoxx 50 indices.

As of December 31, 2001, the Carrefour share ranked 7th in the CAC 40 in terms of market capitalization with a weight of 4.54%.

■ Share Data (in €)

| | 1997* | 1998* | 1999* | 2000* | 2001 |
|---|-------------|-------------|-------------|-------------|-------------|
| High | 56.1 | 55.2 | 96.6 | 91.8 | 69.4 |
| Low | 35.6 | 35.9 | 46.2 | 62.5 | 46.3 |
| Price at December 31 | 39.9 | 53.6 | 91.6 | 66.9 | 58.4 |
| Number of shares at December 31 | 461,704,248 | 466,139,088 | 685,004,700 | 711,143,440 | 711,155,854 |
| Market capitalization (in € billions) | 18.4 | 25.0 | 62.7 | 47.6 | 41.5 |
| Average daily volume | 1,076,771 | 1,185,663 | 1,414,368 | 1,704,163 | 1,934,055 |
| Net earnings per share | 1.24 | 1.33 | 1.58 | 1.51 | 1.70 |
| Net dividend per share | 0.38 | 0.41 | 0.45 | 0.50 | 0.56 |
| Yield | 0.95% | 0.76% | 0.49% | 0.74% | 0.95% |

(*) Historical data have been adjusted to reflect operations on the Carrefour stock: a six-for-one split in 1999 and a two-for-one split in 2000.

Carrefour share price in 2001 compared with the CAC 40 index.

(in euros)



Shareholder Relations

In 2001, Carrefour continued to expand its policy for communications and relations with individual shareholders. A Shareholder Relations Department was created and is available to all shareholders who would like to obtain information about the life of the Group.

New communications tools were introduced, including a Shareholders' Newsletter that is sent to shareholders every six months on request.

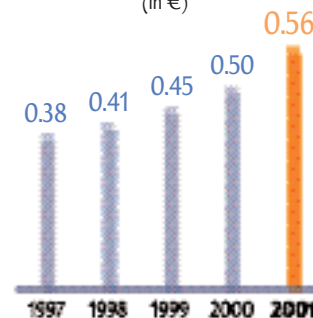
The number of briefings to provide direct contact with shareholders was increased. In addition to the Annual Meeting, shareholders' briefings were held in Lille in October and in Paris in December. Carrefour participated for the first time in the Actionaria trade shows in Paris and Lyons.

2002 Financial Agenda

| | |
|------------------------------|------------------|
| 2001 Annual results..... | March 6, 2002 |
| Shareholders' Meeting | April 23, 2002 |
| Coupon detached | April 29, 2002 |
| First Quarter Sales..... | April 10, 2002 |
| Second Quarter Sales | July 10, 2002 |
| 2002 First-Half Results..... | August 28, 2002 |
| Third Quarter Sales..... | October 10, 2002 |

Net dividend per share

(in €)



Contacts

Investor Relations

Vincent Barucq
 Patrice Moulin
 6 avenue Raymond Poincaré
 75016 Paris – France
 Tel.: 33 1 53 70 19 00
investisseurs@carrefour.com

Shareholder Relations

Dorothee Georges-Picot
 6 avenue Raymond Poincaré
 75016 Paris – France
 Tel.: 33 1 53 70 34 63
 Fax: 33 1 53 70 19 59
actionnaires@carrefour.com

Registered Shareholders

Crédit Agricole
 Service Emetteurs
 92920 Paris La Défense – France
 Tel.: 33 1 43 23 84 24
 Fax: 33 1 43 23 89 03