



**Carrefour** 



Hypermarkets



Supermarkets



Hard discount



Convenience  
and other businesses

*Annual Report 2004*



**No. 1** in Europe

**No. 2** worldwide

**32** countries

**430,695** employees

**90.681 Bn€** sales incl. tax, under group banners in 2004

**11,080** stores

**13,958,000** sq.m sales area (under our banners)

**More than 3 Bn** cash transactions per year for all formats



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All information relating to the new corporate governance shown in this edition remains subject to the approval of the General Meeting of shareholders on 20 April 2005.



# Carrefour in 2004

## A multi-format and international Group



### Hypermarkets

Carrefour 

<b>868</b> stores	<b>267,088</b> employees	<b>57.7%</b> of Group sales
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### Concept

To present to the customer, at a single location, a diversified, organised and competitive product mix of food and non-food products (general goods, capital goods, cultural products, etc.) and services. The freedom of choice offered to the customer (80,000 items on average) on a floor area of 5,000 to 20,000 sq.m, the many services (Carrefour travel, Carrefour insurances, after sales services, Carrefour bookings, free parking) make the hypermarket a place of shopping pleasure.



### Supermarkets

Champion    GLOBI

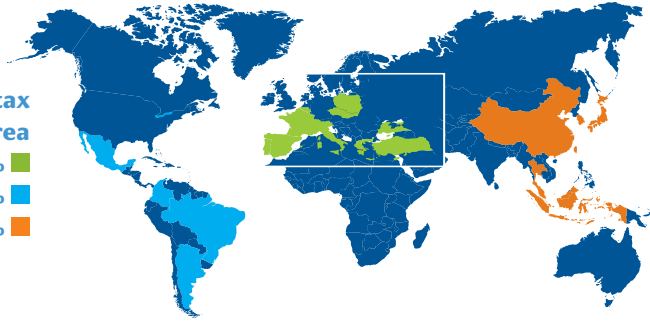
<b>2,376</b> stores	<b>87,328</b> employees	<b>25%</b> of Group sales
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### Concept

To meet the expectations of a customer who returns about every five days: practical layout so that shopping can be done without losing time, quality of fresh produce, quality of customer relations and competitive prices. The stores have a floor area that is generally between 1,000 and 2,000 sq.m and offer about 10,000 items.

Breakdown of sales incl. tax  
under banners by area

- Europe 87.6%
- Latin America 6.3%
- Asia 6.1%



## Hard discount



**4,934** stores  
**36,943** employees  
**8.3%** of Group sales

## Concept

With a sales floor area of 300 to 800 sq.m, these stores offer a selected range of food products, mostly retailer branded, at low prices.



## Convenience and other businesses

### The convenience store



District or village shops, offering a range of products covering all food requirements. In addition, they generally offer a range of services.

### The cash & carry



Wholesale and retail self-service, mainly of food products and intended for businesses.

### Catering outlets



Wholesale of products meeting the requirements of commercial and canteen caterers.

### Electronic commerce



A cyber-market where shopping can be ordered on the Internet and delivered to the door. The Web-site offers a wide range of more than 6,000 products, including over 1,200 items of fresh produce.

**2,699** convenience stores

**203** cash & carry

**9%** of Group sales



## *Strength in diversity*

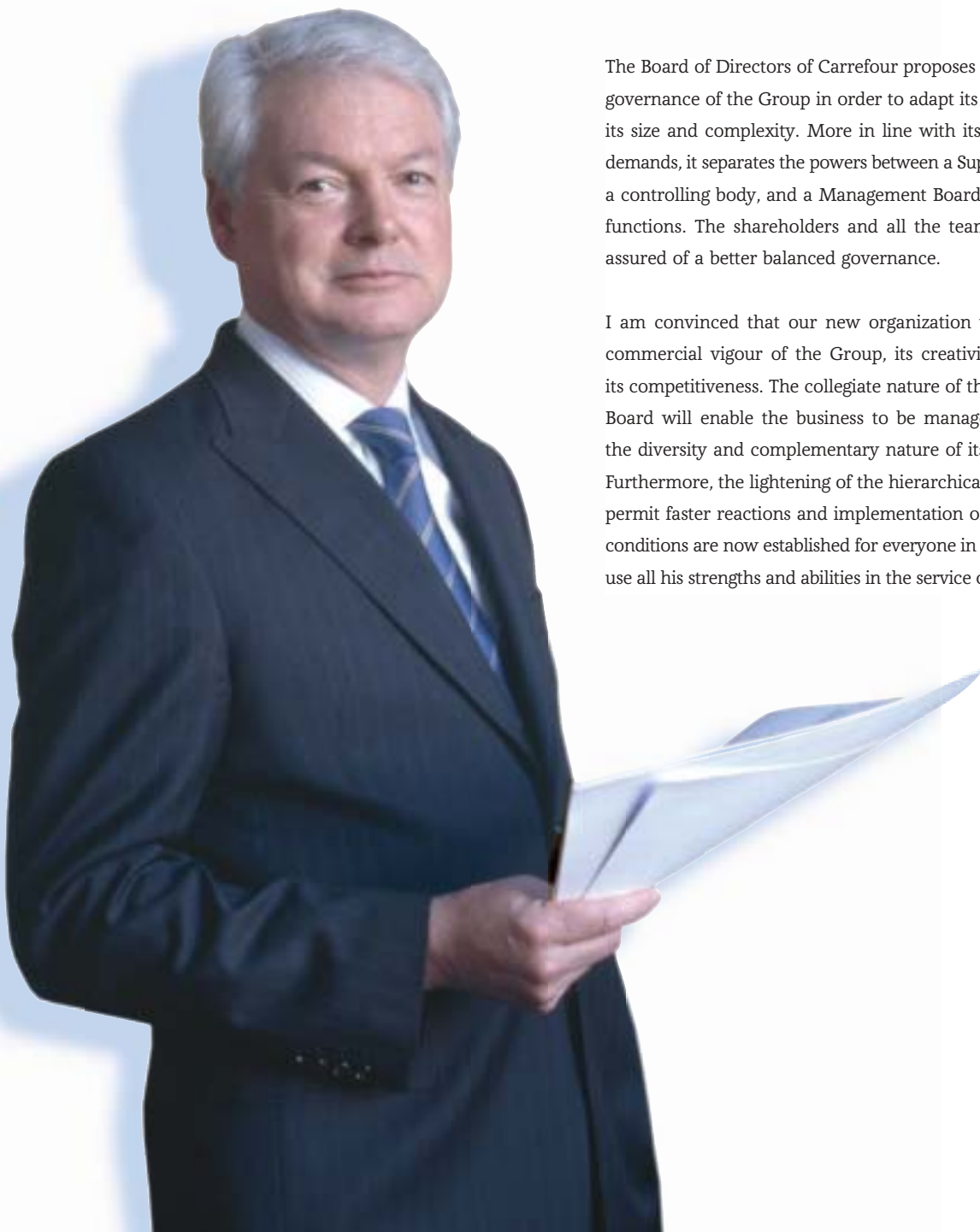
The leading European retailer and second worldwide, Carrefour is the most international of all the food retail groups. For more than 40 years, it has been a part of the everyday life of tens of millions of customers in Europe, Asia and Latin America.

Its links to consumers of very different origins and behaviours are strengthened by the very broad variety of products on offer. Indeed, this diversity lies at the core of its strategy: Carrefour combines hypermarkets, supermarkets, convenience stores and hard discounters to offer the customer the greatest freedom of choice with the guarantee of the best quality/price ratio, whatever the store format.

Strengthened by the commitment of its 430,000 employees and its franchisees, Carrefour pursues a policy of sustained growth on all three continents where it is present, in a context of sustainable development allowing everyone; customers, shareholders, employees, partners, the public sector; to share fully in its success.

**The strength of the Group is founded on seven values:  
Freedom, Responsibility, Sharing, Respect, Integrity, Solidarity, Progress.**

# *Message from the Chairman of the Supervisory Board*



The Board of Directors of Carrefour proposes a change in the governance of the Group in order to adapt its organization to its size and complexity. More in line with its structures and demands, it separates the powers between a Supervisory Board, a controlling body, and a Management Board with executive functions. The shareholders and all the teams will thus be assured of a better balanced governance.

I am convinced that our new organization will favour the commercial vigour of the Group, its creativity and thereby its competitiveness. The collegiate nature of the Management Board will enable the business to be managed in line with the diversity and complementary nature of its store formats. Furthermore, the lightening of the hierarchical structures will permit faster reactions and implementation of decisions. The conditions are now established for everyone in the company to use all his strengths and abilities in the service of the customer.

José Luis Duran can rely on all my support to achieve the objectives that he sets for the business. He is surrounded by a rejuvenated team with a mixed and mutually complementary membership that knows the Group and has demonstrated its know-how.

Our ambition remains the same: to be the point of reference in modern food retailing. We have many strengths to succeed in this. Our development strategy will be guided by our capacity to be amongst the leaders in each of our markets. The necessary autonomy of each banner to apply its own local business policy has been strengthened. Our mission is to give the greatest possible number access to consumer purchasing within the framework of fair trading and sustainable development.

In order to achieve a stock market valuation in line with its leading position, its resources and its potential, the Carrefour Group must confirm its re-acquisition of market share by gaining the preference of consumers. Anticipation, offering, daring: its innovative capacity that has made Carrefour one of the most widely recognised businesses in France and throughout the world. This “Carrefour spirit” must be shared by all: staff, employees, partners... I shall personally ensure that the management teams, strengthened by the support and confidence of the shareholders, are able to create long-term value for our Group.

*Luc Vandevelde*



# *Interview with the Chairman of the Management Board*



## *How do you read the year 2004?*

What was achieved at Carrefour in 2004 was both useful and necessary. I would pick out four main stages.

- in France, we adjusted the pricing position of our hypermarkets. This was a major project, which had a significant impact on our operating margins in France;
- internationally, the operating margin and return on capital employed improved. The EBIT outside France increased by about 15% and the return on capital employed was 11.1% against 8.3% in 2003;
- in parallel we started to rationalise our business portfolio. On the one hand, we have sold assets that were not sufficiently profitable or not strategic, on the other, we strengthened our positions in certain key markets by making tactical acquisitions and forming partnerships;
- finally, we continued to extend and enlarge our chain of stores and achieved our target of adding one million square metres of sales floor area.



All these measures were carried out without detriment to the solidity of the Group finances. All the financial ratios improved and the net indebtedness was reduced by more than a billion euro.

However, we cannot sit back, contented with the progress made, and must make even greater efforts.

### *How do you see Carrefour now?*

When I look at our business today, I see a Group with tremendous assets – excellent teams, leading positions, self-financing to a high degree, to mention just a few.

We must give every possible aid to our teams on the ground, who are currently working to implement an aggressive commercial strategy with the objective of securing a leading position on prices and taking market share wherever we have decided to maintain or establish a presence.

The objective of all these efforts is to once again become a point of reference for profitable growth in the sector. A great deal of work remains to be done. Market conditions are still difficult, marked by continuing deflation. This growth will not be the result of a single, brilliant idea but of a combination of innovation, competitiveness and execution.

### *What are the priorities for 2005?*

For 2005, I have fixed four main priorities:

- we must strengthen our price image in France by increasing our investments in pricing and improving our communications. I must emphasise that we shall do all that is necessary to achieve our targets. We shall be putting the emphasis on fresh produce, on our own brands and on non-food products;
- we must attract more customers to our French hypermarkets to win market share. 40% of our sales are in non-food products and these must be driven forward and strengthened. We must continue to choose the categories in which we are and can be strong.

## *Interview with the Chairman of the Management Board*

- we must significantly improve the EBIT and the yield on capital invested outside France. I consider that every country and every store format outside France must show a growth in sales and EBIT in 2005;
- finally, we must prepare the ground for an accelerated growth in the period 2006/2008. The creation of a million new square metres of sales floor area is not sufficient and we must go faster and further by increasing the franchise and multi-format business.

### *What is the forecast for 2005?*

2005 will be a year of reorganization for Carrefour. We must remain as flexible as possible to take the right decisions for the Group and its shareholders.

I have absolute confidence in the quality of our teams, the relevance of our commercial strategy and the solidity of our cost structure.

I am, however, more cautious regarding the competitive environment and trends in consumption. I can make no commitment today on target results.

On the other hand, I can give an undertaking on the reallocation of resources required to reinforce our price image in France and on all the other market places.

I can also accept a commitment to open at least one million square metres of new sales floors.

Finally, we shall reach a return on capital employed for the Group of over 20%.

### *How do you see Carrefour in the next three years?*

In the course of the three coming years, my basic objective is to become a growth company, capable of generating a profitable and sustained growth in sales. In 2004, the growth in our sales, neglecting the effects of exchange rates, was about 4%, of which 3% were attributable to the increase in sales floor area and 1% to growth on a like for like basis. In the future, we must record a growth in sales as close as possible to double digits. To do this, the contribution from new openings should be on the order of 3% to 5%, from like for like sales of 1% to 3% and from tactical acquisitions of 1% to 2%.

How will we go about this?

I shall give you a few examples:

- we are the third hard discount group in the world and, in the Dia shops, we have one of the most profitable and dynamic retail formats. We must make the best use of this experience and apply it where it best fits in;
- we are one of the leading franchisers in the world with a range of attractive and versatile brands, offering franchisees the possibility of profiting from our growth. I think this a particularly opportune moment for developing this franchise activity;
- we have a portfolio of flexible store formats. All combinations are possible;
- the sales will also grow through tactical acquisitions in markets where we already have a presence and are confident that the return on capital employed will be positive.

I consider that, to be a growth company, we must be amongst the top three in market share in every country in which we choose to operate.

### *How does the new managerial structure change the way that Carrefour works?*

The new managerial structure is the key to reaching the targets that we have fixed for ourselves and changes the operational structure in four respects:

- with a view to better corporate governance of the company, the organization is more collegiate and the Supervisory Board provides an essential point of stability in the structure;
- the organization of the Executive Committee has been simplified in a search for operational efficiency;
- all the country managers now have direct access to the top management;
- finally, in order to better respond to customer expectations, the store managers will have more room to manoeuvre and define the product range and the *management category* that is best suited to for their store.

*José Luis Duran*

# Corporate governance

In 2005, on the recommendation of the Committee on Remuneration, Appointments and Corporate Governance, the Board of Directors decided to propose to the next Shareholders' Meeting the establishment of a Supervisory Board and a Management Board. This new structure authorises a better distribution of powers between a Supervisory Board as a controlling body and a Management Board in charge of the management of the Group. The Executive Committee remains the operational body for implementing the strategy. Subject to its approval by the shareholders in their Shareholders' Meeting, the new governance structure will come into effect from 20 April 2005, following the said Shareholders' Meeting.

## The Supervisory Board

Its main tasks are:

- to appoint and dismiss the members of the Management Board and its Chairman;
- to approve any change in the structures of the Group and its capital.

The continuing role of the Supervisory Board is to monitor and supervise the execution of the business strategy. It can carry out controlling operations at any time, as it sees fit and obtain all documents that it considers useful for such controls.

Furthermore, it must ensure that the annual accounts presented to it by the Management Board are in order. Following control, the Supervisory Board shall make a report to be communicated to the shareholders in the Annual Shareholders' Meeting.

### ► *Composition of the Supervisory Board*

The Chair of the Supervisory Board is occupied by Luc Vandeveld and it has 8 members.

### ► *Luc Vandeveld*

Age 54.

#### **Chairman of the Supervisory Board,**

Luc Vandeveld started his career in 1971, working for the Kraft Group in Brussels. After having occupied the positions of Financial Director of Kraft, Madrid, of Vice-President, Development and Planning of Kraft Europe at Lausanne, of Director of Finance and Administration of Kraft GMBH in Germany, he was appointed Vice-President, Finances and Administration of Kraft International in 1988 in the USA and then Vice-President, Administration and Development of Kraft General Foods International in 1989. He returned to Europe in 1990 as Chairman and Managing Director, France and then France and Italy, of Kraft Jacobs Suchard. In 1995, he joined Promodès as General Manager. In 1999, following its merger with Carrefour, he was appointed Vice-Chairman and Managing Director of Carrefour. In 2000, he joined the Marks & Spencer Group as Chairman. In January 2003, he founded Change Capital Partners in London and joined the Halley Family Group in April 2003. He was appointed Director of Carrefour in March 2004. He then left Marks & Spencer in May 2004. On 20 April 2005, he was appointed Chairman of the Supervisory Board.

#### **Other appointments**

Director of VODAFONE, Comet BV and Citra SA.

Partner in Change Capital Partners.



### ► *Comet BV* represented by **Robert Halley**

Age 69.

Representative of the **Halley Family Group**, reference shareholder of **Carrefour**,

Robert Halley was first appointed by Promodès in 1961. He was appointed General Manager of the Management Board in 1972 and Vice-Chairman and Managing Director in 1987.

### ► **Carlos March Delgado**

Age 59.

reference shareholder of **Carrefour Group**,

Carlos March is Chairman of Banca March S.A., Joint Chairman of Corporación Financiera Alba S.A., Vice-Chairman of the Fundación Juan March and of Juan March Studies and Research Institute. He is also member of the International Advisory Council of the University of Columbia (New York, USA).

He was Chairman of the Spanish Section of the Trilateral Commission and member of the Board of Directors of the Association for Monetary Union of Europe.

### ► **José Luis Leal-Maldonado**

Age 65.

**Chairman of the Spanish Association of Banks**,

José Luis Leal-Maldonado was appointed Director General of Economic Policy in 1977, a position that he occupied until February 1978, on which date he became Secretary of State for Economic Coordination and Programming. He was appointed Minister of the Economy in April 1979, a position that he held until September 1980. From 1981 to 1990, he worked as Economic Advisor to the Banco de Vizcaya and Assistant to the Chairman of the Banco Bilbao Vizcaya.

#### **Other appointments**

Director of Saint-Gobain, of Saint-Gobain Cristalería Española, of CEPSA, and of Renault Spain.

Chairman of "Diálogo", Spanish-French friendship association and of Accion Contra el Hambre, Vice-Chairman of the Fundación Abril Martorell and member of the Real Patronato del Museo del Prado and of the Fundación Duques de Soria.

### ► **René Brillet**

Age 64.

Former **General Manager Asia of Carrefour**,

René Brillet started his career as a radio officer in the Merchant Navy in 1968. In 1972 he joined Carrefour and occupied successively the positions of Chief Accountant in Italy and Brazil, then of Store Manager and Manager, Organization and Methods, again in Brazil. In 1981, he moved to Argentina as Executive Manager and then managed Spain from 1982 to 1985 and France from 1986 to 1995. In 1996, he was appointed General Manager, Europe and then General Manager, Asia in 1998, a position that he occupied until 28 February 2004.

### ► **Anne-Claire Taittinger**

Age 54.

Currently **Chairman of the Management Board of the Taittinger Group**, **General Manager of the Société du Louvre**, **Chairman of Baccarat**,

Anne-Claire Taittinger, graduate of the Institut d'Études Politiques, Paris, holds a Masters degree in urban sociology and a Diploma in Higher specialist Studies in town planning and from the Centre de perfectionnement aux affaires, started her career in 1976 in the Groupe Caisse des Dépôts et Consignations as Manager of Town Planning Operations at the Société centrale d'équipement du territoire. She joined the Groupe du Louvre in 1979 in the position of General Secretary and then became Chairman and Managing Director of the Compagnie Financière Deville. She was successively Chairman and Managing Director of the Compagnie Financière Leblanc, of ELM-LEBLANC, Vice-Chairman and Managing Director of the Industrial Division of DEVILLE, Chairman and Managing Director of Parfums Annick Goutal France USA and then of the Luxury Division of BACCARAT.

She became Chairman of the Management Board of the Société du Louvre in 1997. She has occupied her present positions since January 2003.

#### **Other appointment**

Director of Dexia.

### ► **René Abate**

Age 56.

**Senior Vice-President of Boston Consulting Group**,

René Abate is a graduate of the École Nationale des Ponts et Chaussées and of the Harvard Business School. He started his career as an engineer with the New York Port Authority in 1970 and then joined the BCG in 1974 where he was a consultant in the fields of strategy and organization to large companies in various sectors, especially in mass consumption goods and in food and specialist retailing. He was successively Cabinet Business Manager in France, Chairman of the Group for Europe and member of the World Executive Committee.

#### **Other appointments**

Member of the Board of Directors of the École nationale des Ponts et Chaussées.

Member of the Board of Directors and Vice-Chairman of the association, L'ENVOL, for European children.

### ► **Amaury de Seze**

Age 58.

**Chairman of PAI partners**,

Amaury de Seze started his career in 1968 with Bull General Electric. In 1978, he joined the Volvo group where he occupied successively the positions of General Manager, Chairman and Managing Director of Volvo France, Chairman of Volvo Corporate Europe, member of the Executive Committee of the Volvo Group and member of the Renault Volvo Strategic Committee.

He joined the Paribas group in 1993 as member of the Management Board of the Compagnie Financière de Paribas and of the Paribas Bank, in charge of participations and industrial affairs and then as Manager of the Participations Division of the BNP-Paribas Bank.

He has been Chairman of PAI partners since 1998.

#### **Other appointments**

Director of Eiffage, Groupe Bruxelles Lambert, Publicis, Gras Savoye, Groupe industriel Marcel-Dassault, Power Corporation of Canada, Pargesa Holding S.A.

# The Committees of the Supervisory Board

Within the Supervisory Board, there are two specialised committees. The purpose of these committees is to go into greater depth on certain specific questions and to make proposals to the Supervisory Board.

## ► The Audit Committee

### MISSIONS OF THE COMMITTEE

#### The roles of the Audit Committee cover:

##### ► the annual and interim accounts for which:

- it examines the corporate and consolidated financial statements before they are presented to the Supervisory Board;
- it verifies that proper and consistent accounting methods are used to draw up the corporate and consolidated financial statements;
- it analyses the intermediate and preliminary results and the commentaries on them before they are made public;
- it verifies that the internal procedures for collecting and checking the information ensure that the above accounting methods can be correctly applied;
- it considers changes and adaptations of the accounting principles and rules used to draw up the financial statements.

##### ► stock market regulations for which:

- it assures the quality of the procedures and information relating to stock market regulation (reference document).

##### ► the internal and external audit of the company and its principle subsidiaries for which:

- it evaluates the proposed nomination or renewal of the company's Auditors and their remuneration;
- it evaluates, with those responsible for the internal audit, the Group's internal auditing systems.

The risks that it examines regularly with the Supervisory Board are of a financial, strategic or operational nature. The committee can make use of the information available from the Finance and Management Director of the Group. It can interview the Auditors in accordance with its own wishes.

### MEMBERSHIP OF THE COMMITTEE

The committee has a maximum of four members, appointed by the Supervisory Board from amongst its members.

The committee meets at least three times a year. Two meetings are scheduled, before the presentation of the annual accounts and before the presentation of the interim accounts.

The committee is not quorate unless at least half its members are present. A member of the committee may not appoint a representative.

## ► *The Committee on Remuneration, Appointments and Corporate Governance*

### **MISSIONS OF THE COMMITTEE**

**The committee intervenes in the following areas:**

- proposals to the Supervisory Board for the nomination of its members;
- proposals for the remuneration of the company representatives and distribution of directors' fees;
- evaluation of the overall package;
- information on the nomination and remuneration of members of the Executive Committee and the top managers of the Group;
- evaluation of the quality of the work of the Supervisory Board.

### **MEMBERSHIP OF THE COMMITTEE**

The committee has a maximum of four members, appointed by the Supervisory Board from amongst its members.

The committee meets at least once a year. It can meet at the request of the Chairman of the Supervisory Board or of two members of the Committee. The committee is not quorate unless at least half its members are present. A member of the committee may not appoint a representative.



# The Management Board

The Management Board, an executive body appointed by the Supervisory Board, is responsible for the General Management of the company. It draws up the financial statements and calls the Shareholders' Meeting.



(from left to right)

The Management Board has five members who act collegially. The members of the Management Board are appointed by the Supervisory Board. This organization enables the decision processes to be better adapted to the diversity and size of the business.

## › José Luis Duran Chairman of the Management Board

Age 40.

After studying economics, José Luis Duran started his career in 1987 with Arthur Andersen. He joined Pryca (subsidiary of Carrefour) in 1991 where he held the roles of Management Auditor (1991-1994), Management Auditor - Southern Europe (1994-1996) and then Management Auditor - Americas Region until 1997. After holding the role of Chief Financial Officer at Pryca he became Chief Financial Officer for Carrefour Spain in 1999. In April 2001 he was appointed CFO and Managing Director of Organization and Systems for Carrefour and joined the group's Executive Committee. On 3 February 2005, José Luis Duran became Chief Executive Officer. On 20 April 2005, he has been appointed Chairman of the Management Board.

## › Jacques Beauchet Managing Director of Human Resources, Communications and General Secretary

Age 53.

After completing his studies at the European School of Management in Paris (ESCP), Jacques Beauchet began his career in 1977 in the Management Auditing Department of Shell, where he remained for almost nine years. In 1986, he joined Codac as Management Auditing Director until 1989, when he became General Secretary. At the end of 1990, he was appointed acting Finance Director for Promodès. In 1993, he became Advisor to the Chairman, a post which he held concurrently with that of Communications Director from 1995. In 1999, he was named Human Resources Director – Group. Subsequently, on 3 February 2005, Jacques Beauchet became Managing Director of Human Resources, Communications and General Secretary.

## › Javier Campo Managing Director of Dia International

Age 49.

After studying engineering at the Universidad Politécnica in Madrid, Javier Campo's career has included, notably, a period as Managing Director of TYCESA before he joined the Carrefour group in 1985 as Merchandise Director for Dia. In 1986 he was appointed Managing Director of Dia International.



## ▶ José Maria Folache

### Managing Director – Europe excluding France

Age 44.

After obtaining a law degree and an MBA from the IESE business school in Barcelona, José Maria Folache joined Continent in 1986 as Deputy HTCCG Purchasing Director in the Merchandise Department - Spain, going on to become, in 1989, Director of Miscellaneous Household Goods responsible for Purchasing and Marketing. In 1991 he was Director of a hypermarket for one year, and then returned to the Merchandise Department - Spain as Sales Director. In 1993 he was appointed Regional Director for the Southern Region.

He became Director of non-food central purchasing in the Merchandise Department Group in 1994.

In 1998 he was appointed Managing Director of Promodès Hypermarkets in Italy. In 2000 he held the role of Deputy Director General of Carrefour Spain and then Managing Director – Spain. On 3 February 2005 José Maria Folache became Managing Director – Europe excluding France.

## ▶ Guy Yraeta

### Managing Director of Hypermarkets – France

Age 52.

After completing his engineering studies at the Institut Supérieur d'Agriculture in the Rhône-Alpes region, Guy Yraeta joined Carrefour as Textile Section supervisor in 1976, becoming Non-Food Department manager five years later. In 1985 he was appointed Checkout Manager and then Grocery Manager in 1987. In 1988, he was appointed Store Manager and two years later, he took up the post of Grocery Director

– France. In 1994, he became Regional Director in the Northeast and Central area. Starting in 1995, he held the post of Executive Director – Italy for four years. He was appointed Executive Director for Poland in 1999, a post that he held until becoming Director for Other European Countries in 2003. In 2004, Guy Yraeta joined Hypermarkets – France as Executive Director and on 3 February 2005, he became Managing Director of Hypermarkets – France.

# Executive Committee

The Executive Committee remains the body charged with the management and operational implementation of the strategy defined by the Management Board. Its role and hierarchical position are unchanged. Its membership has been altered to better follow the principles of the organization of the Group and improve its effectiveness:

- the principle of a single hierarchical level between General Management and Country Manager has been selected;
- the two main Business Units of the Group, Hypermarkets and Supermarkets, France, are included directly in the Executive Committee.

▶ **José Luis Duran,**  
Chairman of the Management Board

▶ **Jacques Beauchet,**  
Managing Director of Human Resources, Communications and General Secretary, member of the Management Board

▶ **Javier Campo,**  
Managing Director of Dia International, member of the Management Board

▶ **José Maria Folache,**  
Managing Director – Europe excluding France, member of the Management Board

▶ **Guy Yraeta,**  
Managing Director of Hypermarkets – France, member of the Management Board

▶ **Éric Reiss,**  
CFO & Managing Director of Information Systems

▶ **Thierry Garnier,**  
Managing Director of Supermarkets, France

▶ **Philippe Jarry,**  
Managing Director, Asia

▶ **Éric Uzan,**  
Managing Director, Americas Region

# The Carrefour Group is committed



## to its customers

by meeting their expectations and those of consumers in general in respect of price, choice, service, quality, quantity, product mix, innovations and proximity.

The success of the "No. 1" products, available throughout the world, shows how well they meet customer requirements. In addition to its price offensive, Carrefour offers its customers products with guaranteed quality and a highly diverse product mix to appeal to all levels of purchasing power.



## to its employees

by recruiting locally, developing their training to favour internal promotion and by making the Group values a living part of the management ethos.

Deployed in new countries in 2004, the "Listening to Staff survey" tool enables us to measure the social climate, to identify any dysfunctional areas and to define action plans. The training offer has been extended with specific programmes for each country, giving local staff access to positions of responsibility.



## to its shareholders

by providing them with dedicated tools to facilitate dialogue.

We have many tools for shareholder communication: the Annual Report, the shareholders' guide, our letter to shareholders, communiqués, a dedicated Web-site, and a telephone news report available at all hours, free of charge, by calling 0805 902 902.



## to its suppliers

by developing long-term and balanced relationships with them, based on the sharing of common objectives for product improvements, finding outlets and results.

Carrefour builds solid partnerships with small and medium sized businesses, arable and stock farmers and fishermen, enabling it to offer customers quality products at competitive prices. It has three priorities in its relationships with small and medium sized businesses: making the best use of local knowledge, innovation and assistance with selling internationally. In 2004, we renewed and updated the social charter signed by the suppliers, in which they undertake to respect international employment law.



*to its associated, franchised and affiliated partners*

**by giving them the benefit of our recognised banners and brands, of our commercial know-how, of our purchasing power, of our performing logistics system and of our constant progress.**

The Carrefour Group favours the transfer of know-how through training. It contributes to the setting up of businesses and the regeneration of local economies. Special mechanisms have also been put in place to open access to the franchise to the staffs of franchises.



*to public, local and national authorities*

**by taking its responsibilities as an economic player and a committed member of the local community.**

Carrefour is a signatory of the United Nations Global Compact. In addition, the Group contributes to local development by engaging in a continuous dialogue with public, local and national authorities.



*to non-governmental organisations*

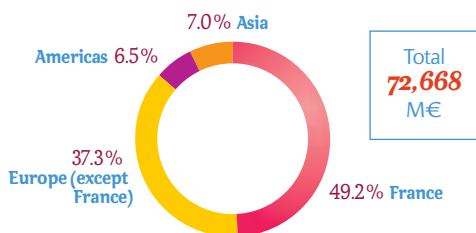
**by joining with them in actions in favour of sustainable development and promoting fair and ethical trade practices in all those countries where the Group has a presence.**

In addition to taking account of the demands of sustainable development in its activities, Carrefour maintains regular relationships with many NGOs. With the International Federation for Human Rights, the Group promotes the respect of human rights in its production chains, from producer to store. It works with the WWF to raise customer awareness of sustainable development and responsible consumption issues.

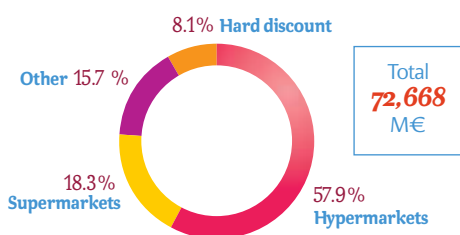
# Financial overview

In a difficult and deflationary economic environment, Carrefour concentrated on four main priorities, namely: competitive repositioning of the hypermarkets in France, improvement of the profitability of the international businesses, implementation of a plan to sell off businesses that are non-strategic or not sufficiently profitable, reduction of net indebtedness and improvement of the financial ratios. At closure of accounts, the Group had made progress on these 4 priorities. The increased amount of investment made to improve competitiveness, especially in France, had a major impact on profit and consequently calls into question the objectives initially fixed in March 2004. The Group achieved net sales of 72,668 million euros, an increase at constant exchange rates of 4.0% in 2004, of which 3.3% are in connection with new sales floor areas.

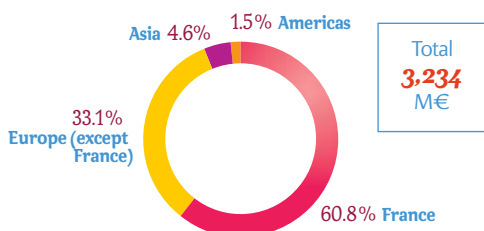
## Breakdown of consolidated net sales by geographical area



## Breakdown of consolidated net sales by store format



## Breakdown of EBIT by geographical area



**72,668**  
M€

Consolidated net sales

**3,234**  
M€

Group EBIT

The growth in net sales in 2004 reached 4.0% at constant exchange rates, largely driven by international business. Indeed, the growth in sales outside France at constant exchange rates reached 8.3%.

As in 2003, the exchange rates had a significant effect on sales, especially in Asia. At current exchange rates, Carrefour net sales rose by 3.1% in 2004.

In France, Group sales at constant exchange rates, grew by 0.1% and was affected, in particular, by deflation.

The sales after tax under the Group's banners reached 90.7 billion euros. Under its banners, Carrefour opened more than a million square metres in 2004, corresponding to the opening of 934 points of sale.

While the sales margin fell by 30 base points as a result of the investment in competitiveness, the efforts made to reduce general costs enabled the Group to increase its EBIT by 0.9% in 2004. Reflecting the price investment made in France, the operating margin in the home country fell by 6.4%.

This fall was compensated by the improvement in the profitability of the businesses outside France. At constant exchange rates, the operating margin increased by 24.9% in Latin America, by 9.5% in Asia and by 9.4% in Europe excluding France. Amortisations and provisions were higher than in the previous year, so that the Carrefour's EBIT fell by 0.5%.



## Indebtedness

The cash flow and good management of the operating working capital enabled the Group to reduce the net debt by 1.1 billion euros. It fell from 7.9 billion euros to 6.8 billion euros, a fall of 13.9%.

The coverage ratio of financial costs rose by 10.5% compared with 2003.

The EBITDA covered 11.6 times the financial costs in 2004.

## Net income per share from recurring operations

Taking account of the drop in actual tax rate and the fall in financial costs, Group share of net income from recurring operations after goodwill, has risen by 2.6%.

Thus, the net income from recurring operations, Group share after goodwill per share, has increased by 2.8% to 2.29 € and the net income from recurring operations, Group share before goodwill per share has risen by 2.5% to 2.73 €.

## Return on capital employed

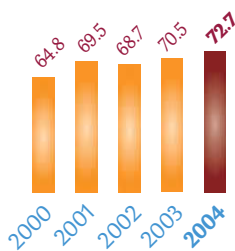
The efforts made during this year have enabled us to move from a return on capital employed of 17.7% in 2003 to 19% in 2004, with a clear improvement in the return on capital employed outside France.

**11.6x**  
= EBITDA/  
financial income

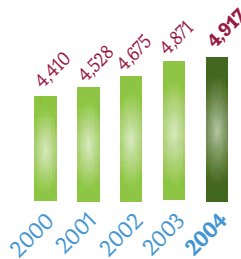
**2.29 €**  
after amortization  
of goodwill

**19%**

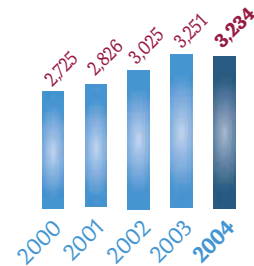
► Consolidated net sales  
(in billion €)



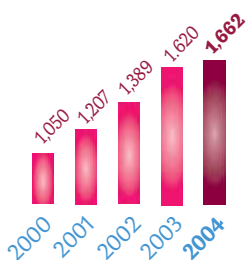
► EBITDA  
(in M€)



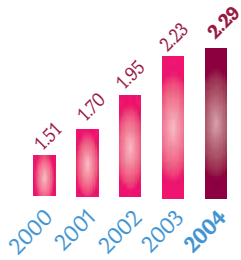
► EBIT  
(in M€)



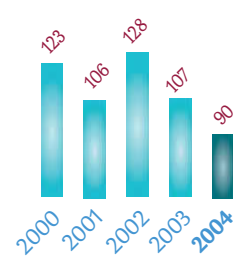
► Net income from recurring operations, Group share after goodwill (in M€)



► Net income from recurring operations, Group share after goodwill per share (in €)



► Debt ratio  
(in % of equity)



# Stock market overview

## ► Capital

On 31 December 2004, the equity capital of Carrefour amounted to 1,762,798,875 euros. It consists of 705,119,550 shares with a par value of 2.5 euros against 716,142,383 shares one year earlier.

### Distribution of the capital

The distribution amongst shareholders on 31 December was as follows:

Shareholders	Number of shares	In %	Number of ordinary voting rights	In %	Number of extraordinary voting rights	In %
HALLEY family Group	88,164,281	12.50	169,068,273	19.63	169,068,273	19.63
MARCH Group	23,744,424	3.37	47,140,464	5.47	47,140,464	5.47
Daniel BERNARD	1,230,724	0.17	2,192,146	0.25	2,192,146	0.25
<b>Shareholders' pact</b>	<b>113,139,429</b>	<b>16.05</b>	<b>218,400,883</b>	<b>25.36</b>	<b>218,400,883</b>	<b>25.36</b>
Employees	16,886,007	2.39	32,835,762	3.81	32,835,762	3.81
Company holding	8,532,318	1.21				
Self-control						
Public	566,561,796	80.35	610,092,079	70.83	610,092,079	70.83
	<b>705,119,550</b>	<b>100.00</b>	<b>861,328,724</b>	<b>100.00</b>	<b>861,328,724</b>	<b>100.00</b>

The new shareholders' pact, bringing together the main family shareholders, i.e. the Halley and March Groups and Daniel Bernard, came into effect on 30 Aug. 2004.

This pact represents a natural continuation of the one that had linked the historical family shareholders since 1999 and defines the way in which the main shareholders act in concert on the important decisions affecting the development of the company. It necessarily takes account of normal changes in the shareholding. The shareholders' pact, which currently brings together nearly 16% of the capital and 25% of the voting rights, was signed for a duration of 3 years. The members of the pact have entrusted the follow-up of the pact to the Panorama company, a holding of the Halley family group, represented by Mr Luc Vandeveld and having its registered office at 174, boulevard Haussmann, Paris.

## ► Carrefour stock

Carrefour is listed on the SRD Eurolist (Deferred Payment Service, code ISIN FR 0000120172).

It is included in the CAC 40, Dj Euro Stoxx 50 et Dj Stoxx 50 indices.

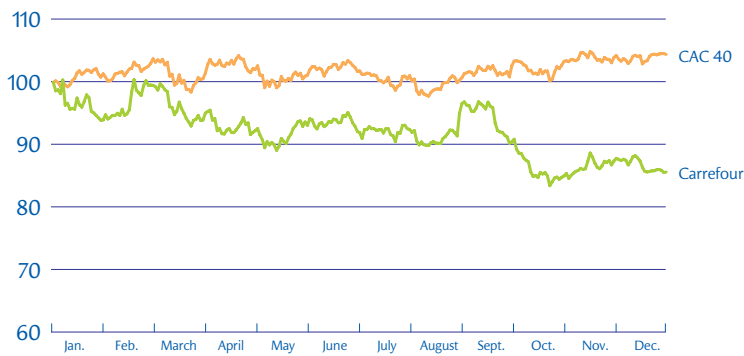
On 31 December 2004, the share was in 8th position in the CAC 40 index in terms of stock market capitalisation, with a weight of 3.33%.

## ► Stock market data

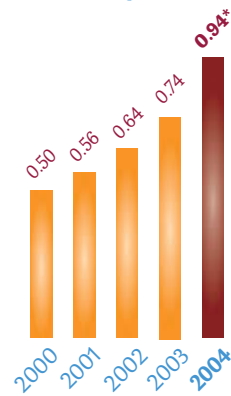
	2000	2001	2002	2003	2004	
Quoted price:	highest	91.8	69.4	58.15	46.34	<b>44.11</b>
	lowest	62.5	46.3	38.07	29.35	<b>33.70</b>
	on 31 December	66.9	58.4	42.43	43.52	<b>35.04</b>
Number of shares on 31 December	711,143,440	711,155,854	716,141,771	716,142,383	<b>705,119,550</b>	
Stock market capitalisation on 31 December (in billion euro)	47.6	41.5	30.4	31.166	<b>24.707</b>	
Average daily volumes	1,704,163	1,934,055	2,567,064	2,513,291	<b>3,028,232</b>	
Net income per share from recurring operations	1.51	1.70	1.95	2.23	<b>2.29</b>	
Net dividend	0.50	0.56	0.64	0.74	<b>0.94*</b>	
Yield	0.74%	0.95%	1.50%	1.70%	<b>2.7%</b>	

\* subject to approval of the shareholders in their Shareholders' Meeting, 20 April 2005.

## Share price movements in 2004 compared with CAC 40 index (basis 100)



## Net dividend per share (in €)



\* subject to approval of the shareholders in their Shareholders' Meeting, 20 April 2005.  
The dividends are prescribed after 5 years to the benefit of the State.

## SHAREHOLDER INFORMATION

The shareholders have access to transparent, accurate and regularly updated information through:

### ▶ A free telephone number for shareholders,

available 7 days a week, 24 hours a day. The shareholder can dial 0805 902 902 for information on:

- Group news, important events,
- the share price, its movement and that of the CAC 40,
- the diary of meetings and financial publications – a voice mail is available for leaving contact information for delivery of the letters to shareholders, the shareholder guide or the annual report,
- the name only share and its advantages – under this heading, the shareholder is put through to an advisor of the Crédit Agricole Indosuez Corporate Trust, appointed by Carrefour to manage the name shares,
- the Group strategy and outlook by contacting the Shareholders' Service.

### ▶ A "Shareholders" e-mail alert

on signing up in the "Shareholders" section of the Web-site: <http://www.carrefour.com>.

### ▶ The Letter to Shareholders

Intended for all holders of name and bearer shares who request it, the Letter to Shareholders appears twice a year, following the annual and intermediate results.

### ▶ The Shareholder Guide

▶ **The meetings**, in the Shareholders' Meeting, or during the Actionaria Salon in Paris.



## Calendar of financial information

Annual results 2004	10 March 2005	Sales for the second Quarter	12 July 2005
Sales for the first Quarter	12 April 2005	Half-year results 2005	1 <sup>st</sup> September 2005
Shareholders' Meeting (on 2 <sup>nd</sup> call)	20 April 2005	Sales for the third Quarter	12 October 2005
Payment of dividend	22 April 2005		

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# Strategy



The year 2004 marked a necessary stage in the Group's strategy. Carrefour made progress on four important fronts: the adjustment of its price position, especially in the hypermarkets in France, the improvement in the growth and profitability of its international businesses, the start of the rationalisation of its business portfolio and the strengthening of its financial position.

This strategy is based on a human resources policy aimed at disseminating processes and tools and bringing the system of values to 430,000 Group employees to obtain their commitment to a common culture and make the organisation more responsive.

This is part of a sustainability development growth approach with the ambition of making the Group a point of reference for responsible trading, bringing well-being to the customers while respecting the environment.

# *Growth world-wide* multi-format and profitable

*The major part of the strong growth of the Carrefour Group is international. It is driven by the multi-format strategy and common trends shared by the various countries.*



1<sup>st</sup> in Europe, Carrefour is the 2<sup>nd</sup> retailer in the world. With a presence in thirty-two countries, it makes half its sales outside France. This makes it the most international of all food retailers. The Group is concentrated on three continents: Europe (13 countries), Latin America (4 countries) and Asia (8 countries), a field of expansion to which one might add Africa, the Caribbean and the Middle East (7 countries).

The Group started this world-wide expansion more than 40 years ago, from which it has gained considerable experience. With the strength of this expertise, Carrefour pursues a growth strategy that is increasingly based on its international business. Thus, in 2004, 80% of the new points of sale were created outside France. Growth has been achieved, with an increase of sales outside France of 8.3% at constant exchange rates in 2004.

This international growth strategy is based on three axes:

- the multi-format approach for flexibility and responsiveness;
- the adoption of a common global strategy;
- the achievement of strict profitability targets.

## ► *Structured development through the multi-format approach...*

This sustained and world-wide expansion is the result of a structured approach. Since 1999, the Group has drawn on its developments and acquisitions in its various businesses to implement an innovative strategy, the multi-format approach.

Over and above the synergies between the formats, this position creates an impetus of international expansion. The establishment of hypermarkets in a country makes it possible to put in place the tools and processes necessary to future development (relations with suppliers, logistics, marketing, etc.). The offer can then be extended progressively by setting up supermarkets and hard discount stores and, if the country is sufficiently mature, convenience stores.



## Complementarity of store formats

The multi-format is an essential means of securing market share in the various countries. It responds to all the needs and shopping habits of local customers. The multi-format is contributing to the rapid expansion of the Group. It enables us to transfer banners while respecting the development of the trading structure of a town, region or country. This was the case in 2004 in Greece, at Ioannina. In 2004, a supermarket of 3,900 sq.m was opened to the south of this town of 90,000 inhabitants, and a supermarket to the north was enlarged under the Carrefour banner. Result: with two stores, the overall sales in the Ioannina region has almost tripled. The development potential of this approach is considerable and three other operations of this type are planned in the country for 2005.

The multi-format strategy thus leads to a growth in global sales, improved purchasing conditions and, of course, a gain in market shares in the countries concerned.

### ► ...based on common strategic positions

The international growth of Carrefour is strengthened by a strategy that is common to the store formats and countries while retaining flexibility in adapting to the local context so that each store can respond to the expectations of its customers.

This strategy can be summed up in four main targets:

- to be the price leader in the customer catchment area;
- to excel in mastering costs;
- to develop the capital employed in the store formats in an optimum manner;
- to profit from the purchasing synergies that are the Group's great strength.

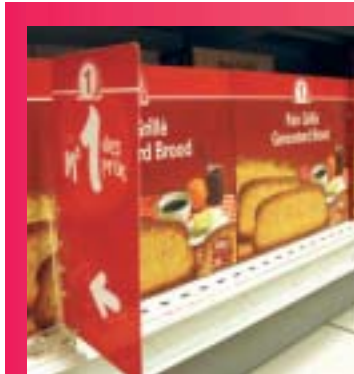


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## Exchange of best practices

Thinking beyond purchasing, logistics and brands, the sharing of best practices favours synergies, innovations and success. An illustration of this approach is the development in 2004 of a common clothing collection by several European countries: this operation was inspired by the success of a range of low-price textile products (50 references) put together by Poland. Other examples: the development of Spanish textiles in Argentina, Brazil and Greece or the deployment of the Italian approach to electronic products in the other European countries.





## A strong organic growth

**Over a million square metres of new sales floor area**

In 2004, the sustained organic growth continued.

A few figures:

- almost one new hypermarket opened per week;
- almost two new supermarkets opened per week;
- over ten hard discount stores opened per week.

Carrefour thus opened over a million square metres of new sales floor area throughout the world. In total, 914 stores were opened, of which 793 were outside France.

These main targets are implemented by concrete actions in each country by each of the store format teams. In 2004, the efforts were particularly concentrated on price cuts, continued innovations in products and quality, the expansion of loyalty programmes and the improvement of the connection between purchasing and sales.

### ► Profitable international growth

The growth, while very vigorous, must not be to the detriment of Group profitability. When the half-year results were published on 1 September 2004, Carrefour identified as one of its main priorities the improvement of the profitability of its international operations.

The Group decided to sell off assets that were insufficiently profitable or not strategic for 1 billion euros. As a result, the Group sold off Chile, a country in which Carrefour had a market share of barely 2.5% while the three main competitors held more than 40% between them.





## Belgium back into profitability

The efforts made in Belgium brought the business back into profit and are a good illustration of redefinition and optimisation of the business model. The country has reinvigorated its pricing policy, merchandising and marketing. The reduction in prices has led to marked recovery of sales volumes and a consolidation of market share. Amongst other things, this reinvigoration was based on the introduction of the “No. 1” and “Tex” brands, the development of the Carrefour Quality Lines and the strengthening of the customer loyalty systems. Efforts were also made to increase productivity. The consolidation of the purchasing led to larger gains. With regard to logistics, the introduction of new technologies, such as “voice picking”, a voice recognition system, contributed to cost reductions. This progress is expected to continue in 2005.

## Synergies between countries

Rolled out in every country in 2004, in hypermarkets, supermarkets and convenience stores, the “No. 1” brand represents global sales of 1.2 billion euros. In many countries, the “No. 1” introduction scored very well. For example, in Korea,

although “No. 1” was only introduced in 1st half 2004, its percentage in sales made with mass consumption products exceeded 9% at the end of 2004.

For the Carrefour range, joint purchases were made for more than 300 products.

We call them “the Carrefour International Products (PCI)”. Negotiated at the European level, these banner brand products are sold in more than 10 countries. Mass purchasing thus makes it possible to save on the purchase price and reduce the sale price.

On non-food and for the purchasing of assets, a common electronic auction (reverse bidding) marketplace named GNX, enables individual countries to benefit from the power of the Group and significantly reduce the building costs for a new store.

The same applies to the sale in October 2004 of the 22.4% participation in Modelo Continente in Portugal, considering the non-strategic nature of this minority holding.

Carrefour sold or closed 59 supermarkets in 2004, 20 in Spain, 16 in Brazil and 23 in Argentina because their present and forecast profitability was below Group targets.

### ► Tactical acquisitions, arbitration between growth models

For the most strategic markets, Carrefour chose to optimise capital employed in a very pragmatic way. The Group favours the tactical acquisition of assets when they are less costly than the construction of new stores. The acquisition in Poland of 12 Hypernova hypermarkets from Ahold is a good example of a tactical acquisition.

### ► Clear and precise profitability targets





The profitability targets are defined for each country, business unit and store. The targets are clearly stated and take account of many macroeconomic, socio-demographic, commercial and financial parameters. In Korea, for example, every new hypermarket must achieve sales at the end of three full years of more than twice the initial investment.

# 2004: the year of price investment

*The price offensive started in Spain was successfully extended to all geographic areas. It has contributed to improve the price image of the Group and is based on highly innovative programmes, such as the Carrefour Card, introduced in the French hypermarkets.*



## Number of bearers of the Loyalty Card/Payment Card

	 hypermarkets	 Supermarkets	 Hard discount	 Convenience and other businesses
Belgium	465,000	568,000	□	98,000
Spain	Under test in 6 hypermarkets 240,000 bearers	1,600,000	8,000,000	□
France	6,300,000	5,400,000	□	Shopi: 600,000 bearers
Greece	900,000	1,200,000	950,000	□
Portugal	344,739	□	1,500,000	□
Turkey	2,456,032	303,703	□	□
Italy	Pass Card: 231,032 bearers	1,900,000	□	223,000 active cards (electronic points cards)
Poland	Advantage Card: 3,000,000 Payment Card: 100,000 cards	□	□	□
Czech Republic	Carrefour Credit Card 46,000 bearers	□	□	□
Slovakia	Carrefour Credit Card 28,000 bearers	□	□	□



## Success of the Loyalty Card for the hypermarkets in France and Portugal

April's launch of the loyalty card for the customers of the hypermarkets in France was a success: over six million bearers at the end of December and nearly 60% of sales made through this card. With regard to customer loyalty, the "listão" programme of the "Cartão Família" in Portugal met with great success. The customer has the choice of 30 products with a permanent discount of 10 to 25% throughout the year.

### ► Continuing and strengthened price investment

Under unfavourable macroeconomic conditions, Carrefour took the opportunity to offer its customers a targeted product mix at the best price. This reduction in prices, started in 2003 was strengthened and prolonged throughout 2004. All the Group's store formats applied this reduction of prices.

It also extended to all countries and covered all product ranges.

### ► The loyalty programmes, targeted price reductions

Once the price reductions were in place, the loyalty cards offered an innovative approach, enabling additional price reductions to be offered, adjusted to suit the various customer groups.

The Carrefour Group has more than 20 loyalty programmes throughout the world. Each store format operates a programme adapted to local circumstances and the characteristics of its format. For example, the Club Dia Card is highly price-oriented. In France, the

Carrefour Card offers a wide range of possibilities, remains faithful to the essential concept of the superstore: the pleasure of shopping.

All these loyalty programmes have a common technical and know-how basis. There are thus many exchanges of technical information between store formats and countries. For example, the Portuguese loyalty card is very similar to the Carrefour Card in France.

The loyalty cards are an important asset:

- they give a better insight into customer's habits, so that their expectations can be better satisfied,
- through innovative offers, they strengthen brand loyalty.

This price investment is financed, in the main, by cost reductions and savings. The price reductions are financed by concentrating on three aspects: the optimisation of purchasing, selective cost reductions and the optimisation of the allocation of resources.





## Excellent positioning and price image in Latin America

In Latin America, customer loyalty has been won through the development of own brands and by keeping prices very low. The investments made in 2003 and 2004 enabled us to improve the price image of all the Group's banners throughout the area. It is particularly good in Columbia, where Carrefour has taken 1<sup>st</sup> place amongst retailers in this respect. In Argentina, the Group has the 2<sup>nd</sup> price image in the country. The aggressive pricing policy is backed up by major cost reduction exercises to keep up the margins.

### ► *Optimisation of purchasing*

Launched in 2003, the "consolidated margin" operation was extended in 2004. It supposes closer collaboration between purchasing and sales so that the decisions of each country lead to improved operations:

- increasing consolidation of purchases for own food brands;
- development of their common non-food core,
- perfecting purchasing, starting from very precise specifications and continuous renewal of suppliers,
- involving the internal chain of the Group and especially those responsible for in-store operations.

### ► *Selective cost reductions*

In 2004, very significant gains were made and the work continues in 2005. They affect various items in the income statement: logistics, mark-downs, reductions in general expenditure.

Progress has also been made in reducing mark-downs and shortfalls. In training, employees are made aware of the need to reduce breakages, the source of mark-downs, and regular monitoring is carried out in each store to control progress on this front. With regard to shortfalls, considerable progress has been made, thanks to the shell-packaging of products.

In 2004, the reduction in sales costs remained one of the main areas of work to finance price reductions. Efforts were also made in work organization and the optimisation of workflows in order to increase productivity. The "Mercury" programme, started in France, is one example. This project has led to better results in every department and improved worker satisfaction. It was rolled out in 2004 for food products, and will be applied to non-foods in 2005.





### ► Improvement of the price image

An excellent price position does not immediately lead to a good price image. This difference between reality and perception is gradually eliminated by sustained communication on prices.

Corporate communication sets the message on prices and commercial advertising keeps it alive day by day. Thus, in France, the corporate campaign, “Consuming Better”, set the tone with its emphasis on quality and respect for the customer. The commercial campaigns on prices, the “No. 1” products and the Carrefour Card then took up these themes throughout 2004. The emphasis on prices has also been taken up internationally. A particular example is the “Everything for one euro” campaign, carried out in 27 countries.



### An example of major price reductions in Italy

To counter the advance of hard discount stores, the Carrefour hypermarkets in Italy have repositioned 400 of their 1,200 retailer brand products to achieve a major price reduction and remain competitive.



# *Adaptation* to local demands

*Mass purchasing and globalisation do not prevent Carrefour from adapting its business model to local circumstances. An approach that is bearing fruit in the various countries where the Group has a presence.*





## *The preferred banner in Portugal, one example amongst many*

Measured by an independent institute, the image of Carrefour in Portugal is on the rise. The banner is leader on 11 of the 14 criteria of this survey of consumers and, for the 2<sup>nd</sup> year running, it is the preferred banner of the Portuguese in those towns where it has a presence.

### ► *Adaptation of the business model*

Flexibility in the implementation of the strategic guidelines of the Group is particularly well illustrated by the “clustering” of store formats. This approach consists of adapting the hypermarket to the local economic and social situation. The most striking example is that of Latin America.

For several years, this region has been in the grip of an economic and financial crisis that seriously affects the living standard of the population. With a presence in Argentina, Brazil, Colombia and Mexico, the Group must respond to the requirements of customers seeking very low prices while it is subject to considerable fiscal pressure and free market competition.

Segmentation in “clusters” has led to the creation of three store categories:

- the “A cluster” presents a very wide product mix, especially in perfumery and electronics, with more sophisticated layout and fittings, to meet the expectations of well-off customers;

- the “B cluster” is a more standard store, targeting the middle class;
- when it comes to the “C cluster”, this is very much a discount store with a reduced product mix, simplified presentation and low-price products.

Each cluster is supported by appropriate marketing, based on the Carrefour triple principle: presentation of the lowest prices, own brands and national brands.

### ► *The success of clustering in Latin America*

Applied in Latin America, this clustering strategy has been a success, as is shown by the return to growth in the area. For a comparable number of stores, it reached 6.1% in 2004.

The success of the approach has also led to a return to profitability.





### ► *Store formats adapted to each country*

The international development of the various formats is accompanied by great flexibility in adapting to local cultures and situations. This flexibility enables them to integrate better in the economic context of the region of the world concerned and satisfy customer habits and expectations, which vary from country to country.

In China for example, the hypermarkets are not as big as in Europe. This adaptation favours the rapid development of the store format. It also enables Chinese customers to be served in stores adapted to their needs without forcing a break with their traditions.

In Italy, the major growth of supermarkets in urban areas also meets the expectations of the population. The Italian consumer habitually goes shopping several times a week or even every day.

This flexibility in adapting to the local context also applies to the Group's other store formats.

In 2004, the "MaxiDia" concept was launched in Spain. About 1,200 sq.m in size, this store offers a wider product range with greater emphasis on fresh products. 6 MaxiDia were set up in 2004. In 2005, 25 to 30 further openings are contemplated in the country. This model will be extended to other regions. In China, the opening of a Dia store of 1,200 sq.m is already programmed in Beijing in April 2005. The "carpark store" is another example of adaptation of the format. Intended to give customers easier access to the store, it is developing particularly well in Spain.

### ► *Product ranges adapted to local traditions*

In addition to the store format, the product mix is also adapted to the expectations of customers within the store catchment area. In particular, they offer regional products. Prepared by local small and medium sized businesses, these correspond perfectly to local traditions. For better visibility, there are dedicated own brands for these products: Reflets de France, Nostra Terra (Spain), Terra d'Italia.



## Globalisation and tradition in Italy

As in other countries, Italy added the “Carrefour International Products” to its product mix in 2004: 200 products under the “Carrefour” brand and 130 under the “GS” brand. At the same time, the country continued to develop its “Scelgo bio” organic brand and its “Terra d’Italia” local brand. Following in the footsteps of the brands “Nostra Terra” (Spain) and “Reflets de France”, “Terra d’Italia” is proving very successful. This success illustrates Carrefour’s capacity to take advantage of globalisation, especially in its purchasing to reduce costs, at the same time as building on its relations with local producers. The latter benefit from national and even international market development, helping them to export their regional products.



In Asia, even the presentation of the fresh product ranges takes account of features of the local culture. This adaptation extends to non-food products and services. Examples: again in China, the stores offer a wide selection of bicycles, in Brazil, the development of the credit business meets a strong demand from the customers.

### ► *Teams that know their customers*

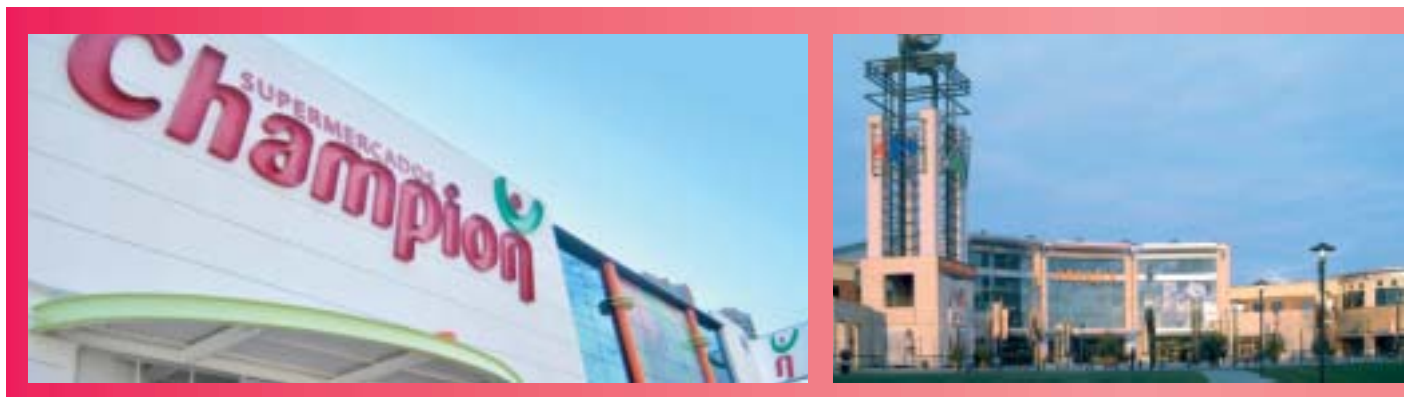
This ability to respond to customer expectations in each country is one of Carrefour’s strengths. It is made possible by very good knowledge of the customers, reinforced by recruiting teams locally, including for management positions. We rarely resort to the use of expatriate managers. Where this is the case, the objective is to hand over to local managers – as was the case in Indonesia, for example, where most store managers are Indonesians. Fully integrated in their various localities, the teams define the product mixes to meet the expectations of their local customers. The use of franchising, for hypermarkets, supermarkets and hard discount stores as well as for convenience

stores, enables this principle to be pushed even further, with local entrepreneurs fully involved in the development of their stores.



# International: strategic decisions

*The Carrefour Group has a presence in three continents: Europe, Latin America and Asia. This deployment results from a clear strategic decision: to develop its business wherever it is possible to benefit from profitable growth.*



## ► *Europe: Carrefour's domestic market*

**Carrefour is established in 13 countries in Europe, a region that represents the domestic heart of its business. Thanks to the stability of the euro, Europe outside France constitutes a formidable growth area.**

### ► **A year of transition, marked by strong deflation**

The year 2004 was marked by deflation in every country, a deflation that increased during the second half-year. This deflation has two main characteristics:

- to begin with, it is subject to and linked with a difficult macroeconomic context. This is the case, in particular, for the fresh products, the price of which, having peaked throughout Europe during the summer of 2003 because of the late summer, has deflated by an average of over 15% for more than 6 months. This deflation also affects non-food products but is imported in this case, the dollar having fallen by 20% during the year;

- it is also voluntary. For Carrefour, a more difficult economic context represents an opportunity to consolidate its position as a discounter. By contributing to price reductions, the full roll-out of the "No. 1" brand and the strengthening of the other own brands made it possible to strengthen the price image of the Group banners and further improve customer loyalty.

### ► **Continued growth**

Despite this deflation, 2004 was another year of growth in Europe. The business year was particularly marked by strong expansion in Greece, Poland, the Czech Republic, Turkey, Slovakia, Switzerland and Portugal. For comparable sales areas, sales in these countries has risen by 3.7%. Business growth has also been sustained: the number of hypermarkets in all the countries mentioned has grown from 70 to 76 and that of supermarkets from 173 to 197. In external growth, two strategic acquisitions were made: the Xynos chain in Greece (8 supermarkets and 18 convenience stores with overall sales of 75 million



## Strong expansion in Poland

Poland recorded a growth in sales of 7.2% at constant exchange rates in 2004, a performance that is all the more remarkable in a highly competitive environment with high unemployment and high inflation (4.5% at the end of October on a sliding 12-month basis).

Carrefour concentrated its efforts on its position and its price image. The latter is backed up by a very flexible multi-format strategy, adapted to all customer catchment areas. Now the 2<sup>nd</sup> Polish hypermarket operator, following its acquisition of 12 Hypernova hypermarkets, the Group offers,

alongside its traditional hypermarkets, a small hypermarket (6,000 to 8,000 sq.m), suitable for medium sized towns.

In the supermarket format, Carrefour has the flexibility of 2 banners: Globi for district stores and Champion for larger catchment areas.

euros) and the Hypernova chain in Poland (potential sales of the order of 180 million euros). For a non-comparable volume, this brings the total growth in the area to 11%.

At the same time, these countries have begun to make a positive contribution to Group results. This turn-around was made possible by the improvement in the profitability of sales and very good control of the retail costs.

### ► *Latin America: a return to profitability*

**In a particularly difficult economic context, Carrefour has been able to maintain growth and profitability.**

#### ► **A continually difficult economic context**

The year 2004 remained marked by low consumption in Latin America, in spite of a slight recovery in Argentina, Brazil and Colombia. The improvement in the GDP of these three countries does not result from a rise in consumption but from a growth in exports.

In this very difficult macroeconomic context, Carrefour has successfully adapted by setting up a new business model. The results demonstrate this success. The growth in sales in the Latin America area was 6.1% for comparable stores in 2004.

#### ► **Sustained growth and gains in market share**

At the end of 2004, there were 157 hypermarkets in the Latin America area. 8 stores were opened during the year. This pace should be maintained in 2005 with the planned opening of 13 hypermarkets. The Group gained market share in its 3 main countries in the area. The market share in Argentina grew between 2002 and 2004 from 11.6% to 12.3%.



## Food Safety approval in Thailand

The 20 stores in Thailand have obtained official Food Safety approval. As the only supermarket banner with this accreditation, Carrefour has a distinct competitive advantage in a country affected by food emergencies. 6 Carrefour Quality Lines have been developed in the country.

## Best Foreign Company in Korea

The modernisation of 4 supermarkets, the investments made in prices, the brands, the welcome and the fresh products led to a rise in sales of about 20% in 2004. Carrefour Korea was awarded the prize for the Best Foreign Company in recognition of its know-how.



### ► Asia: a growth accelerator

For Carrefour, Asia, and particularly China, represents a great potential for expansion. Already, more than half of supermarket openings are in this area.

### ► Carrefour, leading international retailer in Asia

Carrefour is the leading international retailer in Asia with a presence in 8 countries. Its objective is to take full advantage of the very high potential of the area to strengthen its leading position.

This is to be based on increased expansion. After 20 store openings in 2003, 26 supermarkets were set up in 2004. For this format, Asia represents more than half the new store openings during the business year. In 2005, this expansion will be expected to continue and even more supermarkets will be opened in the area. Given its size and its lively economy, China represents, of all the countries concerned, a particularly interesting growth area. In 2004, this country alone was



## Building a strong local and national presence in China

Carrefour is the 4<sup>th</sup> largest retailer in China and the leading foreign group. In 2004, its sales grew by 22.1%, to 1.6 billion euros. Since 2001, the average growth in Group sales in the country has been 22% per year in local currency.

2004 was marked by a rapid increase in growth with the opening of 15 hypermarkets, 6 supermarkets, a new format in the country, and 110 hard discount stores. On 31 December 2004, Carrefour had 226 stores, under all banners.

The growth strategy is based on three key points:

- constant adaptation to specific market requirements;
- growth and consolidation of the customer base through the multi-format approach;
- strong organic growth accompanied by a strict policy of return on capital employed.

With these three priorities, Carrefour's objective is to build a strong local and national presence in China.



already host to nearly 50% of new hypermarket floor area in the world. It is also the leading Asian country in which Carrefour has set up its supermarket and hard discount banners.

### › Long-term relationships with local suppliers

One of Carrefour's main advantages in Asia is its ability to integrate fully into the local context. In every country, the Group takes up the position of a local player. To achieve this, it develops close and long-term relations with local suppliers and, of course, customers.

This approach leads to the establishment of appropriate organisations. In China, four regions have been defined in order to come closer to customers and take account of regional purchasing habits.

The aggressive pricing strategy is also common to the whole area. In each country, lowest price products have been put in place. This approach is accompanied by a review of mid-range products and an adjustment of own brands to customer expectations.

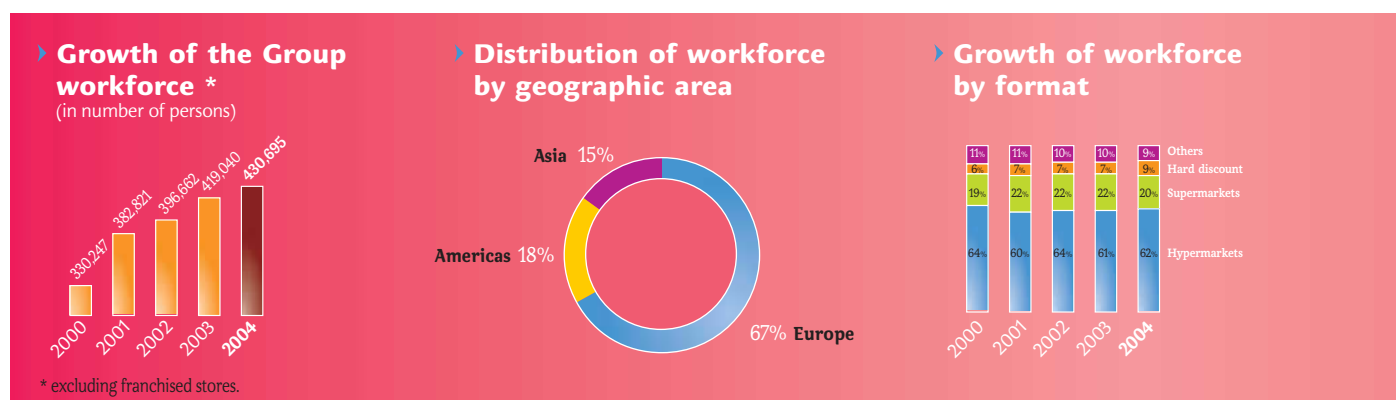
## Strong development in Indonesia

With an initial presence in the province of Jakarta, Carrefour opened stores in several northern towns and other islands in the archipelago in 2004. After opening 5 stores in 2004, another 5 are planned for 2005.



# Human Resources *focused on values*

An exemplary employer, Carrefour operates a Human Resources policy based on the values of the Group, and aiming to allow each individual to find fulfilment and advancement through his work.



## ▶ *Dynamic management of diversity*

With its 430,000 staff members, Carrefour is one of the ten largest employers in the world. Speaking 18 languages, practising quite varied professions, its employees have widely differing qualifications and backgrounds and are, on the whole, rather young: their average age is 33. These few items of data underline the importance for the Group of knowing how to manage the size and diversity of its human resources. Furthermore this management is in the context of a dynamic group, always on the move: every year, Carrefour recruits 100,000 people.

Carrefour's policy benefits from expertise and know-how in all areas: management, work organisation, training, professional development, remunerations, etc.

## ▶ *Fulfilment and motivation*

Going still deeper, the Human Resources policy contributes to the Group's primary objective: to become the point of reference for modern retailing in each of its markets.

With regard to Human Resources, this objective consists in offering employees the possibility of finding fulfilment and making progress in a climate of confidence, as well as motivating work and remuneration. Concretely, this approach is implemented in four priorities: attraction, training, management and loyalty.

## ▶ *Accent on training*

In 2004, training was given special emphasis. The offer in this area was extended in all functions and at all levels. The training programme for the upper management has also been extended. After the "Master Carrefour", offered in partnership with the Insead, and the Finance and Management University, set up with the ESCP, a "Merchandise" University has now been opened.

## 7 values applied daily

The more a group is international, the larger it is, the more it grows, the more it requires points of reference to ensure the stability of its development. The seven Carrefour values are these common points of reference, the cement that gives it strength.

The sharing of values and a common culture within the Group is encouraged and supported by a new internal magazine available on the Intranet. Published in four languages, Carrefour News has met with real success with the number of hits increasing

considerably following its launch. Presenting, each day, the latest news from Carrefour around the world, with information from all the countries, Carrefour News contributes to the sense of a Group.



## Carrefour Attitude, a lasting progressive impetus

To encourage all the teams, throughout the world, to make the Group's values and commitments even more a part of their daily work: this is the objective of "Carrefour Attitude". Devised in 2004, this big project went into testing in several countries at the beginning of 2005. The principle: to make generally available a common frame of reference and indicators of the practices and behaviours that can meet the expectations of each stakeholder

of the Group: staff and employees, customers, shareholders, suppliers, partners and communities.

"Carrefour Attitude" has been presented to all the executive managers and enables every business unit (a store format in a country) to evaluate itself in a very precise manner on the concrete actions carried out with their stakeholders.

Many initiatives have also been launched in Taiwan, Turkey, Indonesia and especially in China.

### ► A special programme for China

Given that China represents nearly a quarter of the growth of Carrefour, with the opening of one store per month, the "Mandarin" programme is of great importance to the Group as a whole. The purpose of this programme is to give the Chinese employees the knowledge required to take responsibility in all the Group's occupations. It enables us to export the know-how that is essential to the success of the expansion.

## Listening to teams throughout the world

2004 saw the "Listening to Staff Survey" tool come into general use. Started in France fifteen years ago and extended to Europe for the past two years, this tool has now been extended to Latin America and Asia. It gives a perception of how the Group values are seen and experienced by the teams of each store (a store is monitored about every three years).

## A socially responsible company

Many actions underline Carrefour's position as a socially responsible company. These include the signature at the end of 2004 of a charter in favour of the recruitment of "visible minorities", an initiative intended to facilitate the access to recruitment interviews of persons whose names appear to indicate foreign origins. Another example is the Committee for European Information and Cooperation that met in Brussels on the occasion of the European enlargement with the participation in the committee of the new Czech, Slovakian and Polish delegates.

# Promoting *responsible commerce* and positive globalisation

*Quality and safety, respect for the environment, economic and social responsibility: these are three commitments of Carrefour, implemented through ten priorities, of which the progress is measured with the help of indicators.*

## ► *Three commitments throughout the world*

Carrefour seeks to contribute to a positive globalisation by favouring access by the greatest number to quality products in taking its responsibilities as a retailer throughout the supply chain, from producer to store and raising local standards in all those countries where the Group has a presence. This approach to progress has been formalised in three commitments:

- quality and safety, of the products, customers and personnel on the sites;
- respect for the environment: limit of its impact on the greenhouse effect, conservation of natural resources, waste reductions and management, preservation of water quality and availability, preservation of biodiversity;
- economic and social development: respect for suppliers, involvement in the local economy, motivation of the teams, customer satisfaction.

## ► *An action plan with ten priorities*

These commitments led to the establishment of an action plan for the period 2002-2005. This sets down ten priorities, as follows.

1. To complete and extend the Group's reporting system to promote the sharing of best practices between countries and banners.
2. To gradually ensure a regular dialogue with stakeholders.
3. To guarantee the safety and quality of products and the safety of customers and staff.



4. To strengthen respect for the environment in the conception of products and packaging and to develop product ranges with a social and environmental added value.
5. To increase respect for the environment in the logistics activity.
6. To reduce the environmental impacts of building and operating of the stores, including the impacts related to their publications and free catalogues.
7. To strengthen the partnerships with the local companies in all countries and promote fair and long-term relations with suppliers.
8. To guarantee respect for human rights internally and in the products' supply chain.
9. To promote the training and development of each individual.
10. To respect the freedom of choice of the customer.





## Highlights

### ► Vigeo requested-rating

To assess Carrefour France practices in term of social and environmental responsibilities, Carrefour requested a rating from Vigeo. The evaluation of the Group strategy applied to the French hypermarkets and supermarkets helped to identify their strengths and weaknesses and to develop an action plan.

### ► Organisation of an Environment Survey

To survey the awareness of its customers and employees, Carrefour launched its second world survey during the World Environment Day. 21 countries took part with 15,630 employees and 31,695 customers.

### ► Carrefour Colombia receives a prize for fighting drugs

Since September 2001, Carrefour Colombia has been committed to selling in its stores substitution products from small producers who have torn up their coca plantations. In Vienna, Carrefour Colombia received a special prize from the United Nations Office for Drug Control and the Prevention of Crime (UNODC).

## ► Indicators to measure progress

To follow up on these objectives and evaluate the progress made from one year to the next, 22 key performance indicators have been set up. For each action, they enable the progress to be measured: the level of dialogue with stakeholders, the energy and water per sales area consumption, the percentage of recycled waste,

the percentage of sales of controlled food products achieved with local suppliers, the number of employees recognized as disabled workers, etc.

*If you wish to know more about the Carrefour approach and see the progress made, please see its 2004 Sustainability Report.*

## The commitment of Carrefour to sustainable development has been welcomed by the main SRI (Socially Responsible Investment) fund managers

ISR funds	Value*	Investment **	2002	2003	2004
Banque Sarasin and Cie SA	1.3 Bn€	0	no	yes <sup>(1)</sup>	eligible <sup>(2)</sup>
Ixis AM	4 Bn€	6 M€	yes	yes	yes
F & C AM	2.5 Bn€	0	no	no	no <sup>(3)</sup>
Morley FM	0.83 Bn€	2.1 M€	no	eligible	eligible <sup>(4)</sup>
Storbrand Investments	4 Bn€	2.3 M€	no	yes	yes

\* Total value of the ISR fund on 31 December 2004.

\*\* Total value of Carrefour shares held by the ISR fund on 31 December 2004.

(1) Carrefour is eligible in the principal ISR funds managed by the Banque Sarasin and Cie but is only present in the funds of specific customers.

(2) Carrefour is eligible in the principal ISR funds managed by the Banque Sarasin and Cie but no share is currently held.

(3) Carrefour is not eligible in the principal ISR funds managed by F&C AM (Stewardship funds) but is eligible in three other funds.

(4) Carrefour is eligible in the principal ISR funds managed by Morley FM, but its share are currently only held in the specific funds.



# Franchising, an effective lever of development

*The franchise is a development model that has performed well for the Group. It applies to all store formats but especially to the convenience store.*

## ► **Excellent commercial leverage**

Because it ties up little capital, franchising provides Carrefour with excellent commercial leverage at low cost.

It is an important vehicle of expansion for several reasons:

- it allows rapid expansion through the use of local franchisees who have good knowledge of the constraints and opportunities in the catchment areas;
- it enables market share and banner penetration to be strengthened, increasing sales volumes and the possibility of consolidating purchasing;

## Continued dialogue

The Group is investing strongly in training and promotions in convenience stores that are, for the most part, run by franchisees. New franchisees begin in "school stores", following which they are regularly offered training programmes. In addition to personal relationships with their area managers, they take part in local and regional meetings and national conventions. On a more ad hoc basis, exchange committees are organised to share best practices. Examples: back-office developments, consideration of the fresh product mix, etc. While making its expertise available to franchisees, Carrefour also relies on their experience.

- it is a source of exchange of best commercial practices, contributing to the improvement of the product mix and services offered to customers;
- it allows a very good return on investment.

Carrefour franchises are becoming increasingly multi-format. This started with the hard discount format in 2004, in France, with the Coop Atlantique. This new development model will enable stores to be opened rapidly in areas where Ed has a relatively small presence.

## ► **Carrefour is a major player in franchising**

### ► **Carrefour attracts franchisees**

Carrefour keeps an open door for franchisees wishing to join it. Their number confirms the attraction of the Group's power and know-how in the franchise market. In France, 14 franchisees of another chain joined Carrefour in 2004.

### ► **Competitive advantages**

While they contribute their dynamism and their entrepreneurship, franchisees benefit, in their turn, from the performance of the Group's commercial concepts, whatever the banner. They profit, in particular, from the commercial impact of quality products that have already been marketed, from national communication and from the reliability of proven logistics.

While the purchasing power of Carrefour is an excellent guarantor of their competitiveness, its dedicated teams enable them to share all the expertise of a global group.

**Hypermarkets**

74 franchisees in 12 countries  
1 banner: Carrefour

**Supermarkets**

881 franchisees in 5 countries  
3 banners:

- Champion in France, Tunisia, Norway and Greece
- GB Partner in Belgium
- GS Insieme in Italy

**Convenience**

2,505 franchisees in 4 countries  
8 banners:

- Shopi, 8 à Huit and Marché Plus in France
- Di per Di il Supermercato and Di per Di Express in Italy
- GB Contact and GB Express in Belgium
- 5'Marinopoulos in Greece

**Hard discount**

1,046 franchisees in 7 countries  
3 banners: Dia, Ed, Minipreço



## Expansion of franchised supermarkets

The franchised activity was started in 2004, in Norway, with the opening of five Champion stores. Its expansion continued with a first store opening in Tunisia. A new franchised supermarket has also been opened in Romania (fourth store of this format in the country). In Egypt, the franchising policy enables the Group's supermarkets to occupy one of the leading positions.

Adapted to every banner, the franchisee networks are key players. A double impulse for success, individual and collective, governs relations between the franchisee, his network and his banner. The confirmation of talents benefits from the combination of energies – and vice versa. In this spirit, each network has its own policy for maintaining its bodies for concertation and exchange of ideas while respecting the Group's culture and values.

### ► *Winning together*

Carrefour makes every effort to help each franchisee to develop his business, through major training programmes, in particular.

In return, the Group ensures the professionalism of the entrepreneurs that it franchises by operating a very selective recruitment policy. Each franchisee thus allies real competence as a business manager with an ability to apply the business strategy and strong loyalty to his banner. This is reflected in respect for the standards of each concept and in the continuity of their development.

## Our franchised partners

CAILLE	Reunion
COOP ATLANTIQUE	France
DESPOINTES	Guadeloupe Martinique Tahiti
GUYENNE ET GASCOGNE	France
HAYOT	Martinique Guadeloupe Dominican Republic Reunion
HYPARLO	France Romania
LANCRY	Martinique
MAJID AL FUTTAIM	United Arab Emirates Oman Qatar Egypt
MESTDAGH	Belgium
PENTECOST	New Caledonia
ULYSSE HYPER DISTRIBUTION	Tunisia
WANE	Tahiti
NORGES GRUPPEN	Norway



# Group store locations

31 December 2004

	Date of first opening	Sales including tax under banners in M euro	Growth in sales including tax under banners at constant exchange rates	Hypermarkets		Supermarkets		Hard discount		Convenience		Others		Total			
				Consolidated	Franchised	Consolidated	Franchised	Consolidated	Franchised	Consolidated	Franchised*	Consolidated	Franchised				
<b>EUROPE</b>																	
France	1963	44,727	-0.4%	179	37	588	434	630	12	-	1,638	129	28	3,675			
Spain	1973	13,336	7.4%	121	5	190	-	1,836	815	-	-	32	-	2,999			
Italy	1993	7,128	-0.7%	38	1	226	154	-	-	133	562	14	-	1,128			
Belgium	2000	5,261	2.8%	56	-	77	186	-	-	1	175	-	-	495			
Greece	1991	2,048	12.9%	16	-	120	-	251	76	60	74	-	-	597			
Portugal	1992	1,252	11.8%	7	-	-	-	286	84	-	-	-	-	377			
Poland	1997	853	7.2%	17	-	70	-	-	-	-	-	-	-	87			
Switzerland	2001	642	1.2%	8	3	-	-	-	-	-	-	-	-	11			
Turkey	1993	796	15.6%	11	-	7	-	233	6	-	-	-	-	257			
Czech Republic/Slovakia	1998	460	4.7%	14	-	-	-	-	-	-	-	-	-	14			
<b>EUROPE TOTAL</b>		<b>76,503</b>	<b>1.9%</b>	<b>467</b>	<b>46</b>	<b>1,278</b>	<b>774</b>	<b>3,236</b>	<b>993</b>	<b>194</b>	<b>2,449</b>	<b>175</b>	<b>28</b>	<b>9,640</b>			
<b>LATIN AMERICA</b>																	
Brazil	1975	3,308	9.1%	85	-	97	-	178	30	-	-	-	-	390			
Argentina	1982	1,318	8.0%	28	-	114	-	310	23	-	-	-	-	475			
Mexico	1995	578	9.0%	29	-	-	-	-	-	-	-	-	-	29			
Colombia	1998	456	31.5%	15	-	-	-	-	-	-	-	-	-	15			
<b>LATIN AMERICA TOTAL</b>		<b>5,660</b>	<b>10.2%</b>	<b>157</b>	<b>0</b>	<b>211</b>	<b>0</b>	<b>488</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>909</b>			
<b>ASIA</b>																	
China	1995	1,618	23.6%	56	-	6	-	164	-	-	-	-	-	226			
Taiwan	1989	1,174	6.2%	34	-	-	-	-	-	-	-	-	-	34			
Korea	1996	1,258	9.2%	27	-	-	-	-	-	-	-	-	-	27			
Thailand	1996	447	16.9%	20	-	-	-	-	-	-	-	-	-	20			
Indonesia	1998	419	26.8%	15	-	-	-	-	-	-	-	-	-	15			
Malaysia	1994	204	11.1%	8	-	-	-	-	-	-	-	-	-	8			
Japan	2000	342	49.4%	8	-	-	-	-	-	-	-	-	-	8			
Singapore	1997	90	10.6%	2	-	-	-	-	-	-	-	-	-	2			
<b>ASIA TOTAL</b>		<b>5,553</b>	<b>16.4%</b>	<b>170</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>164</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>340</b>			
<b>FRANCHISED PARTNER COUNTRIES</b>																	
Belgium	2000	-	-	-	-	-	62	-	-	-	-	-	-	62			
United Arab Emirates	1995	-	-	-	8	-	-	-	-	-	-	-	-	8			
Saudi Arabia	2004	-	-	-	1	-	-	-	-	-	-	-	-	1			
Oman	2000	-	-	-	1	-	-	-	-	-	-	-	-	1			
Qatar	2000	-	-	-	1	-	-	-	-	-	-	-	-	1			
Egypt	2002	-	-	-	2	-	-	-	-	-	-	-	-	2			
Tunisia	2001	-	-	-	1	-	1	-	-	-	-	-	-	2			
Romania	2001	-	-	-	4	-	-	-	-	-	-	-	-	4			
Norway	2004	-	-	-	-	-	5	-	-	-	-	-	-	5			
DOM.TOM**	1988	-	-	-	9	-	39	-	-	-	56	-	-	104			
Dominican Republic	2000	-	-	-	1	-	-	-	-	-	-	-	-	1			
<b>PARTNER COUNTRIES TOTAL</b>		<b>2,965</b>		<b>28</b>	<b>0</b>	<b>107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>191</b>			
<b>TOTAL GROUP</b>				<b>90,681</b>		<b>3.3%</b>	<b>794</b>	<b>74</b>	<b>1,495</b>	<b>881</b>	<b>3,888</b>	<b>1,046</b>	<b>194</b>	<b>2,505</b>	<b>175</b>	<b>28</b>	<b>11,080</b>

\* Excepting banners Sherpa and Proxi, which represent 1,498 stores.  
\*\* French overseas departments and territories.





**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.

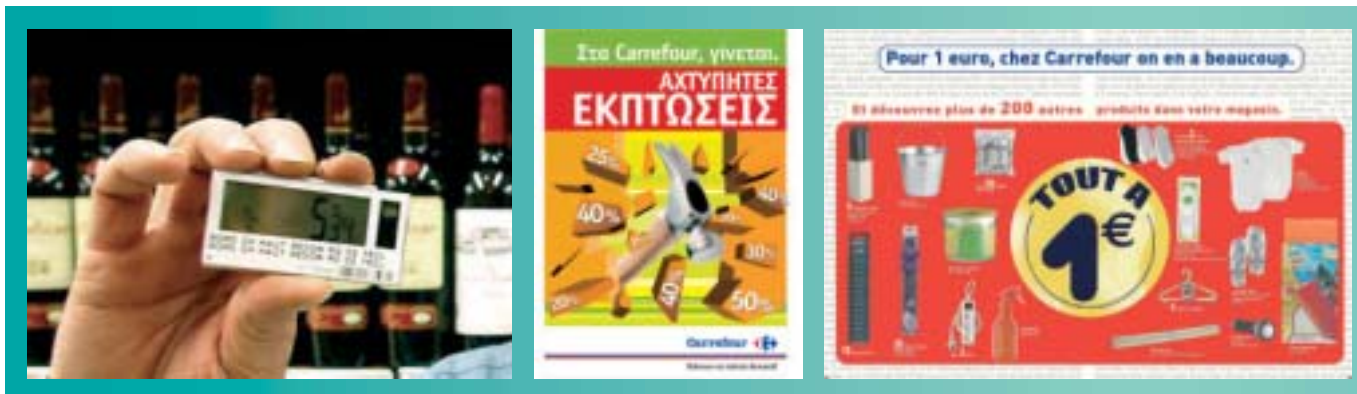
Part of a shopping mall or retail park, hypermarkets attract a great deal of traffic.

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** →

<p><b>1</b> NAJTAŃSZY PRODUKT</p>	<p>PRODUKTY MARKOWE</p>	<p>PRODUKT <b>Carrefour</b></p>



► **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 (3<sup>rd</sup> 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
<b>EUROPE</b>			
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
<b>EUROPE TOTAL</b>		<b>7</b>	<b>513</b>
<b>LATIN AMERICA</b>			
Brazil	2,661.2	2	85
Argentina	608.2		28
Mexico	578.1	2	29
Colombia	455.7	4	15
<b>LATIN AMERICA TOTAL</b>		<b>8</b>	<b>157</b>
<b>ASIA</b>			
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
<b>ASIA TOTAL</b>		<b>26</b>	<b>170</b>
<b>FRANCHISED PARTNER COUNTRIES</b>			
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
<b>PARTNER COUNTRIES TOTAL</b>		<b>3</b>	<b>28</b>
<b>GROUP TOTAL</b>		<b>44</b>	<b>868</b>



# Champion

Z myślą o Tobie



**2,376**  
stores

**88**  
stores  
opened  
in 2004

**87,328**  
employees

**25%**  
of Group  
sales





# Supermarkets



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
<b>EUROPE</b>			
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
<b>EUROPE TOTAL</b>		<b>72</b>	<b>2,052</b>
<b>LATIN AMERICA</b>			
Brazil	509.9		97
Argentina	526.4		114
<b>LATIN AMERICA TOTAL</b>		<b>0</b>	<b>211</b>
<b>ASIA</b>			
China	4.6	6	6
<b>ASIA TOTAL</b>		<b>6</b>	<b>6</b>
<b>FRANCHISED PARTNER COUNTRIES</b>			
Belgium		5	62
Tunisia			1
Norway		5	5
DOM TOM			39
<b>PARTNER COUNTRIES TOTAL</b>		<b>10</b>	<b>107</b>
<b>GROUP TOTAL</b>		<b>88</b>	<b>2,376</b>



## 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 3<sup>rd</sup> 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, 3<sup>rd</sup> 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
<b>EUROPE</b>			
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
<b>EUROPE TOTAL</b>		<b>328</b>	<b>4,229</b>
<b>LATIN AMERICA</b>			
Brazil	137.3	76	208
Argentina	183.3	40	333
<b>LATIN AMERICA TOTAL</b>		<b>116</b>	<b>541</b>
<b>ASIA</b>			
China	40.9	110	164
<b>ASIA TOTAL</b>		<b>110</b>	<b>164</b>
<b>GROUP TOTAL</b>		<b>554</b>	<b>4,934</b>

## 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 4<sup>th</sup> largest business unit and Ed in France is the 10<sup>th</sup>.

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
<b>EUROPE</b>			
France	3,497.6	52	1,638
Italy	1,110.6	65	695
Belgium	504.4	18	176
Greece	178.6	88	134
<b>EUROPE TOTAL</b>		<b>223</b>	<b>2,643</b>
<b>FRANCHISED PARTNER COUNTRIES</b>			
DOM-TOM		2	56
<b>PARTNER COUNTRIES TOTAL</b>		<b>2</b>	<b>56</b>
<b>GROUP TOTAL</b>		<b>225</b>	<b>2,699</b>

## Other businesses

### Openings in 2004 2004 sales by country

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

## 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.



# Financial Report

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The following pages of the Carrefour Financial Report present the Group's results for the fiscal years 2002, 2003 and 2004. It comprises the following:

- **the Group management report** presents the activity and the main results in 2004 for the Group in its entirety and for each of its major operating regions: France, Europe (excluding France), Latin America and Asia. It ends by focussing on recent developments and the Group's objectives in 2005, as presented at the time of publication of the consolidated earnings on March 10, 2005;

- **the consolidated financial statements and the notes to the consolidated financial statements** present all summary statements and comments on the Group's financial situation, including both the parent company and its subsidiaries;

- finally the **financial data and commercial statistical data** summarising over ten years the trends in the Group's principal financial ratios, changes in the number of consolidated stores in each country and well as other statistics, specifically sales areas and the number of branded stores.

# Consolidated financial statements

## Management report

### ACTIVITY – RESULTS

#### Carrefour had the following objectives for 2004:

- to increase sales including taxes by 6%, at constant exchange rates;
- and double-digit growth in the net income per share, before and after amortization of goodwill.

#### Additionally we expected:

- a reduction in debt on the order of 500 million euros;
- and a return on capital employed\* of 19%.

\* Return on capital employed is defined as the ratio of earnings before interest and taxes/capital employed. Capital employed is equal to the sum of the net average debt and average share capital and reserves.

In October 2004, in view of the deflation generated by voluntary price reductions enacted by the Group and the deterioration of the economic climate, Carrefour announced that the sales growth would be less than 5% and the growth in the net profit per share lower than double digits. However, thanks to a reduction in costs and the financial burden, net earnings per share would rise for 2004.

#### So in 2004:

- sales including taxes increased by 4.2% at constant exchange rates;
- the net income per share before and after amortization of goodwill, increased by 2.5% and 2.8% respectively;
- the net debt was reduced by 1,099 million euros;
- the return on capital employed reached 19%.

#### Also in 2004 the Group:

- repositioned its French hypermarkets with respect to price;
- improved profitability and return on capital employed outside of France. This was reflected in the Group EBIT growth (+0.9%) despite a fall in France;
- started a programme to transfer non-strategic or insufficiently profitable assets (closures or transfers of 57 supermarkets in Spain, Argentina and Brazil). At the same time the Group grew in key markets thanks to some tactical acquisitions (Greece, Poland) and franchising agreements (France, Italy);
- improved its financial ratios.

### NET SALES

Net sales rose to 72,668 million euros, up 3.1% on 2003 sales. At constant exchange rates, Group sales rose 4.0% compared to

2003. The main exchange rate variances came from the Asia region due to the weakening of most of the Asian currencies, and from Latin America, owing to the devaluation of the Argentinean and Brazilian currencies.

#### Breakdown of net sales by business

	2004	2003	2002
Hypermarkets	58%	59%	59%
Supermarkets	18%	18%	18%
Hard Discount stores	8%	7%	8%
Other	16%	16%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### Breakdown of net sales by geographic region

	2004	2003	2002
France	49%	51%	51%
Europe	37%	36%	34%
Latin America	7%	7%	8%
Asia	7%	6%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### EBITDA

EBITDA rose to 4,917 million euros and represented 6.8% of sales compared to 6.9% in 2003. It increased 0.9% compared to 2003.

### DEPRECIATION AND PROVISIONS

Depreciation and provisions totalled 1,683 million euros. They represented 2.3% of sales.

### EBIT BEFORE AMORTIZATION OF GOODWILL

EBIT before amortization of goodwill totalled 3,234 million euros, down 0.5% on 2003. Operating margin (EBIT/sales) thus totalled 4.5%, compared to 4.6% in 2003 and 4.4% in 2002.

#### Breakdown of EBIT by geographic region

	2004	2003	2002
France	61%	66%	68%
Europe	33%	29%	26%
Latin America	1%	1%	1%
Asia	5%	4%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Operating margin by geographic region**

	2004	2003	2002
France	5.5%	6.0%	5.9%
Europe	3.9%	3.7%	3.4%
Latin America	1.1%	0.3%	0.4%
Asia	2.9%	3.1%	3.0%
<b>Total</b>	<b>4.5%</b>	<b>4.6%</b>	<b>4.4%</b>

**INTEREST INCOME (EXPENSE)**

Interest in 2004 was an expense of 424 million euros, down 8.5% on 2003 and representing 0.6% of sales in 2004 compared to 0.7% in 2003. This reduction is primarily explained by a reduction in the average net debt by 1,562 million euros leading to an improvement in the financial ratios.

**Principal financial ratios**

	2004	2003	2002
EBITDA/financial income	11.6x	10.5x	8.9x
EBIT/financial income	7.6x	7.0x	5.7x

**INCOME TAX**

The effective income tax expense was 836 million euros in 2004. This represented 29.8% of earnings before taxes compared with 30.4% in 2003.

**CONSOLIDATION BY THE EQUITY METHOD**

Income from equity affiliates was slightly down at 101 million euros. This movement was the consequence of an increase in income from the financial companies offset by a reduction in income from non-managed companies brought about in 2003 (Costco UK) and 2004 (Modelo Continente).

**NET INCOME FROM RECURRING OPERATIONS**

Net income from recurring operations was 2,075 million euros, up 1.3% compared with net income from recurring operations in 2003.

**MINORITY INTERESTS**

The share of minority interests in the income fell from 5.4% in 2003 to 4.5% in 2004. This reduction is primarily explained by a reduction in the income of those companies operating in France.

**NET INCOME FROM RECURRING OPERATIONS – GROUP SHARE**

The Group share of net income from recurring operations totalled 1,981 million euros, up 2.2% on the Group share of net income from recurring operations for 2003.

**NET INCOME FROM RECURRING OPERATIONS – GROUP SHARE AFTER AMORTIZATION OF GOODWILL**

The Group share of net income from recurring operations after amortization of goodwill totalled 1,662 million euros, up 2.6% in relation to 2003.

**NON-RECURRING INCOME (LOSS)**

A non-recurring loss totalled 246 million euros. It comprised:

- gains on transfer of securities (Modelo Continente) for 11 million euros;
- exceptional write-offs on operational and intangible assets for 198 million euros;
- restructuring and site closing costs of 83 million euros;
- other items for 24 million euros in income.

**CASH FLOW AND INVESTMENTS**

Cash flow totalled 3,406 million euros, down 0.8% on 2003. It represented 50.1% of 2004 net debt compared to 43,5 % in 2003. Net investments for the year amounted to 2,063 million euros. Carrefour's tangible and intangible investments amounted to 2,564 million euros.

Financial investments represented 439 million euros for 2004. Disposals with an impact on our treasury totalled 940 million euros for 2004.

**SHAREHOLDERS' EQUITY AFTER APPROPRIATION OF EARNINGS**

Shareholders' equity totalled 7,586 million euros as of December 31, 2004 compared to 7,389 million euros in the previous year.

Shareholders' equity after appropriation of earnings includes the distribution of a dividend of 0.94 euro per share, up 27% on 2003.

**NET DEBT**

The Group's net debt fell from 7,892 million euros at the end of 2003 to 6,794 million euros at the end of 2004. Net debt represents 90% of the shareholders' equity after appropriation of earnings at the end of 2004 compared to 107% at the end of 2003. Excluding foreign exchange gains and losses, it represented 63% of shareholders' equity after appropriation of earnings at the end of 2004.



## ANALYSIS BY GEOGRAPHIC REGION

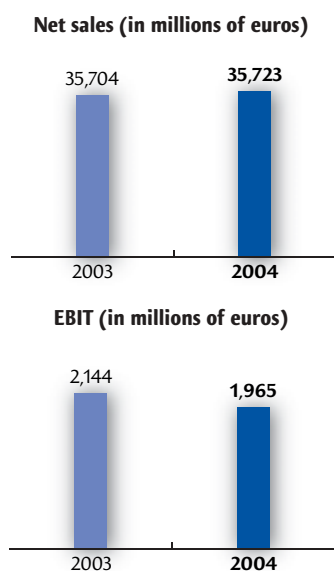
In millions of euros	France		Europe (excluding France)		Latin America		Asia		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	35,723	35,704	27,123	25,527	4,721	4,619	5,101	4,637	72,668	70,486
EBITDA	2,588	2,766	1,782	1,629	205	164	342	313	4,917	4,871
EBIT	1,965	2,144	1,070	952	50	13	149	143	3,234	3,251

### FRANCE

The consolidated store network in France as of December 31, 2004, was as follows:

Hypermarkets	179
Supermarkets	588
Hard Discount stores	630
Other stores	129
<b>Total</b>	<b>1,526</b>

In 2004, the store network expanded by one hypermarket, 22 supermarkets and 52 maxi discount stores.



Sales in France were stable, registering a slight increase of 0.1%. This stability was the consequence of significant price reductions in all of our formats. EBIT fell from 6.0% of sales in 2003 to 5.5% of sales in 2004 and totalled 1,965 million euros.

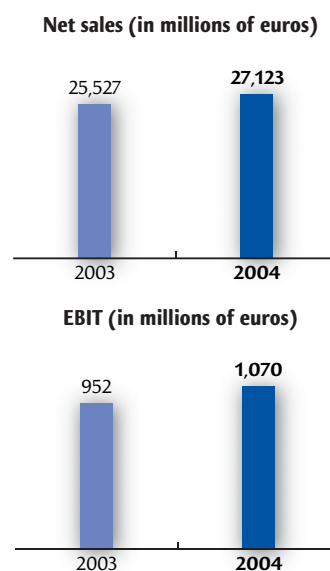
Operational investments in France totalled 874 million euros. They represented 2.4% of sales.

### EUROPE (EXCLUDING FRANCE)

The consolidated store network in Europe as of December 31, 2004, was as follows:

Hypermarkets	288
Supermarkets	690
Hard Discount stores	2,606
Other stores	240
<b>Total</b>	<b>3,824</b>

The store network increased this year by 7 hypermarkets, 39 supermarkets and 142 hard discount stores.



Sales in Europe increased by 6.3% thanks to the very strong performance posted in the major European countries. EBIT totalled 3.9% of sales as of December 31, 2004, compared to 3.7% in 2003.

Operational investments in Europe totalled 1,008 million euros. They represented 4.0% of sales.

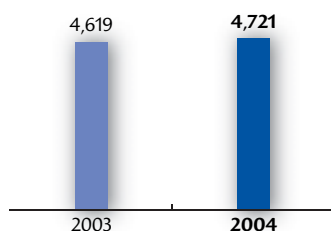
### LATIN AMERICA

The consolidated store network in Latin America as of December 31, 2004, was as follows:

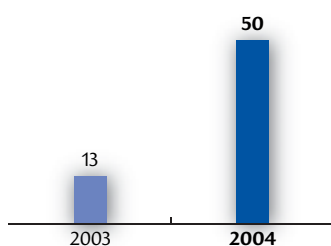
Hypermarkets	157
Supermarkets	211
Hard Discount stores	488
Other stores	-
<b>Total</b>	<b>856</b>

In 2004, the store network increased by 10 hypermarkets and 75 hard discount stores while the number of supermarkets fell by 43 stores.

Net sales (in millions of euros)



EBIT (in millions of euros)



Sales in Latin America increased by 2.2% in 2004, heavily affected by exchange rate fluctuations. At constant exchange rates, sales increased by 7.5%, a sign of the success of the strategy of developing formats adapted to the purchasing power of each catchment area. EBIT rose from 0.3% of sales in 2003 to 1.1% of sales in 2004 at 50 million euros.

Operational investments totalled 231 million euros. They represented 4.9% of sales.

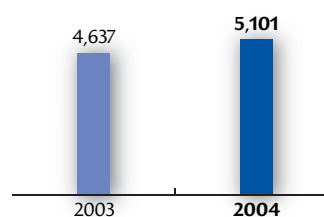
### ASIA

The consolidated store network in Asia as of December 31, 2004, was as follows:

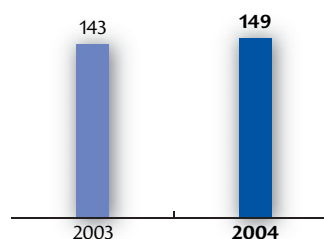
Hypermarkets	170
Supermarkets	6
Hard Discount stores	164
Other stores	-
<b>Total</b>	<b>340</b>

In 2004, the store network expanded by 26 hypermarkets, 6 supermarkets and 109 maxi discount stores.

Net sales (in millions of euros)



EBIT (in millions of euros)



Sales in Asia increased by 10% in 2004. At constant exchange rates the increase in sales was 18.8%. EBIT fell from 3.1% of sales in 2003 to 2.9% of sales in 2004 at 149 million euros.

Operational investments in Asia totalled 336 million euros. They represented 6.6% of sales.

## RECENT CHANGES

### STRENGTHENING OF CAPITAL TIES WITH HYPARLO

On January 20, 2005, Carrefour and Hyparlo announced that they had strengthened their partnership.

Hyparlo took 100% control of its Romanian subsidiary, previously held 50/50 by Carrefour and Hyparlo.

At the same time, Carrefour strengthened its partnership with the Arlaud family by taking a 50% stake in the holding company of that group. Carrefour also retained its direct 20% stake in Hyparlo.

Following these transactions, Hyparlo continues to be managed by the family group with Gilles Pardi as Chairman of the Board and Jean-Michel Arlaud as Chief Executive Officer. Hyparlo will therefore be consolidated by the equity method in the 2005 Carrefour accounts.

This agreement provides a put option for the Arlaud family covering the entirety of its shares in Hyparlo's holding company which is held by Hyparlo. This option can be exercised on one or more occasions, but each exercise must be for at least 10% of the total capital. Each exercise of the option (beginning January 1, 2012, or earlier should Gilles Pardi or Jean-Michel Arlaud cease their functions at Hyparlo) will strengthen Carrefour's control of Hyparlo.

The sale price of shares in Hyparlo's holding company would be determined by agreement between Carrefour and the Arlaud family or, failing this, by a single independent financial advisor.

### STRENGTHENING OF CAPITAL TIES WITH FINIPER

On January 21, 2005, Carrefour and the Italian company Finiper, of which Carrefour already holds 20%, formed an agreement aimed at strengthening their capital ties. This agreement involves a purchase option for the Group for 31% of the capital and a sales option for Mr Brunelli, the principal shareholder of Finiper, for 80% of Finiper shares. Mr Brunelli would retain his management functions until these options were exercised. The options will be exercised on the basis of a valuation of the company based on multiple criteria.

### CHANGE IN GOVERNANCE METHOD

On February 3, 2005, Carrefour's Board of Directors validated an amendment to the Group's governance structure which would be submitted at the next Shareholders' Meeting for approval. This new structure is aimed at improving the allocation of powers between a Supervisory Board, a governing body, and an Executive Committee, responsible for the management of the Group. The Executive Committee would remain the operational body responsible for implementing strategy.

### STUDY ON AN AMENDMENT TO THE LENGTH OF DEPRECIATION OF BUILDINGS

As part of the establishment of its pan-European property management company, the Group has currently been studying the possibility of modifying the length of depreciation for its buildings (currently written off over 20 years).

This analysis should be completed during the first half of 2005. Any eventual changes would thus be implemented in 2005 and pro forma financial statements would be issued for 2004.

### DISPOSAL OF CARREFOUR MEXICO

On March 9, 2005, Carrefour transferred its assets in Mexico to Chedraui, a major retailer in Mexico. The transferred assets included 29 hypermarkets and 2 proposed hypermarkets due to open in 2005. The sale of Carrefour Mexico was an integral part of the programme to transfer non-strategic or insufficiently profitable assets as announced by the Group in September 2004.

### DISPOSAL OF CARREFOUR JAPAN

On March 9, 2005, Carrefour and Aeon, a major Japanese retailer, signed a partnership agreement in Japan laying down:

- the transfer by Carrefour to Aeon of its 8 hypermarkets;
- the signing of a protocol agreement for a partnership covering:
  - the use by Aeon of the Carrefour trade name in Japan
  - cooperation on certain sales concepts
  - and the sale of Carrefour brand name products in Japan.

The aim of this alliance between Carrefour and Aeon was to develop and strengthen the hypermarket format in Japan. The sale of Carrefour Japan was an integral part of the programme to divest non-strategic or insufficiently profitable assets as announced by the Group in September 2004.



## 2005 OBJECTIVES

Henceforth, the Group's fundamental objective is profit growth. In 2005 Carrefour's main objectives were as follows:

- improvement to the price image in French hypermarkets;
- increase the customer numbers at French hypermarkets to gain market share;
- increase the profitability and return on capital employed for activities outside of France;
- establish the foundations for accelerated growth from 2006 onwards.

*\* The return on capital employed is defined as the ratio of the operating result/capital employed.*

*Capital employed is equal to the sum of the average net debt and average share capital and reserves.*

In order to improve the price image of its French hypermarkets, the Group will continue to lower prices in 2005 with the objective of ensuring that every store has the lowest prices in its catchment area.

An increase in customer numbers in French hypermarkets will be achieved through :

- improved communication with customers;
- an increase in the attractiveness of the promotional offers for consumers.

Improvement in profitability and in the return on capital employed for activities outside of France will be accomplished by consolidating Carrefour's strong market positions in Europe, Asia and Latin America. The Group's investment portfolio will be rationalised and expanded. With the sale of Mexico and Japan, the Group will have nearly attained its goal of the disposal of one thousand million euros in assets.

Lastly, the Group will open one million square meters of sales floor space in 2005 thereby laying the foundations for accelerated store openings from 2006 onwards. To do so, the Group will rely on its experience as a major multi-format retailer to reinforce its position in strategic markets.

## CHANGEOVER TO IFRS STANDARDS

In accordance with the European regulation on international standards, Carrefour will adopt the International Financial Reporting Standards (IFRS) for fiscal year 2005. As required by IFRS Standard 1, for this first application of the IFRS standards, a comparison for fiscal year 2004, prepared in accordance with same standards, will be provided.

To publish this comparative information, Carrefour must prepare an opening balance sheet at January 1, 2004, the date when the impact of the changeover will be posted under shareholders' equity.

For the sake of transparency, Carrefour organised two informational meetings last December on the consequences of the changeover to the IFRS standards and has published the presentation made on that occasion on its website ([www.carrefour.com](http://www.carrefour.com)).

Due to the year end closing, the Group's 2004 IFRS consolidated accounts will not be audited and certified until the second quarter of 2005. In accordance with the recommendations of the regulating authority, the Autorité des Marchés Financières, and in the absence of audited data, we will restrict ourselves to a qualitative presentation of the changeover to IFRS standards.

The Group has identified the main differences arising from the methods and principles of accounting, evaluations and presentation as defined by the international standards and the accounting principles currently followed by the Group.

The standards which would have a significant impact on the opening stockholders' equity are the following:

- IAS Standard 19 regarding employee benefits;
- IAS Standard 2 regarding stock-based payments.

### EMPLOYEE BENEFITS (IAS STANDARD 19)

IAS Standard 19 concerns all defined benefits obligations and requires the compilation and "fair value" appraisal of all employee benefits regardless of type or expiration date. The number and amount of employee benefits are thus increased under the IFRS standards as compared to the French standards.

The Group had already accounted for its obligations concerning retirement benefits.

Due to its labour legislation, out of all the countries in which the Group operates, Belgium is the country most concerned by this standard (pre-pension plans, credit-time scheme etc). The cumulated actuarial differences with respect to employee benefits will be posted to retained earnings.

**INVENTORY (IAS STANDARD 2)**

The balance sheet valuation of inventories must include the costs of merchandise (with the exception of any exchange gains or losses).

The Group has decided:

- to include all direct costs in the balance sheet valuation of inventories including logistics costs up to inventory delivery to store as well as supplier discounts;
- to account for services invoiced to suppliers within the gross margin and therefore incorporate them in the inventories valuation.

Other IFRS standards offer a choice in their application or lead to different principles of accounting, evaluation and presentation from those currently applied by the Group. The choices made by the Group and the consequences of these differences are presented below.

**PRESENTATION OF FINANCIAL STATEMENTS**

The notion of non-recurring income does not exist under the IFRS standards resulting in a reclassification of a certain amount of accounting income and expense in the EBIT and/or financial income.

According to IFRS standards, the company could choose whether to show the income statement by type (personnel costs, general expenses, etc.) or by purpose (administrative costs, sales costs, etc.). The Group will continue to present its income statement by type of expense.

Adoption of the IFRS standards will also result in the conversion of the consolidation of our financial service companies from the equity method to the full consolidation method.

IAS Standard 14 provides for the presentation of financial information by segments, according to two levels of analysis:

- an initial level of analysis whereby the following must be presented by segment: sales, EBIT, assets, liabilities, investments, non-cash charges and the share of income of companies consolidated by the equity method;
- a second level of segment-based information which must show sales, total assets and investments.

The Carrefour Group will apply:

- its geographic regions (France, Europe excluding France, Latin America, Asia) as the first level;
- its activities (hypermarkets, supermarkets, hard discount stores, other) as its second level.

**SHARE-BASED PAYMENTS**

The application of IFRS Standard 2, "Share-based payments," published by the IASB in February 2004, would have the effect of changing the method of accounting for share subscription or purchase plans granted to employees for plans issued after November 7, 2002, as presented in Note 15. The impact on shareholders' equity at the beginning of the year corresponds to the value of the benefit awarded to the beneficiaries of these plans between November 2002 and December 2003.

**GOODWILL**

The Group has decided not to restate business consolidation operations prior to January 1, 2004, an option allowed under IFRS Standard 1.

With regard to goodwill accounted for at December 31, 2003, the implementation of an impairment test according to the methods described by IAS Standard 36 should not result in a significant depreciation in the opening balance. In fact, as indicated in Note 1 of the Annexe to the consolidated financial statements, the Group already analyses the existing acquisition differences annually according to methods similar to those described in the revised IAS Standard 36.

**TANGIBLE FIXED ASSETS**

Application of IAS Standard 16 relating to the posting of tangible fixed assets and IAS 36 concerning asset impairment should not have a significant impact on the Group's financial statements. The rules applying to impairment conditions (determination of an asset's useful life, taking into account residual value, etc.) were either already being applied by the Group or do not have any major estimated impact on the opening balance sheet. Since tests of asset depreciation are already being applied in accordance with conditions comparable to those in IAS Standard 36, the Group does not expect the application of the latter to have a significant impact.

IAS Standard 16 offers the possibility of recording the residual value of an asset at the end of the period of depreciation, thereby limiting the depreciation to the difference between the acquisition cost and the residual value of the fixed asset. The Group having no ongoing intention to dispose of its assets, the residual value of a fixed asset at the end of its depreciation is deemed to be zero and the asset will therefore always be depreciated to the full extent of its value.

Moreover, the Group has chosen not to reevaluate certain tangible assets to their true value in the opening balance sheet according to the option provided by IFRS Standard 1.

### FINANCIAL LEASES

Since the criteria outlined by IAS Standard 17 defining a financial lease agreement are broader than those applied before 2002, certain agreements, which to date have been treated as operating leases, will be reclassified as financial leases. Note that since 2002 all new leasing agreements have been analysed with regard to IFRS criteria, thus the application of IAS Standard 17 will have a limited impact on the opening balance.

### INCOME

IAS Standard 18 does not define the notion of sales but defines the means for identifying income.

Before income can be booked, all risks and economic advantages associated with the good or service must have been transferred to the customer.

The application of this standard will have no consequences on the composition of Group sales which comprise sales "through the cash registers" of our stores and sales realised by our logistics companies to our franchisees.

All secondary income (from financial services, travel, rental income, franchise licence fees, etc.) will be accounted for on a separate line called "Other income" to be classed under the sales line in the income statement.

### FINANCIAL INSTRUMENTS

Given that IAS Standards 32 and 39 concerning financial instruments were only recently adopted by the European Commission, they are optional in 2004.

Since the Group did not opt for the premature application of these standards, only the 2005 accounts will be affected.

The major consequence of the application of these standards would be, in particular, the reclassification of shares owned in reduction to shareholders' equity.

The shares owned and held for use in stock option plans were classified as short term investments under French GAAP and were therefore included in the calculation of net debt. In the event of a loss in value, a provision would be passed in the income statement.

Under IFRS, the shares owned reduce shareholders' equity and variations to their market value do not have an effect on the financial statements.

### INVESTMENT PROPERTIES

Under IAS Standard 40, property classified as "investment property" (property held for receiving rents or for capital accumulation), can be revaluated at its true value.

Whatever option is chosen, the true value of these properties must be supplied in the Annex.

Shopping malls are considered investment properties. The Group opted not to revalue them.

### FOREIGN CURRENCY TRANSLATION

In accordance with the option allowed under IFRS Standard 1, differences on foreign currency translation originating from the conversion of a foreign subsidiary's accounts and accounted for under consolidated shareholders' equity distinct from reserves, should be transferred from this item into reserves as of January 1, 2004.

### OTHER STANDARDS

No other IAS/IFRS standard calls for special mention or would have a major impact on the opening IFRS balance sheet through its application.

### PUBLICATION

The half-year accounts as at June 30, 2005, will be presented according to the new accounting standards with comparable financial statements as at June 30, 2004, along with a restated opening shareholders' equity. The Group will send out a notice showing the impact of the IFRS standards changeover on the 2004 accounts during the month of June 2005 (impact on shareholders' equity as at January 1, 2004, and comparison as at December 31 and June 30, 2004 with accounts drawn up according to French GAAP and the IFRS standards). The latter would be subject to certification by the Auditors.



## RISK MANAGEMENT

### FINANCIAL RISKS

#### Exchange risk

The Group's activities throughout the world are carried out by subsidiaries primarily operating in their own countries (purchases and sales are made in local currencies.) Consequently, the Group's exposure to foreign exchange risk on its commercial transactions is naturally limited.

The risk is essentially with imports. The risk on fixed import transactions is hedged by forward purchases of currencies.

Planned investments in foreign countries are sometimes hedged by exchange rate options.

Local financing is generally carried out in the local currency.

The maturity of foreign exchange transactions is less than one year.

The value of current positions at the year end is shown in Note 25 to the financial statements.

The table below presents the exposure of the Group's financial debt to exchange rate risk:

In millions of euros	Japanese yen	Korean won	Argentinean peso	Pound sterling	Swiss franc	Other	Total foreign currencies	Euro	Total
Debt before management	170	120	146	796	362	62	1,655	8,069	9,724
							17%	83%	100%
Cross currency swap	(100)			(796)	(323)				
Debt after management	70	120	146		39	62	436	9,288	9,724
							4%	96%	100%

### Rates risk

Rate risk is managed centrally by our Coordination Centre in Brussels. This entity is obligated to report on its operations and establish a monthly benchmarking system allowing it to identify:

- the result of its activities;
- whether or not its activities are compatible with the Group risk policy.

The Risk Committee is responsible for monitoring compliance with the Carrefour Group internal risk limits by the Coordination Centre. The Risk Committee, presided over by the Group's Chief Financial Officer, meets at least every other month.

The Coordination Centre has various reporting obligations to help it with its tasks (weekly, monthly and annually).

The Group's net exposure to interest rate fluctuation risk is reduced by using financial instruments comprising swap and interest rate options.

The types of hedges and the amount of capital hedged as of December 31, 2004 are presented in Note 25 to the financial statements.

We have made a calculation of susceptibility to interest rate fluctuation risk in accordance with the COB Recommendation of January 2003. The result of this calculation (carried out on debt maturing within one year in accordance with Paragraph 6.4.2 of the Recommendation) is as follows:

- if interest rates fell by 1%, interest income would improve by less than 1%;
- if interest rates rose by 1%, interest income would decline by less than 0.5%.

### Liquidity risk

Due to the renegotiation of its syndicated loans in 2004, the Group is no longer subject to any financial covenant.

The distribution of debt by maturity and currency is shown in Note 24 and the commitments received from financial entities in Note 26.

### Share risk

At December 31, 2004, the Group held 8,316,318 treasury shares accounted for under marketable securities at 296.6 million euros.

These treasury shares are intended to cover unexercised stock option plans as of December 31, 2004, and as a means of regulating stock exchange prices via a liquidity contract.

The sale price of the shares is adjusted to the plan exercise price or to the average market price over the last 20 stock exchange days, as necessary.

(1) COB: *Commission des Opérations de Bourse – Stock Exchange Commission.*

A reduction of 10% in the Carrefour share price would translate to a reduction in net income of 19 million euros. Marketable securities and short-term investments are primarily composed of monetary investments with limited exposure for the Group.

### LEGAL RISKS

Companies within the Group are engaged in a certain number of legal proceedings or litigations arising during the normal course of their activities, including disputes with the tax and social security authorities. Charges able to be estimated with sufficient reliability and deemed probable by the companies and their experts have been subject to provisions for risks and charges.

The total provisions related to after sale services, to tax costs and liabilities, social security, and legal risks associated with the Group's activities was 1,095.1 million euros as of December 31, 2004.

None of the proceedings underway in which the Group companies were involved, in the opinion of their experts, is likely to significantly affect the Group's activities, results or financial situation.

### INSURANCE

#### Insurance – covering any risks likely to be incurred by the issuer

The risk management and insurance policy established by Carrefour should, in close collaboration with its operational managers:

- identify and assess risks;
- safeguard human and material assets by a suitable preventative policy;
- ensure that the measures in place limit risk to an acceptable level, while at the same time looking to reduce their probability and gravity,
- envision possible crisis scenarios in order to analyse their potential impact on human, material and immaterial assets;
- closely follow major legal proceedings in order to attempt to reduce their impact;
- provide continuous monitoring of risk awareness, and more specifically of emerging risks;
- arbitrate between risk retention and transfer to the insurance and re-insurance markets;
- improve prevention and management of risks using a dedicated site, allowing the dissemination of standards and best practices in terms of risk management.

Carrefour subscribes to material damage and operating loss, third party liability and construction insurance for all of its subsidiaries. These programmes were taken out with insurers and re-insurers of the highest quality.

The overall cost of insurance was 80 million euros for industrial risks. Recourse to self-insurance is on the order of 20% of the full sum. We have not listed specific known insurable risks on the traditional insurance market which are not covered.

#### **Damages and operating loss coverage**

This category, along with civil liability, has been identified as a major risk for Carrefour, its employees, partners, customers and shareholders.

The objective of this insurance is to protect the assets shown on the balance sheet.

The damage insurance taken out by Carrefour covers its assets and any operating losses. It also extends to rented and borrowed assets.

The global capacity of the package totals 152,000,000 euros.

The programme consists of two successive policies. This means that it can respond to the needs of each of the Group's formats (hard discount store, supermarkets, hypermarkets and logistics). The global capacity of 152 million euros covers cumulative operating loss and damages. Deductibles vary according to type, direct damage or operating loss, in order to cover the Group's different formats.

Please note that although damage insurance for goods and operating losses had been set up across the whole of Carrefour, it also covers entities at the local level by taking into account the particularities of each store, arising from its location in the world, and does so on top of the existing local policy.

In this way, the damages policy represents as nearly as possible the best coverage offered by the world insurance market.

Moreover, Carrefour is looking at alternative solutions from within the insurance market to try to alleviate the failure by the traditional insurance market to cover certain risks.

#### **Civil liability coverage**

Civil liability insurance covers bodily injury, material or immaterial, suffered by a third party. Most Carrefour locations are classed as ERP (Establishment Receiving the Public) therefore its exposure to risk incurred through receiving the public must be carefully considered, and monitored with vigilance.

Third party liability insurance as taken out by Carrefour is intended to cover loss(es) caused to one/many third parties in the operational civil liability area, in post-delivery civil liability for products supplied, or even to cover losses originating from Carrefour's professional liability.

The civil liability cover taken out complies with standard professional practices. The programme was constructed around three successive policies. This includes the so-called "local" line, which takes into account all local particularities within each country.

Carrefour has subscribed to this coverage to adhere to the conditions offered by the traditional insurance market. Nevertheless, as with damages, Carrefour is exploring the feasibility of setting up alternative insurance schemes. Deductibles for civil liability vary between 500 euros and 4,000 euros depending on the format concerned.

#### **Construction coverage**

Construction coverage is intended to cover those involved in the act of construction as well as the consequences of their actions.

The coverage was set up according to standard industry practices and the limits available in the insurance market for these types of risk

#### **Covering accidental environmental damage risk**

Carrefour was covered for the risk of damage to the environment within the scope of its world third party liability insurance programme.

These risks are subject to a special approach to insurance due to the conditions imposed by the re-insurers: coverage for accidental environmental pollution was not being offered.

Nevertheless, Carrefour has taken out protection against the risk of accidental pollution originating either suddenly or gradually.

The maximum coverage is 15 million euros as concerns so-called gradual pollution.

#### **Employee benefits coverage**

In accordance with legislation, collective bargaining agreements, and the company's Articles of Association, programmes covering risks associated with workplace, medical, welfare and retirement expenses have been established in each country.



## CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	2004	% var	2003	% var	2002
<b>Net sales</b>	<b>3</b>	<b>72,668.0</b>	<b>3.1</b>	<b>70,486.2</b>	<b>2.6</b>	<b>68,728.8</b>
Cost of sales	4	(56,554.2)	3.5	(54,630.4)	2.7	(53,182.1)
Gross margin		16,113.8	1.6	15,855.8	2.0	15,546.7
Sales, general and administrative expenses	5	(11,792.9)	2.7	(11,478.4)	0.5	(11,419.2)
Other income (expense)	6	596.3	20.8	493.6	(9.8)	547.5
<b>EBITDA</b>	<b>7</b>	<b>4,917.2</b>	<b>0.9</b>	<b>4,871.0</b>	<b>4.2</b>	<b>4,675.0</b>
Depreciation, amortization and provisions	8	(1,683.4)	3.9	(1,619.6)	(1.8)	(1,649.6)
<b>EBIT</b>	<b>9</b>	<b>3,233.8</b>	<b>(0.5)</b>	<b>3,251.4</b>	<b>7.5</b>	<b>3,025.4</b>
Interest income (expense)	10	(424.1)	(8.5)	(463.7)	(12.0)	(526.9)
Income before taxes		2,809.7	0.8	2,787.7	11.6	2,498.5
Income tax	11	(836.4)	(1.2)	(846.2)	14.9	(736.4)
Net income from recurring operations of consolidated companies		1,973.3	1.6	1,941.5	10.2	1,762.1
Net income from companies consolidated by the equity method	12	101.4	(5.4)	107.2	(0.2)	107.4
Net income from recurring operations		2,074.7	1.3	2,048.7	9.6	1,869.5
Minority interests		(93.6)	(15.4)	(110.7)	(35.2)	(170.8)
<b>Net income from recurring operations, Group share</b>		<b>1,981.1</b>	<b>2.2</b>	<b>1,938.0</b>	<b>14.1</b>	<b>1,698.7</b>
Amortization of goodwill	13	(319.3)	0.4	(318.0)	2.7	(309.7)
<b>Net income from recurring operations, Group share after amortization of goodwill</b>		<b>1,661.8</b>	<b>2.6</b>	<b>1,620.0</b>	<b>16.6</b>	<b>1,389.0</b>
Non-recurring income, Group share	14	(275.0)	NS	9.1	NS	(14.9)
Non-recurring income, minority share		28.8	NS	(2.2)	NS	(5.5)
Total net income		1,509.2	(13.1)	1,737.6	12.9	1,539.4
<b>Net income, Group share</b>		<b>1,386.8</b>	<b>(14.9)</b>	<b>1,629.1</b>	<b>18.6</b>	<b>1,374.1</b>

In euros	Notes	2004	% var	2003	% var	2002
Net income from recurring operations, Group share before amortization of goodwill per share after dilution <sup>(1)</sup>		2.73	2.5	2.67	13.7	2.35
Net income from recurring operations, Group share after amortization of goodwill per share after dilution <sup>(1)</sup>		2.29	2.8	2.23	15.7	1.92
Number of shares used for the calculation	15	726,299,477		728,070,083		734,303,474

(1) Net income from recurring operations per share was calculated based on the average number of shares making up the capital stock during the year and includes the potential dilution resulting from options awarded to management (in 2002, 2003 and 2004) as well as convertible bond issues and redeemable share warrants (2002).

The average number of shares before dilution was 714,407,777 (Note 15).

The average number of shares was calculated taking into account buybacks of 11,022,888 shares carried out between September and December 2004. The actual purchase date of the shares was used to determine the average number of shares and not the date on which the Board of Directors validated the reduction in capital. Had the latter been used for the calculation of the average number of shares, the variations in net income from recurring operations per share before and after amortization of goodwill would have been 2.4% and 2.7% instead of 2.5% and 2.8%.

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2004

ASSETS							
In millions of euros	Notes	2004			2003		2002
Intangible fixed assets	16	9,896.6			10,197.8		10,300.5
Tangible fixed assets	17	12,897.3			12,255.0		12,384.5
Long-term investments	18	2,339.4			2,089.1		2,073.2
<b>Fixed assets</b>		<b>25,133.3</b>			<b>24,541.9</b>		<b>24,758.2</b>
Inventories		6,243.2			5,690.7		5,722.8
Trade and supplier receivables	19	3,058.7			3,182.2		3,154.6
Other receivables	20	1,611.4			2,228.1		2,260.2
Marketable securities and short-term investments	21	1,941.8			2,588.5		1,096.7
Cash and cash equivalents		988.5			831.9		1,931.8
<b>Current assets</b>		<b>13,843.6</b>			<b>14,521.4</b>		<b>14,166.1</b>
<b>Total assets</b>		<b>38,976.8</b>			<b>39,063.3</b>		<b>38,924.3</b>

LIABILITIES							
In millions of euros	Notes	2004			2003		2002
		Before appropriation			After appropriation		
Shareholders' equity, Group share	22	7,549.0	7,089.3	6,623.3	6,886.0	6,559.3	6,163.3
Minority interests in consolidated companies		779.9	891.0	922.7	699.9	821.0	882.7
<b>Shareholders' equity</b>		<b>8,328.9</b>	<b>7,980.3</b>	<b>7,546.0</b>	<b>7,585.9</b>	<b>7,380.3</b>	<b>7,046.0</b>
<b>Provision for contingencies and other long-term liabilities</b>	<b>23</b>	<b>1,745.0</b>	<b>1,648.9</b>	<b>1,674.3</b>	<b>1,745.0</b>	<b>1,648.9</b>	<b>1,674.3</b>
Borrowings	24	9,724.3	11,312.3	12,049.2	9,724.3	11,312.3	12,049.2
Trade payables		14,362.3	13,660.4	13,278.2	14,362.3	13,660.4	13,278.2
Other debt		4,816.4	4,461.4	4,376.6	5,559.4	5,061.4	4,876.6
<b>Total debt</b>		<b>28,902.9</b>	<b>29,434.1</b>	<b>29,704.0</b>	<b>29,645.9</b>	<b>30,034.1</b>	<b>30,204.0</b>
<b>Total liabilities and shareholders' equity</b>		<b>38,976.8</b>	<b>39,063.3</b>	<b>38,924.3</b>	<b>38,976.8</b>	<b>39,063.3</b>	<b>38,924.3</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

In millions of euros	2004	2003	2002
<b>Operations</b>			
<b>Net income</b>	<b>1,509.1</b>	<b>1,737.6</b>	<b>1,539.4</b>
Depreciation and amortization	2,102.2	2,066.0	1,950.0
Gains and losses from disposals of assets	(69.9)	(190.5)	(266.1)
Change in provisions and other operating resources	(87.0)	(118.4)	(119.0)
Share in income from equity method companies, net of dividends received	(48.0)	(63.2)	(78.5)
<b>Cash flow provided by operations</b>	<b>3,406.4</b>	<b>3,431.6</b>	<b>3,025.8</b>
Change in other short-term assets and liabilities	841.2	323.0	(149.0)
<b>Net cash from operating activities</b>	<b>4,247.6</b>	<b>3,754.6</b>	<b>2,876.8</b>
<b>Investment activities</b>			
Additions of tangible and intangible fixed assets	(2,563.7)	(2,717.3)	(2,423.0)
Additions to investments	(438.6)	(349.9)	(582.0)
Disposals of fixed assets	545.8	883.2	704.7
Disposals of investments	394.3	302.7	245.5
<b>Subtotal of investments net of disposals</b>	<b>(2,062.2)</b>	<b>(1,881.2)</b>	<b>(2,054.8)</b>
Other movements <sup>(1)</sup>	(84.4)	(84.9)	(1,108.9)
<b>Net cash from investment activities</b>	<b>(2,146.6)</b>	<b>(1,966.1)</b>	<b>(3,163.7)</b>
<b>Financing activities</b>			
Capital increase in cash <sup>(2)(3)</sup>	(367.6)	17.3	300.4
Dividends paid by Carrefour (parent company) and by consolidated companies to minority interests	(608.9)	(522.5)	(475.5)
Changes in borrowings	(1,588.0)	(737.0)	(1,422.1)
<b>Net cash from financing activities</b>	<b>(2,564.5)</b>	<b>(1,242.2)</b>	<b>(1,597.3)</b>
Impact of exchange rate fluctuations	(26.6)	(154.5)	115.7
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(490.1)</b>	<b>391.8</b>	<b>(1,768.4)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,420.6</b>	<b>3,028.6</b>	<b>4,797.0</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,930.4</b>	<b>3,420.5</b>	<b>3,028.6</b>

(1) In 2002, the item "Other movements" included 949 million euros corresponding to the payment of Centros Comerciales Carrefour securities tendered under a Share Exchange Offer (OPE).

(2) The amount in 2002 mainly consists of the 211 million euros capital increase carried out by Carrefour SA under the share exchange offer to pay for acquisition of Centros Comerciales Carrefour securities.

(3) The amount in 2004 includes 490 million euros corresponding to the stock buyback programme implemented by Carrefour SA.



## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

In millions of euros	Share Capital	Retained earnings	Shareholders' equity, Group shareoutside	Minority interests
<b>At December 31, 2001</b>	<b>1,777.9</b>	<b>5,208.6</b>	<b>6,986.4</b>	<b>1,205.2</b>
2002 net income		1,374.1	1,374.1	165.3
2002 dividends		(460.0)	(460.0)	(40.0)
Cancellation of dividends on treasury stock				
Issuance of shares <sup>(1)</sup>	12.4	224.8	237.2	47.6
Foreign currency translation adjustment (Note 22)		(1,856.2)	(1,856.2)	(36.4)
Impact of changes in consolidation scope and other movements <sup>(2)</sup>		(118.2)	(118.2)	(458.9)
<b>At December 31, 2002</b>	<b>1,790.3</b>	<b>4,373.0</b>	<b>6,163.3</b>	<b>882.7</b>
2003 net income		1,629.1	1,629.1	108.5
2003 dividends		(530.0)	(530.0)	(70.0)
Cancellation of dividends on treasury stock				
Issuance of shares			0.0	13.9
Foreign currency translation adjustment (Note 22)		(661.0)	(661.0)	4.9
Impact of changes in consolidation scope and other movements		(42.1)	(42.1)	(119.0)
<b>At December 31, 2003</b>	<b>1,790.3</b>	<b>4 769.0</b>	<b>6 559.3</b>	<b>821.0</b>
2004 net income		1,386.8	1,386.8	122.4
2004 dividends		(663.0)	(663.0)	(80.0)
Cancellation of dividends on treasury stock				
Issuance of shares <sup>(3)</sup>	(28.0)	(352.6)	(380.6)	8.6
Foreign currency translation adjustment (Note 22)		74.0	74.0	5.9
Impact of changes in consolidation scope and other movements <sup>(4)</sup>		(90.5)	(90.5)	(178.0)
<b>At December 31, 2004</b>	<b>1,762.3</b>	<b>5,123.7</b>	<b>6,886.0</b>	<b>699.9</b>

(1) The issuance of shares in 2002 essentially came from the creation of shares issued as payment for Centros Comerciales Carrefour securities under the share exchange offer.

(2) The line "Impact of changes in consolidation scope and other movements" in 2002 was also affected by the Centros Comerciales Carrefour share exchange offer:

a) the Group share movement corresponds to the loss in value on held shares issued for the transaction;

b) the movement outside of the group corresponds essentially to minority sales

(3) The reduction in the Group's share of capital and retained earnings in 2004 came essentially from the cancellation of held shares. The difference between company capital in the corporate financial statements and in the consolidated financial statements can be explained by the 216,000 shares classed as shares intended for cancellation in the corporate financial statements and cancelled in the consolidated financial statements.

(4) The reduction in the Group's share of consolidated reserves in 2004 essentially comes from the cancellation of the Group's charges to be allocated at 01.01.04 in anticipation of the application of Opinion 04-15 of the Conseil National de la Comptabilité (National Accounting Council), and from accounting for the provision for long service medals in accordance with Regulation No 2000-06 of the Comité de Réglementation Comptable (Accounting Regulations Committee) in liabilities.

## KEY FIGURES BY GEOGRAPHIC REGION

In millions of euros	France		Europe (excl. France)		Latin America		Asia		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	35,723	35,704	27,123	25,527	4,721	4,619	5,101	4,637	72,668	70,486
EBITDA	2,588	2,766	1,782	1,629	205	164	342	313	4,917	4,871
EBIT	1,965	2,144	1,070	952	50	13	149	143	3,234	3,251
<b>Investments</b>	874	818	1,084	1,169	231	295	336	436	2,525	2,717
- investment for expansion	319	311	555	566	121	193	192	321	1,187	1,391
- investment for maintenance	391	400	365	359	74	78	117	63	947	900
- other investments	164	107	164	244	36	24	27	52	391	427
Net intangible fixed assets	3,415	3,428	5,771	5,995	553	609	158	166	9,897	10,198
Net tangible fixed assets	3,598	3,404	5,994	5,680	1,470	1,439	1,835	1,732	12,897	12,255
<b>Net fixed assets</b>	<b>7,013</b>	<b>6,832</b>	<b>11,765</b>	<b>11,675</b>	<b>2,023</b>	<b>2,048</b>	<b>1,993</b>	<b>1,898</b>	<b>22,794</b>	<b>22,453</b>

## TOTAL STORES CONSOLIDATED BY GEOGRAPHIC REGION

In millions of euros	France		Europe (excl. France)		Latin America		Asia		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Hypermarkets	179	178	288	281	157	147	170	144	794	750
Supermarkets	588	566	690	651	211	254	6	-	1,495	1,471
Hard Discount stores	630	578	2,606	2,464	488	413	164	55	3,888	3,510
Other formats	129	126	240	210	-	-	-	-	369	336
<b>TOTAL</b>	<b>1,526</b>	<b>1,448</b>	<b>3,824</b>	<b>3,606</b>	<b>856</b>	<b>814</b>	<b>340</b>	<b>199</b>	<b>6,546</b>	<b>6,067</b>

## NET SALES BY COUNTRY

In millions of euros	2004	2003
<b>France</b>	<b>35,723</b>	<b>35,704</b>
<b>Europe (excluding France)</b>	<b>27,123</b>	<b>25,527</b>
Spain	11,736	10,932
Italy	5,878	5,733
Belgium	4,250	4,129
Greece	1,828	1,618
Portugal	1,092	979
Poland	750	713
Switzerland	484	465
Turkey	702	581
Czech Republic and Slovakia	402	376

In millions of euros	2004	2003
<b>Latin America</b>	<b>4,721</b>	<b>4,619</b>
Brazil	2,712	2,701
Argentina	1,068	1,081
Mexico	519	543
Colombia	422	294
<b>Asia</b>	<b>5,101</b>	<b>4,637</b>
Taiwan	1,123	1,132
Korea	1,168	1,129
China	1,391	1,138
Thailand	421	383
Malaysia	204	202
Indonesia	382	345
Japan	326	225
Singapore	86	83

## NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

### Note 1: Accounting principles

The consolidated financial statements were prepared in accordance with French accounting principles. The provisions of Regulation No 99-02 of the Comité de Réglementation Comptable (French Accounting Regulations Committee) relating to the consolidated financial statements, ratified on June 22, 1999, have been implemented since the beginning of fiscal year 1999. These provisions primarily concern the pooling of interests used to consolidate the Promodès Group.

The Group has applied Opinion 04-15 of the National Accountancy Council with respect to the definition, accounting for and evaluation of assets by anticipation. The impact of this change in method is insignificant in the 2004 accounts.

Companies consolidated by full integration are, on the one hand, companies over which Carrefour exercises exclusive control either directly or indirectly and, on the other hand, those it manages through a majority or equal interest. Service companies, over which the Group has a significant influence and for which consolidation would not accurately reflect the Group's business activities, are accounted for by the equity method. Consolidation by full integration, including these service companies, is presented in Note 27.

The Carrefour Group does not include within the scope of consolidation companies which are not individually or globally significant with respect to criteria such as sales, net income, shareholders' equity, debt and fixed assets.

If Carrefour does not have notable influence on the operational or financial decisions of companies in which it holds stock, it is recorded at historical cost under long-term investments. The same applies to immaterial companies. These securities are, if applicable, the subject of a provision for depreciation. The depreciation method is laid down in the section entitled "Long-term investments."

For companies acquired during the year and additional investments, only the results of the period following the acquisition date are shown in the consolidated statement of income. For companies sold during the year and for dilutions, only the results for the period prior to the date of disposal are shown in the consolidated statement of income.

The companies within the scope of consolidation close their accounts at December 31.

### Converting financial statements of foreign subsidiaries

For companies located in countries suffering high inflation, namely Colombia and Turkey:

- the fixed assets, investments, shareholders' equity and other non- monetary items are revalued based on the decline in general purchasing power of the local currency during the year;
- all balance sheet items, with the exception of the Group's share of shareholders' equity, are converted to euros based on the exchange rates in effect at year end;
- with respect to the Group's share of shareholders' equity, the opening balance is carried forward at the value in euros at the previous year end; the income used is the amount shown in the statement of income; other movements are converted at current exchange rates. The difference in euros thus created between the assets and liabilities on the balance sheet is recorded in a foreign currency translation account included under shareholders' equity, Group share;
- the income statement in local currency is adjusted for inflation between the transaction date and the end of the year. All items are then converted based on the exchange rates in effect at year end.

For the other companies:

- balance sheet items are converted according to the principles described above but without prior restatement for effects of inflation;
- income statement items in local currency are converted at the average rate for the year, weighted to take into account each company's seasonal activity.

### Fixed assets

The tangible and intangible assets, mainly goodwill, for which prospects for future profitability preclude a return on their net book value, are subject to exceptional depreciation. This depreciation is calculated by comparing the net book value of the asset with its useful value and its market value.

The useful value is estimated by discounting future cash flows:

- cash flows over a period of 10 years plus a residual value for tangible fixed assets
- cash flows over a period of 4 years with determination of a terminal value calculated based on an update of the data for the fourth year at the perpetual rate of growth to infinity for goodwill;
- the adjustment rate used is specific to each country.

The adjustment rate for each country takes into account the cost of Group Equity Capital to which is added a specific country risk, as well as the costs and the percentage of Group debt.



The specific country risk is determined using a grid comprising the five weighted indicators below:

- monetary risk
- political and regulatory situation
- competition
- Carrefour's experience curve in the country
- potential for growth in the market.

These rates are the subject to validation by the Group Executive Committee.

The average adjustment rates by region in 2004 were as follows:

- Europe = 7.5%
- Latin America = 11.6%
- Asia = 7.4%

The market value is assessed with regard to recent transactions or professional practices.

Valuation tests are implemented when there are tangible signs of a loss in value (negative operational result).

#### Intangible fixed assets

Intangible assets acquired by the Groups' companies are recorded under assets at the acquisition price.

Goodwill recorded when equity investments are made is posted as an asset on the balance sheet at the first consolidation after allocation of all identified assets and liabilities.

The so-called "pooling of interests" method is applied when the Group meets the necessary and sufficient conditions to implement it.

Intangible assets deemed equivalent to goodwill are depreciated using the straight line method over the same life as buildings (20 years). Other goodwill is depreciated on a straight line basis over a period not exceeding 40 years. In the event of an irreversible loss of value based on estimates of future income, an exceptional depreciation is made

Other intangible assets correspond essentially to software which is depreciated over periods of one to five years.

#### Tangible fixed assets

Land, buildings and equipment are evaluated at their original cost price. Depreciation is calculated using the straight line method as a function of the following average life:

<b>Buildings</b>	
- Buildings	20 years
- Grounds	10 years
- Car parks	6 years 2/3
<b>Equipment, fixtures and fittings and installations</b>	
	6 years 2/3 to 8 years
<b>Other fixed assets</b>	
	4 years to 10 years

Acquisitions of fixed assets made through a credit lease agreement are recorded as assets at their cost price at the time of acquisition and depreciated over the period cited above. The debt resulting from the acquisition is recorded under liabilities. On the income statement, leasing fees are replaced by interest on loans and depreciation of the asset. Since fiscal year 2002, new financial leasing agreements as defined by IAS Standard 17 have also been included.

#### Long-term investments

Investments in fully consolidated companies, as well as dividends received from such companies, are eliminated in consolidation. The assets, liabilities and shareholders' equity of the companies concerned replace these investments.

The acquisition cost of securities is equal to the amount of payment made to the seller plus all other costs net of corporate income tax directly chargeable to the acquisition.

Investments in companies consolidated by the equity method reflect the portion of the consolidated shareholders' equity of these companies belonging to the Group; any corresponding goodwill is presented as an intangible fixed asset.

Investments in unconsolidated companies appear on the balance sheet at cost price. Any related dividends are recorded in the year in which they are received. Such investments are depreciated, if necessary, through provisions that take into account their current value. This value is estimated based on the portion of shareholders' equity (possibly revalued) and the prospect for future profitability.

**Inventories**

Merchandise inventories are valued at the last purchase price plus any related costs, a method suited to rapid inventory turnover. This price takes into account all of the conditions obtained upon purchase. If necessary, they are brought up to market value at year end.

**Marketable securities**

Marketable securities are valued at their purchase price or market price if this is lower. Any Carrefour shares acquired by the parent company, either under a stock option plan or as part of a policy of correcting stock exchange prices, appear on the balance sheet at cost price and are depreciated if necessary.

**Provisions for risks and charges**

Pursuant to Regulation 2000-06 of the Accountancy Regulatory Committee regarding liabilities, any Group obligation with respect to a third party likely to be estimated with sufficient reliability as likely to give rise to resources without counterparty is subject to the establishment of a provision.

Carrefour pays retirement benefits to all persons who work for the Group up until retirement in France and in other countries. All employee benefits are accounted for. This commitment is calculated on an actuarial basis, taking into account factors such as personnel rotation, mortality and salary increases.

Commitments are met through contributions paid to outside agencies or in the form of provisions.

A provision for long service medals has been established in line with the recommendations of the CNC 2003 R-01 of 01/04/03 which has explicitly placed long service medals in the scope of the application of Regulation No 2000-06 on liabilities, for the fiscal years begun after January 1, 2004 onwards.

**Income tax**

Deferred taxes result from differences between the accounting and fiscal valuation of assets or liabilities.

Deferred taxes involve primarily the provision for retirement benefits, the restatement of amortization, fixed assets acquired under financial leases, amortization of goodwill, tax exempt capital gains or losses and employee profit sharing. Such deferred taxes are calculated at the tax rate in effect at the beginning of the following year using the carry forward method. Deferred tax assets and liabilities are discounted if the impact of discounting is significant.

The rate used to value deferred taxes in France takes into account the impact of additional contributions.

When a tax is due at the time of distribution and this tax is not recoverable in the country where the dividend is received, a provision for taxes is recorded in the amount of any dividends to be paid out.

**Sales and profit margin**

Sales include only those sales made in stores and warehouses. The cost of goods sold includes logistics costs and rebates as well as purchases and inventory variations.

**Opening costs**

These costs are recorded in full as operating costs during the first year in which the establishment opens.

**Financial instruments**

Instruments used by the Group to hedge interest and currency risk are intended to limit the effects of interest rate fluctuations on the Group's variable rate debt, and the effects of foreign exchange rate fluctuations on the Group's currency needs. Income from these instruments is accounted for symmetrically with the income generated by the items covered. Instruments which do not qualify as hedging instruments are compared with their market value. Losses, if any, are provisioned.

**Note 2: Highlights for the year**

The impact of the following changes to the consolidation scope is insignificant on the 2004 accounts.

**Sale of Modelo Continente:**

On November 16, 2004, Sonae acquired the 22.37% share in Modelo Continente SGPS, SA from Carrefour. Carrefour received 345 million euros from Sonae in cash corresponding to a value of 1.40 euros per share for Modelo Continente SGPS SA. As part of the sale agreement, Sonae acquired the registered trademarks "Continente", "Mappemonde" and "Jackerton" for use in Portugal from Carrefour. Following this transaction, Carrefour no longer holds interests in Modelo Continente, SGPS, SA.

The net gain, totalling 10 million euros, is recorded as non-recurring income.

### Acquisition of Hypernova:

In November 2004, Carrefour signed an irrevocable agreement with AHOLD for the future acquisition of 12 hypermarkets in Poland. On February 24, 2005, Carrefour announced the effective transfer of ownership of these 12 hypermarkets. The transaction received the approval of the Polish Competition Authorities on February 7, 2005.

Thanks to this acquisition Carrefour has become the second Polish hypermarket operator with 29 hypermarkets and more than 70 supermarkets managed under the Champion and Globi banner names.

This transaction had no consequences for the 2004 accounts.

### Transactions prior to 2004 with an impact on the financial year

#### Buyback of minority shareholdings in Carrefour Colombia

In June 2003, Carrefour signed an agreement with Valores Bavaria and Sigla to buyback the shareholdings in Carrefour Colombia of 35% and 10%, respectively.

Carrefour had held 55% of the capital and henceforth wholly owns Carrefour Colombia.

#### Sale of Costco UK

On October 3, 2003, Carrefour transferred its 20% holding in the capital of Costco Wholesale UK Ltd to Costco Holdings Ltd. The net gain, recorded as non-recurring income, was 23 million euros.

#### Sale of Carrefour Chile

In December 2003, Carrefour sold its Chilean subsidiary for 100 million euros to the local distribution group "Distribución y Servicios" (D&S).

Carrefour was operating 7 hypermarkets in Chile until that time. The net gain, recorded as non-recurring income, was 12 million euros.

In accordance with Regulation 99-02 (§ 23100) and the treatment previously used by the Group during similar transactions, the charges and income relating to the 2003 operation were presented on a single line in the income statement as non-recurring income.

#### Borrowing

As part of its definitive disposal of commercial debt made in 2002 with FCC Hexagon, the Group has transferred 500 million euros as of December 31, 2004.

### Note 3: Breakdown of net sales by geographic region

In millions of euros	2004	2003	2002
France	35,723.4	35,703.9	35,100.5
Europe (excluding France)	27,122.9	25,526.6	23,607.6
Latin America	4,721.0	4,618.8	5,382.1
Asia	5,100.7	4,636.9	4,638.6
<b>Total</b>	<b>72,668.0</b>	<b>70,486.2</b>	<b>68,728.8</b>

At constant exchange rates, net sales would be 73,306 million euros.

The impact of the variation in exchange rates represented 638 million euros at December 31, 2004, of which 246 million euros are in the Latin America region and 406 million euros in the Asia region.

### Note 4: Cost of goods sold

The cost of goods sold includes purchases and changes to inventory as well as logistics costs and supplier discounts.

In millions of euros	2004	2003	2002
Change in inventory	(476.4)	(68.2)	(88.6)
Purchases, net of rebates	57,030.6	54,698.6	53,270.7
<b>Total</b>	<b>56,554.2</b>	<b>54,630.4</b>	<b>53,182.1</b>

The profit margin fell from 22.5% in 2003 to 22.2% in 2004 and reflects the significant investment in price over all countries and formats.

### Note 5: Sales, general and administrative expenses

In millions of euros	2004	2003	2002
Personnel costs	6,704.4	6,519.9	6,308.8
Employee profit sharing	145.5	191.0	195.7
Rents	687.6	541.0	508.5
Other general expenses	4,255.3	4,226.5	4,406.2
<b>Total</b>	<b>11,792.9</b>	<b>11,478.4</b>	<b>11,419.2</b>

As in 2003, payroll expenses account for 9.2 % of net sales.

Other general expenses include taxes and duties related to operations, fee expenses, advertising, energy costs, maintenance costs and other outside services. The share of other general expenses in net sales totals 5.9% in 2004 compared to 6.0% in 2003.

The Group's cost cutting policy implemented in 2002 has

resulted in a significant reduction in total, general, and administrative expenses from 16.6% of net sales in 2002 to 16.3% in 2003 and 16.2% in 2004.

#### Note 6: Other income and expenses

In millions of euros	2004	2003	2002
Income from real estate	289.4	233.0	204.7
Other	306.9	260.6	342.8
<b>Total</b>	<b>596.3</b>	<b>493.6</b>	<b>547.5</b>

Other items includes income and expenses related to operations, pre-opening income and expenses as well as recurring capital gains and losses on disposals related to the management of the Group's real estate holdings.

#### Note 7: Breakdown of EBITDA by geographic region

In millions of euros	2004	2003	2002
France	2,588.3	2,766.0	2,688.8
Europe (excluding France)	1,782.0	1,628.6	1,461.8
Latin America	204.6	163.7	207.1
Asia	342.4	312.7	317.3
<b>Total</b>	<b>4,917.2</b>	<b>4,871.0</b>	<b>4,675.0</b>

#### Note 8: Depreciation, amortization and provisions

In millions of euros	2004	2003	2002
Depreciation of tangible fixed assets	1,460.8	1,367.4	1,409.0
Amortization of intangible fixed assets (excluding goodwill)	183.1	189.2	173.3
Provisions	39.6	63.0	67.3
<b>Total</b>	<b>1,683.4</b>	<b>1,619.6</b>	<b>1,649.6</b>

#### Note 9: Breakdown of EBIT by geographic region

In millions of euros	2004	2003	2002
France	1,965.1	2,143.9	2,064.9
Europe (excluding France)	1,069.9	951.9	795.7
Latin America	50.1	12.6	23.4
Asia	148.7	143.0	141.4
<b>Total</b>	<b>3,233.8</b>	<b>3,251.4</b>	<b>3,025.4</b>

#### Note 10: Interest income (expense)

In millions of euros	2004	2003	2002
Other investment income	61.5	78.6	135.4
Dividends received	8.2	6.0	7.2
Net cost of debt and other financial interest	(493.8)	(548.3)	(669.5)
<b>Total</b>	<b>(424.1)</b>	<b>(463.7)</b>	<b>(526.9)</b>

The detailed breakdown of the Group's debt is presented in Note 24 on borrowings.

#### Note 11: Income tax

In millions of euros	2004	2003	2002
Income tax	773.6	917.1	627.9
Deferred taxes	62.8	(70.9)	108.5
<b>Total taxes</b>	<b>836.4</b>	<b>846.2</b>	<b>736.4</b>
Real tax rate (basis: income before taxes and goodwill)	29.8%	30.4%	29.6%
<b>Standard tax rate</b>	<b>33.3%</b>	<b>33.3%</b>	<b>33.3%</b>
Incremental tax	2.1%	2.1%	2.1%
Difference in tax rate of foreign companies	(3.2%)	(3.0%)	(3.7%)
Losses without tax credits and impact of losses carried forward	1.1%	(0.5%)	(0.4%)
Difference in tax treatment		(0.6%)	(1.3%)
Others	(3.5%)	(1.0%)	(0.4%)
<b>Effective tax rate</b>	<b>29.8%</b>	<b>30.4%</b>	<b>29.6%</b>

#### Variation in deferred taxes

In millions of euros	2004	2003	Variation
Deferred tax assets	1,047.5	911.1	136.4
Deferred tax liabilities	(470.8)	(483.8)	13.0
<b>Balance</b>	<b>576.7</b>	<b>427.3</b>	<b>149.4</b>

The nature of deferred taxes is described in Note 1. These taxes correspond to temporary differences between the accounting and fiscal values of assets and liabilities.

#### Unused deferred tax assets

In millions of euros	2004
Due date between 2005 and 2014	145.0
After 2015	565.0
<b>Balance</b>	<b>710.0</b>

The amount of unused deferred tax assets at December 31, 2004, was 710 million euros. This essentially corresponds to tax deficits carried forward and unused because their recovery was judged highly unlikely.



**Note 12: Net income (expense) from recurring operations of companies consolidated by the equity method**

In millions of euros	2004	2003	2002
Gross income of companies consolidated by the equity method	101.4	107.2	107.4
Amortization of goodwill of companies consolidated by the equity method	(8.0)	(8.0)	(7.5)
<b>Net income of companies consolidated by the equity method</b>	<b>93.4</b>	<b>99.2</b>	<b>99.9</b>

A list of companies consolidated using the equity method is given on Page 115.

**Note 13: Breakdown of amortization of goodwill by geographic region**

In millions of euros	2004	2003	2002
France	(135.0)	(131.4)	(130.5)
Europe (excluding France)	(166.3)	(165.4)	(153.4)
Latin America	(17.4)	(20.7)	(25.3)
Asia	(0.6)	(0.5)	(0.5)
<b>Total</b>	<b>(319.3)</b>	<b>(318.0)</b>	<b>(309.7)</b>

**Note 14: Non-recurring income (expense)**

In millions of euros	2004	2003	2002
Non-recurring income (expense), Group share	(275.0)	9.1	(14.9)
Non-recurring income (expense), minority share	28.8	(2.2)	(5.5)
<b>Total</b>	<b>(246.2)</b>	<b>6.9</b>	<b>(20.4)</b>

**In 2004, the non-recurring income (expense) consisted of the following:**

- gains from the sale of investments (Modelo Continente, Optique activity in the Republic of Czechoslovakia) for 10.6 million euros;

- impairment of stores for 28.4 million euros;
- impairment of goodwill on supermarkets in Brazil for 45.4 million euros;
- impairment of other assets for 24 million euros;
- latent loss from the sale of investments in Japan for 90 million euros;
- risk for depreciation of land for 9.8 million euros;
- restructuring and site closure costs for 83.3 million euros (closure of 23 hypermarkets in Argentina, 16 supermarkets and 2 hypermarkets in Brazil, and 20 supermarkets in Spain);
- other elements for a net profit of 24.1 million euros.

**In 2003, the non-recurring income (expense) consisted of the following:**

- gains from the sale of investments (Optique activity in France and Spain, Costco UK, Chile) for 83 million euros;
- impairment of stores for 26 million euros;
- impairment of goodwill on supermarkets in Brazil and Argentina for 119 million euros;
- reversal of a provision for regulatory risk eliminated during the year for 69 million euros.

**In 2002, the non-recurring income (expense) consisted of the following:**

- gains from the sale of investments (Petsmart and Dick's Clothing, primarily) for 42.9 million euros;
- gains on the sale of shopping malls for 114 million euros;
- costs of changeover to the euro for 31.5 million euros;
- risk on operating and intangible assets for 46.1 million euros (including 43 million euros on land in Poland);
- restructuring and site closing costs for 46 million euros (closure of 16 supermarkets in Brazil, one hypermarket in Mexico, and one hypermarket in Turkey);
- losses on held shares used for the share exchange offer on Centros Comerciales Carrefour securities for 27.5 million euros;
- other elements for a net expense of 26.2 million euros.

**Note 15: Net income per share**
**Net income from recurring operations per share before dilution**

	2004		2003		2002
Net income from recurring operations, Group share before amortization of goodwill (in millions of euros)	1,981.1	2.2%	1,938.0	14.1%	1,698.7
Net income from recurring operations, Group share after amortization of goodwill (in millions of euros)	1,661.8	2.6%	1,620.0	16.6%	1,389.0
Average weighted number of shares	714,407,777		716,142,383		711,164,008
<b>EPS before amortization of goodwill (in euros)</b>	<b>2.77</b>	<b>2.5%</b>	<b>2.71</b>	<b>13.5%</b>	<b>2.39</b>
<b>EPS after amortization of goodwill (in euros)</b>	<b>2.33</b>	<b>2.8%</b>	<b>2.26</b>	<b>15.8%</b>	<b>1.95</b>

**Net income from recurring operations after dilution**

	2004		2003		2002
Net income from recurring operations, Group share before amortization of goodwill (in millions of euros)	1,981.1	2.2%	1,938.0	14.1%	1,698.7
Net income from recurring operations, Group share after amortization of goodwill (in millions of euros)	1,661.8	2.6%	1,620.0	16.6%	1,389.0
Savings in interest expense net of taxes on:					
10/1999 convertible bond issue (in millions of euros)					7.6
1998 redeemable share warrant issue (in millions of euros)					14.7
Restated net income from recurring operations, Group share before amortization of goodwill (in euros)	1,981.1		1,938.0		1,722.1
Restated net income from recurring operations, Group share after amortization of goodwill (in euros)	1,661.8		1,620.0		1,412.4
Average weighted number of shares	714,407,777		716,142,383		711,164,008
Shares to be issued from:					
10/1999 convertible bond issue					5,903,810
1998 redeemable share warrant issue					6,871,456
Stock options	11,891,700		11,927,700		10,364,200
Other					
Revised number of shares*	726,299,477		728,070,083		734,303,474
<b>Fully diluted EPS before amortization of goodwill (in euros)</b>	<b>2.73</b>	<b>2.5%</b>	<b>2.67</b>	<b>13.7%</b>	<b>2.35</b>
<b>Fully diluted EPS after amortization of goodwill (in euros)</b>	<b>2.29</b>	<b>2.8%</b>	<b>2.23</b>	<b>15.7%</b>	<b>1.92</b>

\* The average number of shares was calculated taking into account buybacks of 11,022,888 shares carried out between September and December 2004. The actual purchase date of the shares was used to determine the average number of shares and not the date on which the Board of Directors validated the reduction in capital. Had the latter been used for the calculation of the average number of shares, the variations in net income from recurring operations per share before and after amortization of goodwill would have been 2.4% and 2.7% instead of 2.5% and 2.8%.

**Note 16: Intangible fixed assets**

In millions of euros	2004	2003	2002
Gross amount of goodwill	11,415.1	11,375.5	11,148.0
Amortization of goodwill	(2,564.3)	(2,244.0)	(1,846.0)
<b>Net goodwill</b>	<b>8,850.8</b>	<b>9,131.5</b>	<b>9,302.0</b>
Other gross intangible fixed assets	2,345.3	2,286.3	2,067.2
Depreciation of other intangible fixed assets	(1,299.6)	(1,220.0)	(1,068.7)
<b>Other net intangible fixed assets</b>	<b>1,045.7</b>	<b>1,066.3</b>	<b>998.5</b>
<b>Net intangible fixed assets</b>	<b>9,896.6</b>	<b>10,197.8</b>	<b>10,300.5</b>

**Goodwill**

In millions of euros	Gross goodwill end 2003	Accumulated amortization end 2003	New goodwill 2004	Amortization in 2004	Foreign currency translation adjustment	Gross goodwill 2004	Accumulated amortization end 2004	Net goodwill 2004
France <sup>(1)</sup>	4,180	(1,102)	103	(134)		4,283	(1,236)	3,046
Italy <sup>(2)</sup>	3,289	(367)	61	(83)		3,350	(450)	2,900
Belgium <sup>(3)</sup>	1,113	(201)		(25)		1,113	(226)	887
Spain <sup>(4)</sup>	1,432	(293)	71	(42)		1,502	(335)	1,167
Brazil <sup>(5)</sup>	435	(116)		(59)	5	441	(175)	266
Argentina <sup>(6)</sup>	262	(77)		3	(21)	241	(74)	167
Other countries	665	(88)	(184)	20	5	486	(68)	418
<b>Total</b>	<b>11,375</b>	<b>(2,244)</b>	<b>51</b>	<b>(320)</b>	<b>(11)</b>	<b>11,415</b>	<b>(2,564)</b>	<b>8,851</b>

\* Amortization of goodwill for the period includes exceptional depreciation occurring in 2004.

(1) Essentially Comptoirs Modernes and Euromarché. (2) Essentially GS. (3) Exclusively GB. (4) Essentially (raci) minorities. (5) Essentially RDC.

(6) Exclusively Norte.

**Breakdown of net intangible assets by geographic region**

In millions of euros	2004	2003	2002
France	3,414.6	3,427.6	3,488.2
Europe (excluding France)	5,771.2	5,994.6	5,941.8
Latin America	552.9	609.4	695.8
Asia	157.8	166.2	174.7
<b>Total</b>	<b>9,896.6</b>	<b>10,197.8</b>	<b>10,300.5</b>

**Changes to intangible assets**

In millions of euros	Gross	Dep and provisions	Net
<b>At January 1, 2004</b>	<b>13,661.8</b>	<b>(3,464.0)</b>	<b>10,197.8</b>
Increases	672.0	(625.0)	47.0
Decreases	(338.0)	78.0	(260.0)
Foreign currency translation	(10.2)	6.6	(3.6)
Changes in consolidation scope and transfers	(225.2)	140.6	(84.6)
<b>At December 31, 2004</b>	<b>13,760.4</b>	<b>(3,863.8)</b>	<b>9,896.6</b>

**Note 17: Tangible fixed assets**

In millions of euros	2004	2003	2002
Land	3,482.0	3,363.8	3,479.5
Buildings	8,552.6	7,969.2	8,300.7
Equipment, fixtures and installations	10,878.7	9,978.0	8,490.8
Other fixed assets	1,181.2	1,125.5	1,480.2
Fixed assets in progress	881.9	686.5	839.7
<b>Gross tangible fixed assets</b>	<b>24,976.3</b>	<b>23,123.0</b>	<b>22,590.9</b>
Amortization	(12,079.0)	(10,868.0)	(10,206.4)
<b>Net tangible fixed assets</b>	<b>12,897.3</b>	<b>12,255.0</b>	<b>12,384.5</b>

The net value of land, buildings and equipment acquired under financial leases was 377.4 million euros at December 31, 2004 and 387.3 million euros at December 31, 2003.

**Breakdown of net tangible fixed assets by geographic region**

In millions of euros	2004	2003	2002
France	3,598.2	3,404.0	3,299.3
Europe (excluding France)	5,993.8	5,680.0	5,825.5
Latin America	1,470.0	1,438.9	1,478.6
Asia	1,835.4	1,731.2	1,781.2
<b>Total</b>	<b>12,897.3</b>	<b>12,255.0</b>	<b>12,384.5</b>

**Change in tangible fixed assets**

In millions of euros	Gross	Dep. and provisions	Net
<b>At January 1, 2004</b>	<b>23,123.0</b>	<b>(10,868.0)</b>	<b>12,255.0</b>
Increases	2,268.0	(1,460.5)	807.5
Decreases	(808.7)	462.0	(346.7)
Foreign currency translation	109.6	(3.5)	106.1
Changes in consolidation scope and transfers	284.5	(209.0)	75.5
<b>At December 31, 2004</b>	<b>24,976.4</b>	<b>(12,079.0)</b>	<b>12,897.3</b>

## Note 18: Investments

In millions of euros	2004	2003	2002
Investments in companies accounted for by the equity method <sup>(1)</sup>	550.5	630.5	607.0
Investments <sup>(2)</sup>	539.7	501.7	507.3
Long-term loans and advances	12.7	11.1	18.8
Deferred taxes	775.3	633.4	576.3
Other	461.1	312.4	363.8
<b>Total</b>	<b>2,339.4</b>	<b>2,089.1</b>	<b>2,073.2</b>

(1) As of December 31, 2004, this item included stock in financial services companies totalling 285.8 million euros.

(2) This item mainly comprises the interests held in Finiper (Italy).

## Note 19: Commercial receivables

In millions of euros	2004	2003	2002
Trade receivables	1,057.4	1,136.8	1,281.1
Receivables from suppliers	2,001.2	2,045.4	1,873.5
<b>Total</b>	<b>3,058.7</b>	<b>3,182.2</b>	<b>3,154.6</b>

Trade receivables are essentially those due from the Group's franchisees.

Receivables from suppliers correspond to rebates owed by the Group's suppliers.

## Note 20: Other receivables

In millions of euros	2004	2003	2002
Loans and advances due within 1 year	5.5	6.0	10.5
Taxes and duties	410.8	764.4	607.5
Deferred taxes	272.2	277.7	237.0
Other operating receivables	923.0	1,180.0	1,405.2
<b>Total</b>	<b>1,611.4</b>	<b>2,228.1</b>	<b>2,260.2</b>

The other operating receivables item comprises mainly receivables on the sale of property, foreign currency translation and prepaid expenses.

## Note 21: Marketable securities and short-term investments

In millions of euros	2004	2003	2002
Marketable securities <sup>(1)</sup>	422.2	522.7	454.5
Short term investments	1,519.6	2,065.8	642.2
<b>Total</b>	<b>1,941.8</b>	<b>2,588.5</b>	<b>1,096.7</b>

(1) The 422.2 million euros in marketable securities on the Group's balance sheet had a market value of 424.8 million euros at December 31, 2004.

Marketable securities and short-term investments mainly consist of cash and cash equivalents.

## Note 22: Foreign currency translation, Group share

The foreign currency translation account, included in the Shareholders' equity, Group share, breaks down as follows:

In millions of euros	
At January 1, 2002	(614)
Change in 2002	(1,856)
At December 31, 2002	(2,470)
Change in 2003	(661)
At December 31, 2003	(3,131)
Change in 2004	(74)
At December 31, 2004	(3,058)

## Breakdown of foreign currency translation, Group share by geographic region

In millions of euros	2004	2003	2002
France			
Europe (excluding France)	(94)	(203)	(179)
Latin America	(2,519)	(2,496)	(2,118)
Asia	(445)	(432)	(172)
<b>Total</b>	<b>(3,058)</b>	<b>(3,131)</b>	<b>(2,469)</b>



**Note 23: Provisions for contingencies and long-term liabilities**

In millions of euros	Dec. 31, 2003	Foreign currency translation adjustment	Allowances	Unused provisions	Used provisions	Changes in consolidation scope and other movements	Dec. 31, 2004
Deferred tax liabilities	483.8	0.0	20.0	(28.0)	(5.0)	0.0	470.8
Allowances for retirement benefits <sup>(1)</sup>	189.6	0.0		(21.0)	(5.6)	16.1	179.1
Other <sup>(2)</sup>	975.5	10.2	281.7	(28.0)	(125.0)	(19.3)	1,095.1
<b>Total</b>	<b>1,648.9</b>	<b>10.2</b>	<b>301.7</b>	<b>(77.0)</b>	<b>(135.6)</b>	<b>(3.2)</b>	<b>1,745.0</b>

(1) The allowance for retirement benefits is determined at the end of each year by taking into account employee seniority and the probability of their presence in the company at retirement. The calculation is based on an actuarial method integrating hypotheses for changes in salaries and the retirement age. The Group's total allowance as of December 31, 2004 was estimated at 342.2 million euros. It is fully covered by provisions and by payments to outside agencies.

(2) These provisions consist of items related to fiscal and legal risks, with the rest covering risks directly associated with the operations of the company (after sales service disputes, labour risks, etc.).

**Note 24: Borrowings**
**Breakdown of borrowings**

In millions of euros	2004	2003	2002
Bonds	7,280.3	8,292.3	7,349.4
Other borrowings	1,470.4	1,787.9	2,927.9
Other long-term debts	185.6	180.3	109.7
Commercial paper	577.1	810.0	1,402.4
Leasing	210.8	241.8	259.8
<b>Total borrowings</b>	<b>9,724.2</b>	<b>11,312.3</b>	<b>12,049.2</b>
Marketable securities	1,941.8	2,588.5	1,096.7
Cash	988.5	831.9	1,931.8
<b>Total investments</b>	<b>2,930.3</b>	<b>3,420.4</b>	<b>3,028.6</b>
<b>Net debt</b>	<b>6,794.0</b>	<b>7,891.9</b>	<b>9,020.7</b>

In 2004, bonds accounted for 75% of total borrowings compared to 73% in 2003

**Change in net debt**

In millions of euros	2004	2003	2002
Bonds	1,011.9	(942.9)	(394.1)
Other borrowings	317.5	1,140.0	894.5
Other long-term debts	(5.4)	(70.6)	183.8
Commercial paper	232.9	592.4	751.8
Leasing	31.0	18.0	(13.9)
<b>Change in debt</b>	<b>1,588.0</b>	<b>736.9</b>	<b>1,422.1</b>
Marketable securities	(646.8)	1,491.8	(910.4)
Cash	156.6	(1,099.9)	(858.0)
<b>Change net of cash</b>	<b>(490.1)</b>	<b>391.8</b>	<b>(1,768.4)</b>
<b>Change in net debt</b>	<b>1,097.8</b>	<b>1,128.7</b>	<b>(346.3)</b>

A negative number indicates a worsening of net debt, a positive number an improvement. This year our net debt improved by 1,097.8 million euros.

**Breakdown of borrowings by interest rate type**

In millions of euros	2004	2003	2002
Fixed rate debt	5,628.8	1,018.0	703.0
Floating rate debt <sup>(1)</sup>	4,095.5	10,294.3	11,346.1
<b>Total</b>	<b>9,724.3</b>	<b>11,312.3</b>	<b>12,049.2</b>

(1) Floating rate debt was either issued as such or was swapped to floating-rate debt from fixed-rate debt upon issuance. During 2004 Carrefour partly restructured the exposure of its debt from a variable to a fixed rate.

**Breakdown of borrowings by currency**

Loans are presented in their original currency and not the currency after hedging.

In millions of euros	2004	2003	2002
Euro	8,069.1	9,648.0	10,369.9
Japanese yen	170.0	206.4	318.4
US dollar		17.8	22.5
Norwegian kroner		61.1	61.1
Brazilian real	1.1	5.5	41.2
Chinese yuan	9.7	6.3	26.1
Turkish lira	7.4	7.3	7.2
Korean won	120.2	75.5	16.9
Taiwan new dollar	15.8	7.8	23.8
Malaysian ringgit	10.2	10.9	13.1
Argentinean peso	145.5	96.7	109.2
Pound sterling	795.5	795.5	795.5
Swiss franc	361.7	363.2	192.0
Colombian peso	11.4		30.2
Other	6.7	10.3	22.1
<b>Total</b>	<b>9,724.3</b>	<b>11,312.3</b>	<b>12,049.2</b>

The debt in euros represented 83% of the total debt in 2004 compared to 85% in 2003. After swaps, the debt in euros represented 96% of the total debt in 2004, the same as in 2003.

**Breakdown by maturity date**

Maturities in millions of euros	2004	2003	2002
1 year	2,597.3	4,080.9	3,718.6
2 years	1,061.1	969.0	2,669.1
3 years	771.8	1,059.8	612.6
4 years	992.4	410.3	1,071.9
5 to 10 years	4,055.6	4,545.5	2,893.2
Over 10 years	60.5	59.5	943.1
Undetermined	185.6	187.3	140.7
<b>Total</b>	<b>9,724.3</b>	<b>11,312.3</b>	<b>12,049.2</b>

The average maturity of borrowings was 3.4 years.

As part of its disposal of receivables conducted with FCC Hexagon in 2002, the Group has transferred 500 million euros as of December 31, 2004. These disposals are definitive.

The group has two syndicated loans for 1.5 thousand million euros each with due dates of 2008 and 2009 (the former with the advantage of two possible one-year extensions). These sums are included in the off balance sheet commitments (Note 26).

**Bank covenants**

The Group took advantage of market conditions in 2004 to delete all references to financial covenants in its bank loans (particularly as concerns its syndicated loans).

## Note 25: Financial instruments and currency risk

**Financial instruments**

Financial instruments are used by the Group to hedge currency and interest rate risks associated with its operations. Each instrument used is tailored to the operations thus covered. Hedging instruments are contracted with first rate banking counterparties. They are managed primarily on a centralised basis.

**Currency risk**

The Group policy on currency risk management is presented in the Group management report. The market value of hedged positions at year-end was:

In millions of euros		2004	2003	2002
<b>On commercial operations:</b>	<b>Forward purchases</b>	<b>232.9</b>	<b>291.0</b>	<b>137.7</b>
	USD	232.9	291.0	137.7
	<b>Forward sales</b>	<b>3.2</b>	<b>3.6</b>	<b>10.1</b>
	HKD	2.3	3.2	5.6
	JPY	0.2	0.2	4.3
	TRL	0.1		
	MXN	0.5		
	SGD	0.1	0.2	0.2
<b>On financial transactions:</b>	<b>Forward purchases</b>	<b>555.9</b>	<b>292.2</b>	<b>211.7</b>
	USD	177.8	209.4	156.3
	CHF	45.6	1.0	
	HKD	94.3	73.0	52.2
	CZK	70.1	7.7	3.2
	TRL	42.3		
	SGD		1.1	
	SKK	34.8		
	PLN	91.0		
	<b>Forward sales</b>	<b>850.0</b>	<b>370.5</b>	<b>244.4</b>
	USD	290.0	181.0	123.7
	CHF	14.2		
	HKD			6.1
	CZK	146.9	100.9	75.0
	JPY	232.7	81.6	32.2
	TRL	130.1		
	MXM	0.1		
	SKK		4.9	7.4
	SGD		2.1	
	PLN	36.0		
<b>Currency options:</b>	- Purchases	<b>US\$</b>		<b>7.8</b>
	- Sales	<b>US\$</b>		
<b>Total</b>		<b>1,642.0</b>	<b>957.3</b>	<b>611.7</b>

### Interest rate risk

The Group's net exposure to interest rate fluctuation risk was reduced through the use of financial instruments such as swaps, forward rate agreements and interest rate options. Hedge types and the corresponding amounts hedged as of December 31, 2004 were as follows:

#### Average amount outstanding per year of derivative instruments at 31/12/2004

In millions of euros	2005	2006	2007	2008	2009	> 5 years
<b>Carrefour pays fixed (interest rate swap)</b>						
Euribor/fixed quarterly rate (E/360)	2,419	1,256	442	119	4	
Weighted average rate	3.33%	3.36%	3.04%	3.07%	3.08%	
<b>Carrefour pays fixed (forward rate agreement)</b>						
Euribor/fixed quarterly rate (E/360)	333					
Weighted average rate	2.23%					
<b>Carrefour pays variable (issue swap)</b>						
Euribor/fixed rate	735	614	401	232	189	189
<b>Variable/variable (issue swap)</b>						
Euribor/Euribor	20	20	20	20	20	20
<b>Currency swaps (issue swap)</b>						
Carrefour pays Euribor/fixed rate CHF	269	162	40			
Carrefour pays Euribor/fixed rate GBP	796	796	796	796	796	796
Carrefour pays Euribor/fixed rate NOK	41					
Carrefour pays Euribor/fixed rate JPY	50	50	50	49		
<b>Cap purchases</b>						
Average outstanding	2,387	2,101	458			
Strike price	3.18%	3.64%	3.50%			
Weighted average premium <sup>(1)</sup>	31.00	23.00	25.00			
<b>Floor purchases</b>						
Average outstanding	1,917	917				
Strike price	2.97%	3.19%				
Weighted average premium <sup>(1)</sup>	25.00	25.00				

#### Notional amount outstanding on derivative instruments at year-end by maturity

In millions of euros	31/12/03	- one year	1 to 5 years	+ 5 years	31/12/04	- one year	1 to 5 years	+ 5 years
<b>Carrefour pays fixed (interest rate swap)</b>								
Euribor/quarterly fixed rate (E/360)	12,180	1,812	10,364	4	3,300	1,536	1,764	
Libor JPY/quarterly fixed rate (E/360)	11	11						
<b>Carrefour pays fixed (forward rate agreement)</b>								
Euribor/ quarterly fixed rate (E/36)	14,974	14,974			1,500	1,500		
<b>Carrefour pays variable (issue swap)</b>								
Euribor/fixed rate	6,775		3,181	3,594	1,066	452	614	
Libor US\$/fixed rate	58		58					
<b>Variable/variable (issue swap)</b>								
Euribor/Euribor	442	422		20	20			20
<b>Currency swaps (issue swap)</b>								
Carrefour pays Euribor/fixed rate CHF	323		323		323	161	162	
Carrefour paie Euribor/fixed rate GBP	796			796	796			796
Carrefour paie Euribor/fixed rate NOK	61		61		61	61		
Carrefour paie Euribor/fixed rate JPY	50		50		50		50	
<b>Cap purchases</b>								
Amount outstanding	9,773	5,371	4,402		6,246	3,000	3,246	
<b>Floor purchases</b>								
Amount outstanding					2,000	1,000	1,000	

**Effective interest rate on average gross debt**

	2004	2003	2002
Debt rate before impact of rate products	3.95%	3.90%	4.30%
Debt rate after impact of rate products	3.83%	3.58%	4.39%

Last year the debt rate included issue swaps. We presented debt rates after issue swaps on one side and debt rate after issue swaps and rate products on the other. This year we are presenting the debt rate before both issue swaps and rate products on one side and the debt rates after issue swaps and rate products on the other.

**Note 26: Off balance sheet commitments**

The commitments given and received by the Group that are not accounted for on the balance sheet represent unrealized contractual obligations subject to conditions or operations subsequent to the current fiscal year. These commitments are of three types: those pertaining to cash, those associated with the operations of retail outlets and those related to the acquisition of securities. The Group also has rental agreements (with rents payable mainly on the retail outlets it leases and rental payments receivable from its shopping mall stores) which also represent future commitments, given or received.

**1. Off-balance sheet commitments related to cash consist of:**

- lines of credit representing confirmed lines of credit made available to the Group and undrawn at year end;
- collateral and mortgages given or received mainly within the context of the Group's real estate activity;
- financial instruments used to hedge exposure to exchange and interest rate risk. These instruments are all detailed in Note 25;
- loan commitments given by Group's financial service companies to their clientele as part of their operations, plus bank commitments received.

**2. Off-balance sheet commitments pertaining to operations consist of:**

- commitments to buy plots of land under the Group's expansion programme;
- various commitments arising from commercial contracts;
- commitments given to complete construction work under the Group's expansion programme;

- rental guarantees and guarantees on shopping mall operators;
  - secured receivables;
- plus other commitments given or received.

**3. Commitments relating to the acquisition of securities consist of** firm commitments received to purchase or sell securities – mostly in France with respect to the Group's franchising activity – plus options to purchase securities and liabilities guarantees. The liability guarantees received are not disclosed.

**4. Commitments related to leasing agreements**

At year-end 2004, the Group wholly owned 541 hypermarkets out of the 794 consolidated, 774 supermarkets out of the 1,495 consolidated and 351 hard discount stores out of the 3,888 consolidated. Stores not wholly owned are rented under lease agreements at a cost of 687.6 million euros for fiscal year 2004 (see Note 5). Of these agreements, 44% expire in less than 5 years, 21% expire within 5 to 10 years and 34% will expire after more than 10 years. The gross amount of future rental payments, determined as a function of the maximum future commitment made by the Group both in terms of duration and the amount for each of the property rental lease agreements existing to date is 4,271 million euros. The discounted future rental flow corresponds to a commitment of 2,839 million euros.

The Group also owns shopping malls, mainly anchored by its hypermarkets and supermarkets, which are rented out and which represented income of 289 million euros in 2004 (see Note 6). The gross amount of future rental payments receivable, determined as a function of the future commitment made by the lessees, both in terms of duration and the amount of each property rental lease agreement existing to date is 338 million euros. The discounted future rental flow corresponds to a commitment received of 277 million euros.



**Commitments**

In millions of euros	Dec. 04	Commitments given			Dec. 03
		< one year	1 to 5 years	> 5 years	
<b>Relating to cash</b>	<b>4,816</b>	<b>608</b>	<b>4,165</b>	<b>43</b>	<b>5,186</b>
Commitments, mortgages and collateral	375	116	217	43	754
Discounted notes and securitization	140	138	3	-	385
Financing commitments given by the financial service companies	4,298	355	3,943	-	4,025
Other	2	-	2	-	23
<b>Relating to operations/real estate/expansion, etc.</b>	<b>852</b>	<b>232</b>	<b>396</b>	<b>224</b>	<b>1,202</b>
Land	142	26	99	17	164
Forward purchases (merchandise)	293	189	91	14	712
Other	417	18	206	194	326
<b>Relating to acquisitions of securities</b>	<b>308</b>	<b>308</b>	-	-	<b>161</b>
Commitments to purchase securities	300	300	-	-	134
Liability guarantees	8	8	-	-	27
<b>Relating to lease agreements <sup>(1)</sup></b>	<b>4,271</b>	<b>613</b>	<b>1,302</b>	<b>2,355</b>	<b>4,299</b>
<b>Total</b>	<b>10,247</b>	<b>1,762</b>	<b>5,863</b>	<b>2,622</b>	<b>10,848</b>

(1) As part of the changeover to the IFRS standards, the property rental lease agreements were exhaustively reviewed and the evaluation of the minimum rents payable and receivable as of December 31, 2003 were refined.

**Commitments received**

In millions of euros	Dec. 04	Breakdown by maturity			Dec. 03
		< one year	1 to 5 years	> 5 years	
<b>Relating to cash</b>	<b>6,632</b>	<b>4,407</b>	<b>1,545</b>	<b>681</b>	<b>6,907</b>
Undrawn lines of credit	4,826	3,905	747	175	5,267
Commitments, mortgages and collateral	65	-	65	-	116
Financial service companies' lines of credit	1,741	502	733	506	1,524
<b>Relating to operations/real estate/expansion, etc.</b>	<b>480</b>	<b>276</b>	<b>164</b>	<b>39</b>	<b>278</b>
<b>Relating to acquisitions of securities</b>	<b>152</b>	<b>152</b>	-	-	<b>151</b>
Options to purchase securities	152	152	-	-	134
Liability guarantees					16
<b>Relating to lease agreements <sup>(1)</sup></b>	<b>338</b>	<b>89</b>	<b>178</b>	<b>71</b>	<b>313</b>
<b>Total</b>	<b>7,603</b>	<b>4,924</b>	<b>1,888</b>	<b>791</b>	<b>7,649</b>

**Note 27 : Consolidated financial data as of December 31, 2004 including fully consolidated service businesses**

Services businesses consolidated by the equity method are the financial companies S2P in France, Servicios Financieros Carrefour (formerly Financiera Pryca) and Finandia in Spain, Fimase in Belgium, Banco de Servicios financieros in Argentina and Carrefour Administradora de Cartoes de Credito in Brazil.

Asset and liability items were allocated to the balance sheet according to their type, with the posting of loans to clients under assets and their refinancing under liabilities.

Interest and commissions from financing activities were included in the gross margin, the other items on the income statement were classed according to type.

The consolidated financial statements of these service businesses are shown below.

**Consolidated balance sheet before appropriation**

In millions of euros	2004	2003
Fixed assets	37.1	32.1
Loans to clients	3,280.3	2,914.2
Other current assets	328.8	392.5
<b>Total assets</b>	<b>3,646.2</b>	<b>3,338.8</b>
Net shareholders' equity, Group share	320.7	298.7
Minority interests in consolidated companies	212.1	199.0
Borrowings	11.7	10.3
Financing of loans to clients	2,937.4	2,699.5
Other debts	164.3	131.3
<b>Total liabilities</b>	<b>3,646.2</b>	<b>3,338.8</b>

**Consolidated Income Statement for service businesses**

In millions of euros	2004	2003
Gross margin	449.7	396.0
EBIT	159.6	133.9
Minority interests	42.7	39.3
Net income from recurring operations, Group share	56.0	56.7

**Note 28: Employees**

	2004	2003	2002
Average number of Group employees	409,964	402,256	386,762
Number of Group employees at year-end	430,695	419,040	396,662

## COMPANIES CONSOLIDATED USING FULL INTEGRATION AS AT 31 DECEMBER 2004

	Percentage of interest used in consolidation	Commercial business registry number
<b>FRANCE</b>		
@ CARREFOUR B2C MANAGEMENT	100.0	430,472,092
ACTIS	100.0	345,274,310
ALIMENTAIRE SCORE	100.0	333,708,014
ALODIS	100.0	345,130,306
ANDELYSIENNE DE DISTRIBUTION	100.0	384,418,331
ANDRENA	100.0	339,363,095
ANNONAY DISTRIBUTION	100.0	310,380,621
ARBADIS	100.0	395,346,406
ARDAN	100.0	408,857,142
AUCEMA	99.9	398,656,660
BDD	100.0	380,060,210
BIGOURDANE DE DISTRIBUTION	100.0	334,570,298
BOEDIM	100.0	379,874,571
BRIMONT	100.0	423,291,731
BRUMAT	100.0	337,730,683
C.R.P.	100.0	423,404,979
CAMARSYL	100.0	443,499,041
CARAUTOROUTES	100.0	433,970,944
CARBAS	100.0	440,590,222
CARCOOP	50.0	317,599,231
CARCOOP FRANCE	50.0	333,955,912
CARFUEL	100.0	306,094,194
CARREFOUR ADMINISTRATIF FRANCE	100.0	428,240,352
CARREFOUR EUROPE	100.0	420,265,845
CARREFOUR FORMATION HYPERMARCHÉS FRANCE (CFHF)	100.0	433,970,811
CARREFOUR FRANCE	100.0	672,050,085
CARREFOUR HYPERMARCHÉS FRANCE	100.0	428,767,859
CARREFOUR IMPORT SAS (EX-CRFP2)	100.0	434,212,130
CARREFOUR MANAGEMENT	100.0	403,245,061
CARREFOUR MARCHANDISES INTERNATIONALES	100.0	385,171,582
CARREFOUR MOBILIER HYPERMARCHÉS FRANCE	100.0	433,970,886
CARREFOUR MONACO	100.0	92,502,820
CARREFOUR PROPERTY	100.0	775,632,169
CARREFOUR SA	100.0	652,014,051
CARREFOUR SERVICES CLIENTS	100.0	423,697,523
CARREFOUR SYSTÈMES D'INFORMATIONS FRANCE	100.0	433,929,114
CARREFOUR TRÉSO (EX-PROMODÈS TRÉSO)	100.0	428,240,337
CARREFOUR VACANCES	100.0	379,601,974
CASCH	100.0	444,531,180
CASMF	100.0	444,531,388
CDA	100.0	342,416,005
CDM	100.0	379,959,257
CENTRALE INTERNATIONALE DE MARCHANDISES - CIM -	100.0	784,380,586
CHAMNORD	63.6	303,543,128
CHAMPION DOMINIQUE	100.0	327,202,677
CHAMPION SUPERMARCHÉS FRANCE (C.S.F.)	100.0	440,283,752
CHESHUNT FRANCE	100.0	391,027,448
CHRISTHALIE	100.0	344,389,820
CHRISTING	100.0	330,305,558

CM LOGISTIQUE SUD EST	100.0	546,820,143
CMEN	100.0	780,130,126
CMER	100.0	383,836,525
CMMU	100.0	310,226,071
CM SUPERMARCHÉS SUD EST CMSSE	100.0	421,063,256
COFADIS	100.0	353,795,552
COMPAGNIE D'ACTIVITÉ ET DE COMMERCE INTERNATIONAL - CACI -	100.0	352,860,084
COMPTOIRS MODERNES SAS (CMSAS)	100.0	575,450,317
CONTINENT 2001	100.0	430,209,650
CONTINENT FRANCE	100.0	430,209,288
COVIAM 3	100.0	433,928,363
COVICAR 2	100.0	440,274,454
CRFP1	100.0	434,210,985
CRFP10	100.0	444,531,628
CRFP11	100.0	444,531,719
CRFP12	100.0	444,531,750
CRFP4	75.0	440,160,570
CROIX DAMPIERRE	91.6	780,680,781
CSD	74.0	326,220,654
CSD TRANSPORTS	74.0	433,859,154
CV LOGISTIQUE	100.0	379,956,915
DALCINE	100.0	384,776,902
DARTAGNAN	99.9	339,211,450
DAUPHINOISE DE PARTICIPATIONS	100.0	337,748,552
DAVECHRIS	100.0	384,804,134
DISTRABAUD	100.0	402,068,456
DISTRAL AYZAC	100.0	381,342,831
DISTRIBUTION AUX COLLECTIVITÉS - DISCOL -	100.0	788,261,659
DISTRIVAL	100.0	383,257,938
DOP 4	100.0	345,130,520
DUO CONTI	100.0	433,805,124
ED FONCIÈRE RÉGION NORD	100.0	444,525,992
ED FRANCHISE SAS	100.0	434,193,454
EPAGAM	100.0	420,225,104
ERTECO	100.0	303,477,038
ESQUIEZIENNE DE SUPERMARCHÉS (S.E.S)	100.0	332,136,050
ETS CATTEAU	100.0	576,280,101
EUROMARCHÉ	100.0	780,060,414
FINANBUR	100.0	398,123,224
FINIFAC	100.0	409,468,857
FORGES LES EAUX	100.0	419,532,916
FORUM DEVELOPPEMENT	100.0	381,485,176
GEDEL	100.0	395,104,243
GENEDIS	100.0	345,130,512
GILVER	100.0	382,944,684
GML - GRANDS MAGASINS LABRUYÈRE	50.0	314,832,387
GML FRANCE	50.0	397,894,296
GONINET	100.0	315,770,123
GOUDY	100.0	353,898,125
GUALEX	100.0	398,334,649
GUIROVI	100.0	381,618,461
HALLDIS	100.0	391,982,980
HAUTS DE ROYA	100.0	428,470,900
HERVAU	100.0	353,869,662



## FULLY CONSOLIDATED COMPANIES AT DECEMBER 31, 2004

	Percentage of interest used in consolidation	Commercial business registry number
IMMOBILIÈRE CARREFOUR	100.0	323,439,786
IMMOBILIÈRE ERTECO SNC	100.0	389,526,617
IMMODIS	100.0	950,340,927
INTERDIS	100.0	421,437,591
JAFI	100.0	329,058,614
JAPIERRE	100.0	325,774,338
JULIEME	100.0	392,746,194
KERISPER	100.0	323,635,367
LA CIOTAT DISTRIIBUTION SNC	100.0	451,625,354
LA LAUFA	100.0	347,465,528
LALAUDIS	99.0	339,176,885
LAPALUS & FILS (ÉTABS)	100.0	795,920,172
LEDAYE	99.9	333,585,354
LOGIDIS	100.0	303,010,789
LORIC	100.0	409,780,491
MAISON JOHANES BOUBÉE	100.0	775,583,248
MANDY	100.0	319,449,708
MANOLY	100.0	331,171, 223
MAPILO	100.0	327,788,105
MARJORIE	99.9	347,619,645
MATEDIS	100.0	383,230,703
MONTVERT	100.0	379,843,139
NEUVYDIS	100.0	351,715,537
ONA	100.0	303,657,084
OOSHOP	95.0	420,153,538
P.R.M.	100.0	352,442,826
PAG (EX-PROMODÈS FRANCE)	100.0	348,593,575
PARADICE	100.0	349,246,280
PERPIGNAN DISTRIBUTION SNC	100.0	451,603,070
PHILEVE	100.0	347,970,592
PLOUHADIS	100.0	385,254,370
PONTORSON DISTRIBUTION	100.0	352,725,808
PRIMO	100.0	320,708,050
PRINTANIA	100.0	321,276,065
PRODIM	100.0	345,130,488
PRODIREST	100.0	342,418,530
PROFIDIS	100.0	323,514,406
PROFIDIS & CIE	99.0	327,753,372
PROPO	100.0	410,690,101
PROVIDANGE	100.0	352,367,239
PYRAMIDE	100.0	428,775,555
PYRÉNÉENNE DE SUPERMARCHÉS (S.P.S)	100.0	331,140,707
RIECOISE	100.0	395,391,774
RIECOISE DE DISTRIBUTION	100.0	421,255,654
RIOMOISE DE DISTRIBUTION SA	100.0	318,623,790
RIOMOISE DE DISTRIBUTION SNC	100.0	329,678,338
ROCHEDIS	100.0	352,057,046
S 2M I	100.0	440,272,789
S.T.D.	100.0	417,597,549
SAB	100.0	419,278,270

SADIM	100.0	303,083,034
SAINT ROMAIN DISTRIBUTION	100.0	403,730,112
SAM	100.0	368,800,785
SAM INVESTISSEMENT	100.0	388,678,955
SARCA	100.0	321,484,131
SARL DE SAINT HERMENTAIRE	100.0	384,235,602
SARL ERTECO EST	100.0	401,636,550
SAUDIS	100.0	338,625,759
SCI POUR LE COMMERCE	100.0	378,384,002
SCI SOGARA MÉRIGNAC	50.0	307,048,975
SELIMA	100.0	411,495,369
SET	100.0	433,964,202
SHF	100.0	387,520,711
SISP	100.0	349,146,878
SMSM	100.0	329,275,978
SNC ED	100.0	381,548,791
SNC ED EST	100.0	402,682,283
SNE & CIE - SOCIÉTÉ NOUVELLE D'EXPLOITATION	100.0	388,182,388
SNEC - SOCIÉTÉ NIORTAISE D'EXPLOITATION COMMERCIALE	50.0	393,600,028
SNM - SOCIÉTÉ NOUVELLE MONTESSON	100.0	404,703,522
SNP	100.0	433,927,332
SOCAMAG	100.0	423,938,042
SOCIÉTÉ DE DISTRIBUTION PLOEUCOISE - SODIP	100.0	325,517,464
SOCIÉTÉ DES ÉTABLISSEMENTS J. CONSTANS	100.0	784,144,354
SOCIÉTÉ DES HYPERMARCHÉS DE LA VÉZÈRE	50.0	382,824,761
SOCIÉTÉ D'EXPLOITATION AMIDIS & CIE	100.0	319,730,339
SOCIÉTÉ FECAMPOISE DE SUPERMARCHÉS	100.0	305,490,039
SOCIÉTÉ NOUVELLE SOGARA	50.0	441,037,405
SOCODIS	100.0	405,005,307
SODIGIR	100.0	389,504,291
SODISCAF	100.0	398,008,565
SODISOR	100.0	788,358,588
SOECUDIS	100.0	389,551,508
SOFEDIS	100.0	317,516,441
SOFIDIM	100.0	673,820,601
SOFINEDIS	100.0	304,515,380
SOFRED	100.0	342,213,253
SOGADIS	100.0	321,357,543
SOGARA	50.0	662,720,341
SOGARA FRANCE	50.0	397,509,647
SOVAL	100.0	847,250,503
SOCIÉTÉ D'EXPLOITATION CARCOOP	50.0	408,505,824
STOC SUD EST - STOC S.E.	100.0	398,55,606
STROFI	100.0	421,892,134
SUCA	99.9	607,280,039
SUESCUN	100.0	340,023,936
SUPECO	100.0	307,190,777
TAVERDIS	100.0	350,621,652
TERRADIS	100.0	331,015,958
THOMAS DISTRIBUTION	100.0	394,183,040
TILLY DISTRIBUTION	100.0	350,553,517
TOURANGELLE DE PARTICIPATIONS	100.0	339,487,787
VALDIS	100.0	347,381,196
VLS DISTRIBUTION (SUPERMARCHÉ SCHALLER)	100.0	340,468,321

## FULLY CONSOLIDATED COMPANIES AT DECEMBER 31, 2004

### Percentage of interest used in consolidation

#### GERMANY

PROMOHYPERMARKT AG & CO. KG	100.0
PROMOHYPERMARKT AG (PHS)	100.0
PROMOHYPERMARKT INTERNATIONAL	100.0
ERTECO DEUTSCHLAND GMBH	100.0

#### ARGENTINA

CARREFOUR AMERICAS	100.0
CARREFOUR ARGENTINA SA	100.0
DIA ARGENTINA SA	100.0
SUPERMERCADOS NORTE	100.0

#### BELGIUM

BIGG'S CONTINENT NOORD SA	100.0
BIGG'S SA	100.0
CALANIMO	100.0
CARGOVIL (EX-OUTEX)	100.0
CARREFOUR BELGIUM	100.0
CENTRE DE COORDINATION CARREFOUR	100.0
COTRADIS	100.0
CUSTOMER LOYALTY PROGRAM BELGIUM - CLPB	97.1
ECLAIR	100.0
EXTENSION BEL-TEX	100.0
FAMILYSTORE	100.0
FILMAR	100.0
FILUNIC	100.0
FOURCAR BELGIUM SA	100.0
FRESHFOOD	100.0
GB RETAIL ASSOCIATES SA	100.0
GIB MANAGEMENT SERVICES	100.0
GMR	100.0
KEY SYSTEM	100.0
MABE	100.0
R&D FOOD	100.0
ROB	100.0
SERCAR	100.0
SOCIETE RELAIS	100.0
SOUTH MED INVESTMENTS	100.0
STIGAM	100.0
SUPERTRANSPORT	100.0
TECHNICAL MAINTENANCE SERVICE - TMS	100.0

### Percentage of interest used in consolidation

#### BRAZIL

BREPA COMERCIO PARTICIPACAO LTDA	99.8
CARREFOUR AMERICAS LTDA	100.0
CARREFOUR COMMERCIO E INDUSTRIA LTDA	99.8
CARREFOUR GALERIAS COMERCIAIS LTDA	99.8
CARREFOUR PARTICIPACOES E ADMINISTRACAO SA	99.8
CARREFOUR PARTICIPACOES SA	99.8
CARREFOUR REVENDEDORA DE COMBUSTIVEIS LTDA	99.8
CARREFOUR VIAGENS E TURISMO LTDA	99.8
CONTPAR PARTICIPACOES LTDA	99.8
DIA BRASIL	100.0
ELDORADO	99.8
FARO TRADING SA	99.8
IMOPAR PARTICIPCOES E ADMINISTRACAO IMOBILIARIA LTDA	99.8
LOJIPART PARTICIPACOES SA	99.8
MAPAR PARTICIPACOES LTDA	99.8
MAUA PARTICIPACOES	99.8
NOVA FOCCAR FACTORING FOMENTO COMERCIAL LTDA	99.8
NOVA GAULE COMERCIO E PARTICIPACOES SA	99.8
NTC TRADING S/A	99.8
RDC FACCOR FACTORING FOMENTO COMERCIAL LTDA	99.8

#### CHINA

BEIJING CARREFOUR COMMERCIAL CO. LTD.	55.0
BEIJING CHAMPION SHOULIAN SUPERMARKET CO. LTD.	78.8
BEIJING DIA-SHOULIAN COMMERCIAL RETAIL CO. LTD.	65.0
CARREFOUR (CHINA) MANAGEMENT & CONSULTING SERVICES CO.	100.0
CHANGSHA CARREFOUR HYPERMARKET	87.0
CHENGDU CARREFOUR HYPERMARKET	
CHAINSTORE COMPANY	92.5
CHENGDU YUSHENG INDUSTRIAL DEVELOPMENT CO. LTD.	100.0
CHONGQING CARREFOUR HYPERMARKET CHAIN STORE	55.0
DALIAN CARREFOUR COMMERCIAL CO. LTD.	65.0
DIA TIANIAN (SHANGHAI) MANAGEMENT CONSULTING SERVICE CO. LTD	100.0
DONGGUAN DONESHENG SUPERMARKET CO.	100.0
GUANGZHOU JIAGUANG SUPERMARKET CO.	55.0
HANGZHOU CARREFOUR HYPERMARKET CO. LTD.	65.0
HARBIN CARREFOUR HYPERMARKET CO. LTD.	65.0
HEFEI CARREFOUR	65.0

Percentage of interest used  
in consolidation

HUARONG CARREFOUR COMMERCIAL CO. LTD.	55.0
JINAN CARREFOUR COMMERCIAL CO. LTD.	100.0
KUNMING CARREFOUR HYPERMARKET CO. LTD.	69.9
NANJING YUEJIA SUPERMARKET CO. LTD.	65.0
NINGBO CARREFOUR COMMERCIAL	60.0
NINGBO LEFU INDUSTRIAL MANAGEMENT CO. LTD.	100.0
QINGDAO CARREFOUR COMMERCIAL	97.7
SHANGAI CARHUA SUPERMARKET LTD.	55.0
SHANGHAI DIA-LIAN HUA RETAIL CO. LTD.	55.0
SHENYANG CARREFOUR HYPERMARKET CO. LTD.	65.0
SHENZHEN LERONG SUPERMARKET CO. LTD.	95.2
SUZHOU YUEJIA HYPERMARKET CO. LTD.	55.0
THE CARREFOUR (CHINA) FOUNDATION	100.0
TIANJIN FUYE HYPERMARKET CO.	55.0
TIANJIN QUANYE CARREFOUR HYPERMARKETL CO. LTD.	65.0
WUHAN HANFU CHAIN SUPERMARKET CO. LTD.	100.0
WUXI YUEFU SUPERMARKET CO.	60.0
XINJIANG CARREFOUR HYPERMARKET	78.8
ZHUHAI LETIN HYPERMARKET CO. LTD.	100.0

**COLOMBIA**

GSC SA - GRANDES SUPERFICIES DE COLOMBIA	100.0
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**KOREA**

CARREFOUR KOREA LTD.	100.0
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**SPAIN**

CARREFOUR CANARIAS, SA	95.6
CARREFOUR NAVARRA, SL	95.6
CARREFOUR NORTE, SL	95.6
CARREFOURONLINE SL (SUBMARINO HISPANIA)	95.6
CENTROS COMERCIALES CARREFOUR, SA	95.6
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION (DIASA)	100.0
E-CARREFOUR SA	95.6
GROUP SUPECO MAXOR	95.6
IMMOBILARIA CARREFOUR	66.9
INVERSIONES PRYCA, SA	100.0
NORFIN HOLDER SL	100.0
PUNTOCASH, SA	100.0
SIDAMSA CONTINENTE HIPERMERCADOS, SA	100.0
SOCIEDAD DE COMPRAS MODERNAS, SA (SOCOMO)	95.6

Percentage of interest used  
in consolidation

SUPERMERCADOS CHAMPION, SA	95.6
VIAJES CARREFOUR, SL UNIPERSONAL	95.6

**GREECE**

CARREFOUR MARINOPOULOS	50.0
CITYGATE	50.0
DIA HELLAS	80.0
XYNOS SA	50.0

**HONG KONG**

CARREFOUR ASIA LTD.	100.0
CARREFOUR GLOBAL SOURCING ASIA	100.0
CARREFOUR TRADING ASIA LTD. (CTA)	100.0
VICOUR LIMITED	100.0

**INDONESIA**

PT CARREFOUR INDONESIA (EX CONTIMAS)	100.0
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**IRELAND**

CARREFOUR INSURANCE	100.0
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**ITALY**

BETA 2003 SRL	98.2
CARREFOUR ITALIA	100.0
CARREFOUR ITALIA IMMOBILIARE	100.0
CONSORZIO CARREFOUR	100.0
DI X DI SRL	98.2
FINCOMER SRL	100.0
FINMAR SPA	98.2
GCA SRL (GALLERIA COMMERCIALE ASSAGO)	80.0
GS SPA (EX-ATENA)	98.2
HYPERMARKET HOLDING	100.0
IMMOBILIARE STELLARE	98.2
MIRTO 92	98.2
SEROMA	98.2
SOCIETA COMERCIO MERIDONIALE	100.0
SOCIETA SVILUPPO COMMERCIALE	100.0
SUMAR SPA	100.0



## COMPANIES CONSOLIDATED USING THE EQUITY METHOD AT DECEMBER 31, 2004

	Percentage of interest used in consolidation
<b>JAPAN</b>	
CARREFOUR JAPAN	100.0
<b>LUXEMBOURG</b>	
CARIGES SA	100.0
<b>MALAYSIA</b>	
CARREFOUR MALAYSIA SDN BHD	100.0
MAGNIFICENT DIAGRAPH SDN-BHD	100.0
<b>MEXICO</b>	
CARREFOUR DE MEXICO	100.0
GRANDES SUPERFICIES DE MEXICO SA DE CV	100.0
GRUPO CARREFOUR	100.0
HIPERMERCADOS CARREFOUR SA DE CV	100.0
HIPERSERVICIOS CARREFOUR, SA DE CV	100.0
OPERADORA DE SERVICIOS CARREFOUR, SA DE CV	100.0
<b>NETHERLANDS</b>	
ALCYON BV	93.2
CARREFOUR CHINA HOLDINGS BV	100.0
CARREFOUR INTERNATIONAL SERVICES BV (HYPER GERMANY HOLDING BV)	100.0
CARREFOUR NEDERLAND BV	100.0
FOURCAR BV	100.0
FRANCOFIN BV	100.0
HYPER GERMANY BV	100.0
HYPER INVEST BV	100.0
INTERCROSS ROADS BV	100.0
KRUISDAM BV	100.0
MILDEW BV	100.0
ONESIA	100.0
SOCA BV	100.0
<b>POLAND</b>	
CARREFOUR POLSKA	100.0
<b>PORTUGAL</b>	
CARREFOUR (PORTUGAL)	99.9
DIA PORTUGAL SUPERMERCADOS	100.0
LISPETROLEOS	99.9

	Percentage of interest used in consolidation
<b>CZECH REPUBLIC</b>	
ALFA SHOPPING CENTER	100.0
CARREFOUR CESKA REPUBLIKA	100.0
EDEN DEVELOPMENT	100.0
SHOPPING CENTRE KRALOVO POLE	100.0
USTI NAD LABEM SHOPPING CENTER	100.0
<b>SINGAPORE</b>	
CARREFOUR SINGAPOUR PTE LTD.	100.0
CARREFOUR SOUTH EAST ASIA	100.0
<b>SLOVAKIA</b>	
ATERAITA	100.0
CARREFOUR SLOVENSKO	100.0
<b>SWITZERLAND</b>	
CARREFOUR SUISSE	100.0
CARREFOUR WORLD TRADE	100.0
DISTRIBUTIS SA	40.0
HYPERDEMA (PHS)	100.0
<b>TAIWAN</b>	
PRESICARRE	60.0
<b>THAILAND</b>	
CENCAR LTD.	100.0
NAVA NAKARINTR LTD.	100.0
SSCP THAILAND LTD.	100.0
<b>TURKEY</b>	
CARREFOUR SABANCI TICARET MERKEZI	
AS CARREFOUR SA	60.0
DIA SABANCI SUPERMARKETLERI TICARET	
ANONIM SIRKETI	60.0
INTEM TICARET MERKEZLERI A.S	59.6

## COMPANIES CONSOLIDATED USING THE EQUITY METHOD AT DECEMBER 31, 2004

France	Percentage of interest used in consolidation	Commercial business registry number
<b>FRANCE</b>		
ALTIS	50.0	310,710,223
BEARBULL	50.0	423,143,718
CARMA	50.0	330,598,616
CARMA VIE	50.0	428,798,136
DEFENSE ORLEANAISE	50.0	085,580,728
DISTRIMAG	50.0	301,970,471
HAMON INVEST	50.0	431,586,502
HYPARLO	20.0	779,636,174
HYPERMARCHES DES 2 MERS - H2M	50.0	393,248,554
PROVENCIA SA	50.0	326,521,002
S2P - SOCIETE DES PAIEMENTS PASS	60.0	313,811,515
SA BLADIS	33.3	401,298,583
SCI LATOUR	60.0	333,337,053
SOCIETE RESEAU FRANCE BILLET	45.0	414,948,638
SOCIETE SUPERMARCHÉ DU BASSIN - SSB	50.0	324,754,894

The percentage interest is equal to the percentage control.

	Percentage of interest used in consolidation
<b>ARGENTINA</b>	
BANCO CETELEM ARGENTINA SA	40.0
BANCO DE SERVICIOS FINANCIEROS SA	60.0
HIPERBROKER	65.0
<b>BELGIUM</b>	
FIMASER	60.0
<b>BRAZIL</b>	
AGROPECUARIA LABRUNIER LTDA	99.8
AGROPECUARIA ORGANICA DO VALE	80.2
AGROPECUARIA VALE DAS UVAS SARL	99.8
CARREFOUR ADMINISTRADORA DE CARTOES DE CREDITO, COMERCIO E PARTICIPACOES LTDA	59.9
FAZENDA SAO MARCELO SA	99.8
<b>SPAIN</b>	
CORREDURIA DE SEGUROS CARREFOUR	71.7
COSTASOL DE HIPERMERCADOS, SL	32.5
DIAGONAL PARKING, SC	55.0
FEU VERT IBÉRICA, SA	47.8
FINANDIA EFC	100.0
GLORIAS PARKING SA	47.8

	Percentage of interest used in consolidation
<b>SPAIN (continued)</b>	
IILITURGITANA DE HIPERMERCADOS, SL	32.5
INTERING SA	47.8
SICIONE, SA	33.0
SERVICIOS FINANCIEROS CARREFOUR EFC (FINANCIERA PRYCA)	57.5
<b>ITALY</b>	
ASTRA SPA	49.0
GRUPPO LUCIANI SPA	49.0
IL BOSCO SRL	40.0
IPER ORIO SPA	50.0
IPER PESCARA SPA	50.0
<b>RUMANIA</b>	
HYPROMA	50.0
<b>SWITZERLAND</b>	
DISTRIBUTIS MONCOR SA	20.0
<b>TAIWAN</b>	
CARREFOUR FINANCIAL CONSULTING	50.4

## **STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **YEAR ENDED DECEMBER 31, 2004**

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, which is presented after the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report, together with the statutory auditors report addressing financial reporting in management's report on internal control, should be read in conjunction with, and construed in accordance with, French law and French auditing professional standards.

In compliance with the assignment entrusted to us at your Annul General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Carrefour SA for the year ended December 31, 2004.

These consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these consolidated financial statements on the basis of our audit.

### **Opinion on the consolidated financial statements**

We conducted our audit in accordance with the professional standards applicable in France; these standards call for us to take steps to obtain reasonable assurance that the consolidated financial statements do not contain any material anomalies. An audit consists of examining, on a test basis, evidence supporting the amounts disclosed in these financial statements. It also includes assessing the accounting principles used and the significant estimates used in preparation of the financial statements and of assessing the adequacy of their overall presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and results of the consolidated group of companies in accordance with the accounting rules and principles in France.

Without wishing to cast doubt upon the opinion expressed above, we would like to draw your attention to Note 1 of the Annexe which:

- explains the anticipated application of opinion 04-15 of the National Accountancy Council relative to the definition of, accounting for, and the evaluation of assets;
- explains that a provision for long service medals has been set up in accordance with the recommendations of the CNC 2003 R-01 dated April 1, 2003, which has explicitly placed long service medals within the area of application of Ruling 2000-06 on liabilities, for fiscal years begun after January 1, 2004.

**Justification of our assessments**

Pursuant to the measures of Article L225-235 of the Commercial Code, with respect to the justification of our assessments, we would like to draw your attention to the following points:

As indicated in Note 1 of the Annexe, tangible and intangible assets, mainly goodwill for which expected future profitability will not allow the recuperation of their net book value, have been the subject of an exceptional depreciation determined by comparing the net book value of the asset with its useful and market values. The useful value is based on the present value of future cash flows. Impairment tests are performed when there are signs that the asset may be impaired.

We have verified the appropriateness of the accounting methods defined above and information provided in the notes of the Annexe. Moreover, based on the information available at the date of this report, we have assessed the data and assumptions on which these valuation tests were calculated, particularly the cash flow projections made by the company. We have examined the documentation provided, reviewed the calculations made by the company and the procedure used for approving these estimates by management. We have undertaken an assessment of the reasonableness of these estimates.

The assessments thus made fall within the context of our audit of the consolidated financial statements taken as a whole and therefore contribute to the formation of our opinion as expressed in the first part of this report.

**Specific procedures and disclosures**

Moreover, we have verified the information provided in the report on the Group's management. We have formulated no observations as to whether they are true and fair and in agreement with the consolidated financial statements.

Without wishing to cast doubt upon the opinion expressed above, we would like to draw your attention to the report by the Chairman of the Board of Directors on internal audit, which details the progress on the changeover to the IFRS standards and explains the reasons for not presenting quantitative information on the effects of the transition to the IFRS standards as adopted by the European Union.

Paris la Défense et Neuilly-sur-Seine, March 10, 2005

KPMG Audit  
A division of KPMG SA

Jean-Luc Decornoy  
Partner

Deloitte Touche Tohmatsu

Jean-Paul Picard  
Partner

Frédéric Moulin  
Partner



# LSF REPORT – 2004

This report has been drawn up in accordance with the terms of the law, on the basis of the organisation of powers in force during the year 2004, particularly as regards corporate governance. The Board of Directors met on February 3, 2005 and decided, on a proposal of the Committee on Remuneration, Appointments and Corporate Governance, to appoint Mr. Luc Vandeveldel Chairman of the Board of Directors and Mr. José Luis Duran Chief Executive Officer. Therefore Mr. Luc Vandeveldel, Chairman of the Board of Directors, has signed this report which, pursuant to Article L.225-37 of the Commercial Code, describes the conditions for the preparation and organisation of the work performed by the Board of Directors during the year 2004 as well as the procedures of internal control set up within the Carrefour Group.

Moreover, the Board of Directors, on this same date, also on the recommendation of the Committee on Remuneration, Appointments and Corporate Governance, decided to propose at the next Shareholders' Meeting to be held on April 20, 2005, the establishment of a Supervisory Board and an Executive Committee. This new organisation of governance would allow for improved separation of powers between a Supervisory Board, the control body, and an Executive Committee, in charge of managing the Group. The roles and compositions of the various governing bodies of the company will be reviewed on that occasion and submitted to the Shareholders' Meeting. Consequently the corporate governance bodies described in the report below are those prevailing during the year 2004 through to February 3, 2005.

## 1. CORPORATE GOVERNANCE

The composition of the Board of Directors and that of the Board's Committees are indicated in Chapter VI of this reference document

### 1.1 BOARD OF DIRECTORS

The role of the Board of Directors is essentially:

- to lay down the Group policies with regard to activities, risk management and overall objectives;
- to approve strategy and take account of major changes;
- to approve all acquisitions or disposals of assets likely to have a significant impact on the Group financial statements.

The Board of Directors gave itself internal rules and a Board member's charter in 1998. Their amendments and adaptations were approved by the Board of Directors in a meeting held on August 27, 2002. Each Director must consider himself a representative of the body of shareholders, keep the company's best interest in view at all times and work for the safeguard and development of the company as a whole.

Each Director ensures that the decisions taken in the Board do not favour one part or category of shareholders to the detriment of another. He is mindful that the decisions of the Board of Directors are taken collectively, in the interests of all shareholders.

Each Director shall be attentive to the definition and exercising of the respective powers and responsibilities of the governing bodies in the company.

In particular he has to ensure:

- that the Committees created by the Board are operating properly;
- that the internal control bodies and the auditors are effective
- that no one can exercise discretionary power without control within the company.

The Board of Directors met 6 times during the financial year 2004, the average rate of attendance being 92%:

- the first meeting was dedicated to approving the statutory and consolidated financial statements for the financial year 2003 and preparing the Shareholders' Meeting;
- the second meeting was to define the terms of the Shareholders' Meeting and the responses to written questions from shareholders;
- the third meeting, held at the end of the Shareholders' Meeting, was to define the terms of a stock option plan as well as the conditions for allotting "performance shares" in accordance with recommendations made by the Committee on Remuneration, Appointments and Corporate Governance;
- the next meeting, held in the form of a three day seminar, was dedicated to analysing the activity and strategy of the company;
- the examination of the half year accounts, as of June 30, was the subject of the fifth meeting, during which the conclusions of the Audit Committee, which met during the month of August, were presented;
- finally, debate at the last meeting concerned the state of business and the estimated net income for 2004, defining the terms for restructuring the investment portfolio and reviewing the reports of the Audit Committee and of the Committee on Remuneration, Appointments and Corporate Governance, which summarizes the activity and the assessment of the Board of Directors respectively.

The Chairman of the Board of Directors organises and manages the activities of the latter. To help fulfil these tasks the Board may call upon any person (internal or external to the company) whose expertise and competence may be useful as concerns the subject at hand. Members of the Executive Committee may be called upon to take part in meetings during which subjects of their concern are dealt with. Directors may, at the invitation of the Chairman, take part in work concerning Group strategy.

## 1.2 COMMITTEES OF THE BOARD OF DIRECTORS

### 1.2.1 The Audit Committee

1.2.2.1 Duties of the Audit Committee include reviewing: The annual and half year financial statements whereby:

- it examines the statutory and consolidated financial statements before they are presented to the Board of Directors;
- it ensures the relevance and consistency of the accounting methods applied in drawing up the statutory and consolidated financial statements;
- it analyses the interim and preliminary results as well as the notes which accompany them before they are announced publicly;
- it verifies that the procedures for collecting and controlling information ensure the application of the aforementioned accounting methods;
- it reviews changes and amendments to the prevailing principles and accounting rules for drawing up the accounts.

The stock exchange regulations in respect of which it:

- supervises the quality of procedures and information referring to the stock exchange regulations (various filings).

Internal controls and auditing of the company and of its main subsidiaries whereby:

- it assesses the proposals for appointment and renewal of the company's auditors and their fee;
- it assesses, with the internal auditors, the internal controls within the Group.

The risks with respect to which:

- it examines the material, financial, strategic and operational risks of the company regularly with the Board of Directors.

The Committee may benefit from information available with the Group's Chief Financial Officer and the Group Internal Audit Director. By request, it hears the external auditors under the terms it chooses. It has a charter approved by the Board of Directors in 2003.

1.2.2.2 The Committee is made up of four members appointed by the Board of Directors from among its members, including an independent Director. The chairman of the Committee is appointed by the Board of Directors upon a proposal from the Remuneration, Appointments and Corporate Governance Committee.

1.2.2.3 The Committee meets at least three times per year. Two meetings are scheduled before the presentation of the annual and half year accounts. To make valid decisions, one half of its members must attend. A member of the Committee cannot be represented.

1.2.2.4 During the financial year 2004 the Committee proceeded, amongst other things, to examine the management of interest rates risks, the methods of consolidation and the consolidated balance sheet, the key facts and principal options, summaries of the income statement, changes in the balance sheet, in the cash position and funding, paying special attention to off-balance sheet commitments.

The Audit Committee, at each of its meetings, proceeds to review the work carried out by the internal auditors. The Committee watches over the independence of the internal auditors and ensures of the adequacy of the means allocated to them in order to carry out their assignment.

The Audit Committee has also studied the changes in the accounting principles – IFRS standards – and of their impact on the financial statements. The options chosen by the Group and the impact of applying the new standards were presented to the committee, as well as the provisional versions of the opening balances as of January 1, 2004 and the financial statements as of June 30, 2004. These impacts were reviewed in the presence of the Auditors who validated the options. The Audit Committee has controlled progress in the implementation of IFRS standards throughout the year 2004.

1.2.3 The Remuneration, Appointments and Corporate Governance Committee

1.2.3.1 The Committee intervenes in the following areas:

- proposals to the Board of Directors for the appointment of directors;
- proposals for remuneration of company representatives and for allocating Directors' fees;
- analysis of the overall amounts of stock options;
- giving information on the appointment and remuneration of members of the Executive Committee and the main Group managers;
- assessment of the quality of the work performed by the Board of Directors.

1.2.3.2 The Committee is made up of four members appointed by the Board of Directors among its members, two of whom are independent Directors. The Chairman of the Committee is appointed by the Board of Directors.

The Committee meets once a year. It may meet at the request of the Chairman of the Board of Directors or two members of the Committee. In order to deliberate validly, at least half of its members must be present. A member of the Committee may not be represented.

1.2.3.3 During the financial year 2004 the Committee defined and proposed to the Board of Directors the terms under which a share option plan might be offered as well as a “performance shares” plan. It determined the amount of the remuneration of company representatives and the variable part of the said remuneration, defined the conditions under which the term of office of the directors might be renewed, worked out the principles and methods of a succession plan within the Group and proceeded to assess the Board of Directors.

### 1.3 THE ORGANISATION OF POWERS AND DELEGATIONS

The Chairman of the Board of Directors assumes the general management of the company. Although holding all powers conferred upon him by law to represent the company it is laid down as part of the internal rules that both the Chairman and the Chief Executive Officer and the Deputy Chief Executive Officer must obtain prior authorisation from the Board of Directors for:

- any acquisitions or disposals of assets likely to have a major impact on the financial statements;
- significant operations likely to change the scope of Group activity, its strategy and its financial structure.

It is only when the prior authorisation of the Board of Directors has been obtained that the Chairman and the Chief Executive Officer may initiate a transaction on behalf of the company or, depending on the circumstances, authorise the director of the relevant subsidiary or “business unit” (see *infra* 2.2.1) to initiate a transaction.

The Chairman and Chief Executive Officer has delegated his powers to each of the members of the Group Executive Committee (Comex) according to their respective responsibilities and up to a maximum of 50 million euros. Each member of the Comex systematically accounts for his management during these monthly meetings.

For ordinary transactions, i.e. those provided for in the budget approved by the Comex for each subsidiary or “business unit”, each director of a branch or “business unit” acts within the

scope of the authority and responsibilities delegated to him by the Comex member concerned (with a maximum of 15 million euros).

Each director of a subsidiary or “business unit” in turn draws up and implements a system of delegation of powers and responsibilities within his organisation on the basis of guidelines given by the Group.

In 2005 there is provision to supplement existing delegations of authority and responsibilities with a formalised chain of sub-delegations, with respect to both internal persons and third parties, whilst maintaining the required swiftness in decision-making.

## 2. INTERNAL CONTROL PROCEDURES

### 2.1 DEFINITION OF INTERNAL CONTROL

The internal control procedures implemented in the Carrefour Group, formalised upon the application of the Financial Security Law, are based on the international COSO Report. This report was published in France in 1994.

Internal control is defined as a process performed by management under the control of the Board of Directors. It is implemented by directors and company personnel and intended to provide reasonable assurance of the achievement of the following objectives:

- implementation and optimisation of operations;
- reliability of financial information;
- and compliance with laws and regulations in force.

One of the objectives of the internal control system is to forecast and manage risks resulting from the company’s activity as well as the risk of errors and fraud, particularly in the accounting and financial fields. As with any system of control it cannot, however, give complete assurance that these risks will be totally eliminated.

The part of the report which follows describes the internal control process within the Group, particularly with regard to producing and dealing with accounting and financial information. The Group means all subsidiaries consolidated using the full integration method.

## 2.2 THE INTERNAL CONTROL ENVIRONMENT

### 2.2.1 Group organisation

The Group is organised geographically in order to account for local peculiarities. Countries are grouped into regions which are represented at the Group Executive Committee level (Comex) by region managers (Latin America, Asia and Europe). Comex, the executive management body of the Group, also includes the Director of French Hypermarkets because of the predominance of this activity within the Group and the Director of the Hard Discount stores activity where a vertical organisation of management is best suited to its way of operating. The support departments taking part directly in the Comex include human resources, merchandise and finance, the latter including information systems.

The Comex defines strategy and provides guidance. It defines priorities with objectives by country and the major support service projects. It develops worldwide synergies, goals and future expertise. It proposes acquisitions and disposals to the Board of Directors.

The Group is decentralised to the extent that each country directly controls the operational aspects associated with its activity. The activity is divided up into “business units” which are made up of all stores of a given format (for example hypermarket, supermarket, etc.) in a given country. Each “business unit” is run by a management team which includes operational managers, in most cases regional managers and the support service managers required by the activity.

The Group favours the operational hierarchical line which is fully responsible for the profitable development of its “business units”. The operational line manager also defines the extent of support service interventions.

The support services guarantee and promote progress. Their task consists of designing and implementing tools and in making data available for operational staff, identifying synergies and promoting innovations. They have a role as guarantor and whistle blower with respect to methods and practices. If they identify risks they put forward an action plan for the line managers with a view to monitoring them. They are organised in functional networks (or “files”) i.e. within one same support department the countries appoint contacts to operate in a network with other countries or at Group level, to work on projects, exchange best practices or promote actions in their field of expertise. As an example, the country Finance Directors meet several times a year, either all together for exchanges on shared projects or themes, or with the country Finance Directors in their region to monitor progress.

The management of activity and projects is monitored by monthly performance reviews which take place systematically both for the operational line and for the support services.

### 2.2.2 The system of values

In order to develop a shared culture, Carrefour defined a framework allowing each partner to fulfil his tasks and contribute to the permanence and development of the Group. This framework, the foundation for individual and collective actions, includes values, ambition and guidelines.

The values are: liberty, responsibility, sharing, respect, integrity, solidarity and progress. The ambition defines the aims of the Group with the various stakeholders. The guidelines define the conditions for implementing strategy and supply rules for behaviour and operational management. They are used as a point of reference for decentralised decisions.

The dissemination of this framework and its implementation is achieved in the first instance by training, but also by constant reference within the organisation and management of the company. For example, values have been integrated into the system for assessing top management performance. It defines a working environment which is also used as a reference framework for internal control activity. For example, the dual level decision rule aims at ensuring that unusual decisions are subject to approval by the hierarchy.

### 2.2.3 The human resources policy

The human resources policy contributes to the improvement of the internal control environment, particularly through the existence of job descriptions, a system for assessing performance and investment in training.

Job descriptions, whether concerning employees or managers, operational or support staff, exist in the main “business units”. The descriptions refer to the controls needed for supervision of the activity and act as a framework for the individual assessment system.

Training schemes outlined in the annual plans are oriented towards progressive mastery of trades combining specific know-how and management. Upon taking up a position, training is provided to improve the mastery of the job or to ensure development.

## 2.3 RISK MANAGEMENT

The main financial and legal risks are described in Section IV of this reference report. The policy of risk prevention management and insurance is also described above. As far as internal



control is concerned, a specific approach was undertaken following the promulgation of the Financial Security Law dated August 2, 2003.

### 2.3.1 Mapping risks

Risk mapping was implemented during 2003. It was intended to identify potential risks, internal and external, to measure their relative importance and the probability of their occurrence. The assessment of these risks by country directors and Group directors and of their impact on the financial statements has enabled the selection of the major processes to be reviewed in priority for their internal controls on the basis of a self-assessment questionnaire.

### 2.3.2 Allocation of ownership: delegations

The Group managers, at all levels, exercise their responsibilities within the limits of defined functions. Each manager is the judge of what he should do to attain the agreed objectives and adapt to circumstances. The freedom of initiative, which this idea or responsibility presumes, requires the observation of rules of delegation of authority, particularly with respect to dealings with third parties. These delegations are in place today for the main operational and support managers. They will be developed through formalised sub-delegations to more managers in 2005, as was said above (see supra 1.3).

### 2.3.3 Monitoring of risk exposure

In practice, the monitoring of exposure to decentralised risks assumes that those responsible are aware of the risks associated with the activities which they exercise or supervise. The remediation plan resulting from the self-assessment questionnaires and the documentation of internal control procedures are aimed at achieving this. The risk assessment by top management will be updated periodically.

## 2.4 THE OTHER AREAS OF CONTROL

### 2.4.1 Quality

Within the scope of quality management and sustainable development the Group has pursued the deployment of its organisation with the quality managers of the various "business units" of the countries, led by the Quality Department at Group Headquarters. During the year 2004 it developed:

- a kit designed to develop distributor brand products i.e. products with our brands and premium priced products, which enables compliance with the Group policy. This kit supplemented the crisis management kit issued previously. The teams ensure appropriation in all countries through the training of management;

- a report covering the "quality of monitored products", the international deployment of which is currently underway, allows homogenous information to be collected for all countries within the Group. The report allows the anticipation of crisis and management of risks by supervising products at all stages of bringing them to market;
- monitoring of product security in order to standardise and optimise the specifications defined in purchasing policy.

To define the principles which serve to guide the action of employees on a daily basis and combat corruption, the Group has issued a code of ethics as a reminder of obligations toward clients, suppliers, partners and shareholders.

Moreover, the Group's commitments to sustainable development is monitored by indicators whose definition has been laid down and which are subject to annual control by internal audit in a significant sample of countries.

In social matters, the charter worked out on the basis of fundamental rights pronounced by the ILO, reinforced in 2000 with the founding of the Infans association in partnership with the FIDH, aims to ensure that the Group's suppliers apply these principles. In 2004, 198 audits were carried out with our suppliers, 58 of which had been subject to a previous audit.

Lastly, some environmental criteria were included in the specifications of monitored products. In this context the hypermarkets in France have carried out a full audit of each of the stores applying the environmental criteria resulting in action plans. The supermarkets, for their part, included environmental criteria in their quality reference documents in 2004 and in their store audit programs.

A rating was requested from Vigéo to assess Carrefour practices in terms of social and environmental responsibility. The assessment of the Group strategy applied to hypermarkets and supermarkets in France allowed us to determine their strengths and weaknesses and to define an action plan.

These audit policies, both in social matters and with regard to the environment, will be pursued in the years to come.

### 2.4.2 Hygiene and security conditions

The procedures for controlling hygiene and security conditions in which the work is carried out comply with the rules and regulations in force in the countries where the Group operates. The *ad hoc* Committees contribute to the prevention of accidents at work and professional illnesses as well as improving working conditions.

The Hypermarket Division in France has set up a training module for personnel in the management of difficult or conflictual situations between customers and personnel, particularly at the check-outs. It enables them to envisage the most serious situations which might occur in a store and allows them to prepare for these situations. As a reminder; in France during the year 2003 a document allowing the identification and the assessment of the danger related to risks was worked out at joint meetings which included the representatives of Carrefour, trade union organisations, engineers from the Caisse régionale d'assurance maladie, labour inspectors, labour doctors and company associates. This tool, which can be used at any site whatsoever (store, depot or head office), has been approved by the *Caisse régionale d'assurance-maladie* which has promoted it outside of the Group.

## 2.5 INFORMATION AND COMMUNICATION

In order to allow everybody in the Group to assess the size of his contribution and of the importance of his responsibility in terms of internal control the Group relies on two levers.

### 2.5.1 The budgetary process

Objectives are set annually within the scope of the budgetary process. This process is organised around the determination of budgetary data at the appropriate levels of responsibility: the department in hypermarkets and supermarkets and the shop for Hard Discount stores. The information is consolidated through various stages of validation, one of the main ones being at "business unit" level (see supra 2.2.1). The activity budget of the "business unit" (see supra 2.2.1) is part of the multi-year strategic plan. Making all managers (i.e. those responsible for an activity net income or for leading teams) responsible for budgetary objectives discussed and approved is an essential component of the effectiveness of management control.

The budget is updated to take into account the final results of the previous year and broken down on a monthly basis so that everyone, at each level, may follow his performance throughout the year. It comprises commercial and financial data and specific performance indicators. During the year the investments provided in the budget are the subject of profitability studies and

specific authorisations. Each month the actual performance is compared to the budgeted performance and that of the previous year.

A summary of performance of the Group and of each country is presented to the Group Executive Committee. The Board of Directors receives a summary of trends in sales every month and of the net income each quarter.

The financial control team is available to help managers draw up and control budgets, take part in validation phases, propose plans of action made necessary by discrepancies found in their implementation and, broadly speaking, guarantee the reliability of the entire process and of the financial details collected from it.

### 2.5.2 Self-assessment questionnaires

Self-assessment questionnaires on internal control derived from best practices in monitoring risks have been sent to those responsible for selected processes covering the main activities of the Group. These questionnaires reveal the application of internal control on a declaration basis. If controls have not been formalised, or if they are ineffective, a remediation plan is provided containing recommendations to each manager along with a request to define and implement an action plan aimed at improving the internal control system. The documentation of internal control resulting from these questionnaires, sent to all "business unit" managers, allows for the standardization of internal control throughout the Group and enables each activity to benefit from best practices.

In 2004, questionnaires were sent to those responsible for supervising strategic, operational or support activities, selected by using priorities defined during the risk mapping process, on the basis of a sample of 19 "business units" in 10 countries. A remediation plan was issued to improve the controls where they were inadequate and to supplement the internal control system. A follow-up on the first remediation plan issued at the start of 2004 was also performed in 2004.

## 2.6 STEERING INTERNAL CONTROL

### 2.6.1 Internal audit

The internal audit department independently assesses the quality of the internal control system set up by management in the various processes throughout the Group. This assessment is carried out according to a standardised control model and examines both effectiveness of operational procedures and accuracy of the various reports, or even the integrity of the information systems. These assignments are carried out in accordance with the standards defined by the professional practices of internal audit. Alongside this primary task, it is also an advisory whistle-blowing body for management on sensitive and strategic issues so that it can improve the Group's organisation and efficiency.

#### *Organisation:*

The audit function is carried out full time in countries or in the regions or headquarters by auditors whose professionalism is proven by their training or experience.

Countries are allocated auditors as soon as their size and risk profile justify doing so. Countries without auditors are audited by the audit teams of nearby countries or, if applicable, by teams from Group headquarters.

The audit managers in each country report to the Group Audit Director, the latter reporting himself linked to the Chief Executive Officer and to the Group Audit Committee. The audit managers are placed at local level under the functional responsibility of the executive director of the country.

This organisation is intended to guarantee the independence of auditors whilst facilitating their access to information, on the one hand, and giving audit teams in the countries an ability to react, which is the counterpart to their ability to detect, on the other hand.

In effect, such an organisation means that the size of audit teams, their hiring and their assessment are performed by the Group Audit Director after consulting with the local managers concerned. The definition of the assignments to be carried out is drawn up jointly through the audit plan. The Audit Department's budget as a whole is charged to the Group.

The department is also made up of a team of central auditors whose task is: to carry out assignments at the specific request of the general management, to intervene in reinforcing audit teams in the countries concerned, to intervene in countries where there is no auditor and finally to develop shared tools such as audit approaches, work programmes and even *ad hoc* IT databases.

#### *Assignments:*

Assignments given to internal auditors range over all activities performed within the Carrefour Group and are of four types:

- recurring assignments;
- closing assignments;
- follow-up assignments;
- other assignments.

The recurring assignments are intended to promote internal control in all company processes, whether of an operational or financial nature, concerning stores, warehouses or head offices, the retail or services activity (financial services, insurance, etc.).

The closing assignments are those needed on the occasion of drawing up financial statements at the year end or half yearly closings.

The follow-up assignments are those during which internal auditors will ensure that previous recommendations have indeed been implemented. These follow-ups are primarily aimed at major risks.

#### *The audit plan:*

The internal audit plan is a forecast of activity which includes budgeting resources with corresponding costs. Based on a risk assessment approach, the audit plans for countries are determined by the countries themselves taking into account the requirements of general and regional managers and their own needs. The audit plan, once consolidated, is approved by the Audit Committee.

The countries' audit plans represent a commitment by general management and any cancellation of an assignment has first to be approved by the Audit Director. Subject to this, it is of course possible to carry out unplanned audits either at the request of countries or general management.

#### *Reports and summaries:*

At the end of each assignment the auditor communicates his findings and recommendations to those being audited. The agreement or disagreement of those audited to the proposed recommendations will be included in the final report which, where there is agreement, defines an action plan and determines who is responsible for what and the implementation deadlines.

The implementation of recommendations is the responsibility of the operational managers involved. Ensuring appropriate implementation is the auditors' responsibility.

This assurance is achieved through specific follow-up audits or during audits relating to the same subject as that on which a recommendation has been issued. A complete follow-up is also performed on the databases which indicates the progress in implementing the action plan by those audited.

Summaries, comprising reviews of the achievement of important observations for the quarter and follow-up of former recommendations, are issued quarterly and presented to the executive director in the countries concerned. The same is done at Group level where the Group Audit Director draws up a summary which is presented quarterly to the Chairman, Chief Executive Officer and to the Audit Committee.

At the end of December 2004 the Carrefour Group had 93 auditors who performed 17,789 audit days for the year, including 19% for recurring assignments in stores, 69% for recurring assignments on processes outside stores, and 12% as part of other assignments.

#### **2.6.2 Managerial control**

The monitoring of internal control by management is carried out daily in so far as the commercial activity requires vigilance at all times, particularly on the shop floor in stores. The employees and their managers each have job descriptions and a list of control points allowing them to ensure an internal control level compatible with the operations of the respective types of store. These standards, drawn up for each trade, are available as electronic documents on-line to any authorised person.

Moreover, trade experts make their contribution to the guidance of operational teams regarding recommendations in matters of sales concept, organisation and assortment definitions. These specialists act as technical support to operational staff in stores, demonstrating best practices, deploying projects, checking control points and undertaking periodical audits with diagnostics and action plans.

## **3. INTERNAL CONTROL PROCEDURES FOR ACCOUNTING AND FINANCIAL PURPOSES**

### **3.1 ORGANISATION OF THE ACCOUNTING AND MANAGEMENT FUNCTION**

The accounting function is provided by centralised teams in each country. The implementation of one single accounting system, worldwide, for hypermarkets was done over the last few years. This accounting system is about to be extended to the supermarket activity. In particular it has changed the processes and organisation to include shared service centres (processing and payment of invoices for goods, fixed assets, overhead expenses, payroll), allowing similar documentation of procedures in various countries and improving appropriate segregation of tasks. The operating mode of this accounting system is communicated using on-line assistance allowing the user to guide his self.

The financial control management responsible for ensuring that financial information is reliable.

#### **3.1.1 Identical sources for consolidated and management accounting data**

Management reporting data is sent to Group headquarters monthly by each country. It includes commercial activity indicators (sales, customer flows, average shopping basket, sales floor space, new store openings, etc) and financial indicators (income statement, balance sheet, cash flow statement, etc.).

The scope of the reporting (companies, methods of consolidation, percentage of interest, etc.) is identical to that applied in the Group consolidated financial statements.

In addition, initial amounts drawn from the countries' statutory accounts are adjusted monthly to include the impact of any consolidation adjustment (for example, goodwill is booked and amortized in the subsidiary's reporting).

In this way the Group uses the same management reporting information for decision making as the one obtained from accounting. The same approach is used for the half yearly closing of consolidated financial statements and financial communication.

A reconciliation is performed at each half yearly closing between management reporting and consolidated financial statements and any differences are reviewed, particularly with respect to classification.



### 3.1.2 Half yearly and annual financial statements: consolidation, documentation of estimates and accounting options

Consolidation takes place on a half-yearly basis. The subsidiaries adjust the statutory accounts, prepare consolidated financial statements and convert them into euros. The financial directors in these countries have a list of formal controls to carry out on the consolidated financial statements. These control lists are reviewed by centralized financial teams.

The main options and accounting estimates are the subject of systematic reviews by the Group and the country financial directors, in coordination with the local internal and external auditors.

There are two different situations which may arise, depending on whether the option or estimate concerns a country individually or the Group as a whole.

In the first situation, the amounts and approach are initially submitted by the financial director of the country concerned, reviewed and validated by the local external auditors before being presented to the Group. The Group financial management assesses the proposal, approves it with the Group auditors and, depending on the level of significance, with the Audit Committee. Once the decision has been taken, the country is informed and the point is subject to specific review at the time of the half yearly closing.

In the second situation the proposal is made by the financial management of the Group to the Group auditors and to the Audit Committee who will, if applicable, approve the approach and the amounts involved. The information is then relayed to the countries concerned and to the local external auditors whose task is to control the application of the point in the countries' accounts. The financial impact is then measured precisely. These points are systematically subject to individual reviews and a summary is presented to the Audit Committee, and, if applicable, to the Board of Directors at the closing.

In both of these situations, a detailed description is prepared and is retained in the countries and within the financial management of the Group.

### 3.1.3 Issuance of consolidated financial statements under the new accounting standards

Further to the European ruling on international standards, Carrefour will be adopting the International Financial Reporting Standards (IFRS) from the 2005 financial year onwards. According to the measures of IFRS Standard 1, the first adoption of IFRS standards should include a set of comparative

accounts for the year 2004, drawn up according to the same standards. In order to publish this comparative information Carrefour will have to prepare an opening balance sheet as of January 1, 2004, for which the impacts of the standards changeover will be recorded in retained earnings.

During the year 2004 detailed work has been carried out in all the consolidated entities within the Group to present an estimate which is as reliable as possible of the opening balance sheet as of January 1, 2004, and the pro forma accounts as of June 30, 2004. However, because of their late interpretation, some standards have not been integrated in these financial statements, which means that they cannot be considered as final.

A consolidation of these accounts was performed at Group level and was reviewed by the local auditors and the Group auditors on the basis of the new standards and interpretations available. In December 2004 a presentation of the overall estimate of impacts of the standards changeover, giving details of exceptions, was made to financial analysts. This presentation was also made to the regulating authority, the *Autorité des Marchés Financières*, and made available on the Group's website.

The consolidated financial statements as of December 31, 2004, drawn up according to French GAAP, will be approved by the Board of Directors on March 9, 2005. In view of the time frame to produce the 2004 financial statements, the set drawn up according to the new IFRS standards will only be audited and certified during the second quarter of 2005. It is therefore premature to communicate in the 2004 annual report on the financial statements drawn up on the basis of the new international accounting standards with the required criteria of pertinence and reliability, accompanied by the Auditors' opinion, in accordance with the recommendation of the regulating authority, the *Autorité des Marchés Financières* regarding the transition to IFRS standards.

The half-year financial statements as of June 30, 2005, will be presented according to the new international accounting standards with comparable amounts for June 30, 2004, and an adjusted retained earnings balance. The Group will, during the month of June 2005, be sending out a brochure presenting the impacts of the transition to IFRS standards on the 2004 accounts (impacts on retained earnings as of January 1, 2004, and comparison with the financial statements as of December 31, and June 30, 2004, according to French standards and IFRS.) The latter will be subject to an Auditor's opinion.

### 3.1.4 Work performed by the external auditors

The task of external auditors is to control the statutory and consolidated financial statements of Carrefour and certify that they provide a true and fair view of the financial situation in a report sent to Group shareholders. Country audits are shared by the two statutory Carrefour auditors, KPMG and Deloitte, to guarantee the highest possible quality.

The auditors perform the following:

- identification of risks and appropriate testing to enable them to give an opinion on the proper nature of, and the true and fair view given by, the accounts according to the significance of amounts in view of the statutory and consolidated financial statements;
- approval of the main treatments and accounting options throughout the year in coordination with country and Group management;
- application of the accounting standards defined by Carrefour in all of its subsidiaries;
- drawing up an audit report in relation to the certification of consolidated financial statements for each of the entities audited and their observations in terms of internal control, then drawing up a general summary for the Group, presenting to management and to the Audit Committee;
- preparing reports for the Group's shareholders.

In this respect, for the 2004 financial year, the Auditors did not disclose any significant weakness or major internal control deficiency as a result of their work.

## 3.2 CONTROL OVER FINANCIAL COMMUNICATION

### 3.2.1 Role and task of financial communication

The essential aim of financial communication is to promote to each existing or potential shareholder, and each user of the financial market, and more generally to the public, the financial reputation of the company.

Its objective is to inform:

- continuously: the regularity and quality of information flows must be ongoing. They are fundamental to the company's credibility and guarantee the loyalty of its shareholders;
- by sending a clear and coherent message: communication must allow the investors to acquire an exact and accurate understanding of the value of the company and of the capacity of its management to develop it. The investor needs to be aware to make a decision;
- by ensuring the principle of equality of shareholders with regard to information: any information of a financial nature which may have an impact on the market price is made public through a single centralised source at Group level.

### 3.2.2 Organisation of financial communication

The financial communication is addressed to a diversified public essentially made up of institutional investors, individuals and employees, through four channels:

- the shareholder relations department is responsible for informing the general public (individual shareholders);
- the Finance Department and the Chief Executive Officer are the sole contacts for analysts and institutional investors;
- the Human Resources Department manages information aimed at employees;
- the Communications Department manages relations with the press.

In practice, the financial message is drawn up in close collaboration between the financial department and the communications department.

It is delivered by the means decreed by law (Shareholders' Meeting) and the regulations of the *Autorité des Marchés Financiers* (periodical publications, communiqués). Beyond the legal obligations, Carrefour employs a large array of media for its financial communication. Carrefour chooses between the press, direct telephone contact, individual meetings or those in response to an event of an exceptional nature, depending on the importance of the event.

### 3.2.3 Procedure for controlling financial communication

The Finance Department is the exclusive purveyor of financial information.

The internal control over the financial communication process essentially rests on adhering to the principle of equality between shareholders. Any communiqué or important communication is worked out by mutual agreement between the Financial Communications Department, part of the Group Finance Department, and the Communications Department for the Group.

The segregation of duties allows a strict independence between the Comex, the departments concerned (for example the Mergers and Acquisitions Department) and the Financial Communications Service.

## 4. ACTION PLAN IN TERMS OF INTERNAL CONTROL OVER SUBSEQUENT FINANCIAL YEARS

### 4.1 DEVELOPMENT OF A DOCUMENTATION FOR PROCESS CONTROLS

The definition of a Group process model includes all of the Group's activities, classified into major processes of a strategic, operational or support nature.

For processes selected in 2003 and in 2004 by the top management, a specific documentation for all employees working on a given sub-process with the same manager lays down the key control points or the best practices in order to monitor risks. This documentation also stresses likely malfunctions should the controls be ineffective and thereby contributes to making the person concerned more responsible. This documentation of internal controls over processes can also be used as a common reference document for all countries and functions within the Group.

### 4.2 SELF ASSESSMENT QUESTIONNAIRES AND REMEDIATION PLAN FOR INTERNAL CONTROLS

Self-assessment questionnaires ensuring the formalisation and efficiency of internal controls have allowed the assessment of internal controls on a sample of countries in 2003 and 2004 (see supra 2.5.2). In parallel to setting up a remediation plan to supplement internal control wherever it is needed, tests on the reliability of answers given by those responsible for procedures have been performed by internal auditors in particular on controls pertaining to establishing and processing of accounting and financial information. This remediation plan is a personalised recommendation intended for each recipient of the questionnaire and describes the actions to be taken to implement controls and make them formal and effective. It also gives him an indication of the time needed, which is usually brief, to implement corrective actions.

### 4.3 DEVELOPMENT OF THE APPROACH

The self-assessment procedure leading to formalisation of internal control procedures and their supervision by the operational and functional managers in a coherent framework which covers all of the Group activities shall be pursued. Over the year 2005 the identification of control points for each sub-process, the self-assessment of their effectiveness and their documentation will be extended to new processes. The ongoing remediation plan to implement the internal controls selected in 2004 will also be subjected to testing, allowing the effectiveness of the internal control procedures implemented to be assessed. Finally, a follow-up will be carried out on the remediation plan for procedures selected in 2003 up until the implementation of internal controls by all the countries and appropriation by those concerned by the processes.

Paris, March 8, 2005  
Luc Vandeveld  
Chairman of the Board of Directors.

## Report of the Auditors

### **IN APPLICATION OF THE LAST PARAGRAPH OF ARTICLE L.225-235 OF THE COMMERCIAL CODE CONCERNING THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY CARREFOUR SA, REGARDING THE INTERNAL CONTROL PROCEDURES FOR ISSUING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION.**

**Financial year ended December 31, 2004**

Shareholders,

In our capacity as Auditors for the company Carrefour SA and pursuant to the measures of the last paragraph of Article L.225-235 of the Commercial Code, we would like to present to you our report on the report drawn up by the Chairman of your company in accordance with the terms of Article L.225-37 of the Commercial Code for the financial year ended December 31, 2004.

It is the Chairman's duty to describe in his report the conditions of preparation and organisation of the work performed by the Board of Directors as well as the internal control procedures set up within the company. It is our job to provide you with the observations we deem necessary concerning the information given in the Chairman's report on internal control procedures pertaining to the processing and issuance of accounting and financial information.

We performed our work according to the professional standards applicable in France. This requires the implementation of procedural steps aimed at assessing the truth of the information given in the Chairman's report concerning the internal control procedures with respect to processing and issuing accounting and financial information. These steps consisted mainly of:

- reviewing the objectives and the general organisation of internal control as well as the internal control procedures pertaining to the issuance and processing of accounting and financial information, presented in the Chairman's report;
- investigating the work underlying the information given in the report.

In particular, we reviewed the implementation, over a geographic area covering the most significant parts of the group activity, of self-assessment questionnaires on internal control, sent to selected process owners, allowing the application of internal control to be measured on a self-test basis. Moreover, we had access to the main conclusions of the work carried out by the Group's internal auditors on these self-assessment questionnaires.

On the basis of our work we have no observations to bring to your attention on the information given concerning the internal control procedures of the company pertaining to the processing and issuance of accounting and financial information, contained in the report of the Chairman of the Board of Directors, drawn up in compliance with the last paragraph of Article L.225-37 of the Commercial Code.

Paris La Défense et Neuilly-sur-Seine, March 10, 2005

KPMG Audit  
A division of KPMG SA

Jean-Luc Decornoy  
Partner

Deloitte & Associés

Jean-Paul Picard  
Partner

Frédéric Moulin  
Partner



# Financial data

## Consolidated Financial Data and Ratios Over 10 Years

In millions of euros	1995	1996	1997	1998	1999*	2000	2001	2002	2003	2004
<b>INCOME</b>										
Sales including taxes	25,050.9	26,776.8	29,173.4	31,179.3	58,548.5	73,067.2	78,037.1	76,777.0	78,848.0	81,391.6
Sales Net	22,046.0	23,615.1	25,804.9	27,408.7	51,948.1	64,802.0	69,486.1	68,728.8	70,486.0	72,668.0
EBITDA	1,148.1	1,344.3	1,569.6	1,801.2	3,227.8	4,409.9	4,527.6	4,675.0	4,871.0	4,917.2
EBIT	646.8	779.3	934.5	1,086.5	1,955.2	2,725.0	2,825.6	3,025.4	3,251.0	3,233.8
EBIT after amortization of goodwill of consolidated companies	599.6	731.5	885.4	1,030.7	1,798.6	2,422.1	2,472.7	2,723.3	2,940.5	2,914.5
Amortization of goodwill of consolidated companies	47.3	47.9	49.2	55.9	180.8	302.9	352.8	302.1	310.5	319.3
Tax rate in %	30.0%	29.4%	31.8%	33.2%	34.0%	32.2%	26.9%	29.5%	30.4%	29.8%
Net income from recurring operations, Group share	463.1	544.5	631.6	690.4	1,087.3	1,376.6	1,575.1	1,698.7	1,938.0	1,981.1
Net income from recurring operations, Group share after goodwill	410.1	493.8	570.6	615.9	914.5	1,050.4	1,206.6	1,389.0	1,620.0	1,661.8
Net Income Group share	539.1	476.1	546.2	646.7	898.2	1,065.8	1,265.8	1,374.1	1,629.0	1,386.8
<b>FINANCIAL POSITION</b>										
Shareholders' equity before appropriation	3,162.6	3,920.1	4,515.8	4,857.0	7,905.1	9,365.4	8,671.0	7,546.0	7,980.0	8,328.9
Total assets	9,854.8	11,639.0	13,252.9	17,382.7	33,750.5	44,030.6	43,470.0	38,924.3	39,063.0	38,976.8
Net debt (cash position)	(641.2)	(461.0)	338.7	4,108.0	7,597.3	11,007.7	8,674.3	9,020.7	7,892.0	6,794.0
<b>RATIOS</b>										
Net income from recurring operations after goodwill/Net sales (in %)	2.3	2.5	2.6	2.6	2.0	1.8	2.0	2.3	2.5	2.4
EBITDA/Net sales (in %)	5.2	5.7	6.1	6.6	6.2	6.8	6.5	6.8	6.9	6.8
EBIT/Net sales (in %)	2.9	3.3	3.6	4.0	3.8	4.2	4.1	4.4	4.6	4.5
EBIT after amortization of goodwill of consolidated companies/Net sales (in %)	2.7	3.1	3.4	3.8	3.5	3.7	3.6	4.0	4.2	4.0
Net recurring income, Group share/Shareholders' equity, Group share <sup>(1)</sup>	17.4	17.0	17.2	15.8	14.2	13.2	17.3	22.5	24.7	24.1
Net recurring income, Group share after goodwill/Assets	5.1	5.1	5.1	4.1	3.1	2.6	3.1	4.0	4.4	4.5
EBITDA/Interest income	(22.7)	(20.0)	(26.7)	37.5	11.9	6.2	7.0	8.9	10.5	11.6
Assets/Shareholders' equity <sup>(1)</sup>	3.3	3.1	3.1	3.8	4.5	4.9	5.3	5.5	5.3	5.1
Net sales/Assets	2.2	2.0	1.9	1.6	1.5	1.5	1.6	1.8	1.8	1.9
Net debt (cash)/Shareholders' equity (in %)	(21.5)	(12.4)	7.9	88.9	100.8	122.9	105.9	128.0	106.9	89.6
Sales turnover (purchase days)	33.0	35.0	41.0	41.0	39.0	42.0	40.0	39.0	38.0	40.0

(\*) Pro forma figures in 1999

(1) After appropriation of net income

# Total stores

## Consolidated store network

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>FRANCE</b>										
Hypermarkets	117	117	117	117	179	179	175	178	178	179
Supermarkets				398	530	539	534	547	566	588
Hard Discount stores	465	356	367	384	418	424	459	487	578	630
Other formats	258	288	321	357	576	584	127	126	126	129
<b>Total</b>	<b>840</b>	<b>761</b>	<b>805</b>	<b>1,256</b>	<b>1,703</b>	<b>1,726</b>	<b>1,295</b>	<b>1,338</b>	<b>1,448</b>	<b>1,526</b>
<b>EUROPE (excluding France)</b>										
Hypermarkets	58	62	68	73	142	187	253	268	281	288
Supermarkets					181	480	548	650	651	690
Hard Discount stores					1,965	2,099	2,210	2,325	2,464	2,606
Other formats					76	263	173	130	210	240
<b>Total</b>	<b>58</b>	<b>62</b>	<b>68</b>	<b>73</b>	<b>2,364</b>	<b>3,029</b>	<b>3,184</b>	<b>3,373</b>	<b>3,606</b>	<b>3,824</b>
<b>BELGIUM</b>										
Hypermarkets							57	57	56	56
Hard Discount stores							72	73	73	77
Other formats							1	1	1	1
<b>Total</b>							<b>130</b>	<b>131</b>	<b>130</b>	<b>134</b>
<b>SPAIN</b>										
Hypermarkets	50	53	56	58	112	116	108	115	119	121
Supermarkets					175	187	167	174	200	190
Hard Discount stores					1,541	1,609	1,649	1,700	1,778	1,836
Other formats					30	27	28	31	32	32
<b>Total</b>	<b>50</b>	<b>53</b>	<b>56</b>	<b>58</b>	<b>1,858</b>	<b>1,939</b>	<b>1,952</b>	<b>2,020</b>	<b>2,129</b>	<b>2,179</b>
<b>GREECE</b>										
Hypermarkets					4	11	11	13	13	16
Supermarkets						85	82	142	101	120
Hard Discount stores					142	181	199	212	221	251
Other formats						46	46		47	60
<b>Total</b>					<b>146</b>	<b>323</b>	<b>338</b>	<b>367</b>	<b>382</b>	<b>447</b>
<b>ITALY</b>										
Hypermarkets	5	6	6	6	6	31	34	34	39	38
Supermarkets						192	173	203	205	226
Other formats					46	190	98	98	130	147
<b>Total</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>52</b>	<b>413</b>	<b>305</b>	<b>335</b>	<b>374</b>	<b>411</b>
<b>POLAND</b>										
Hypermarkets			1	3	7	8	9	13	15	17
Supermarkets					6	15	51	55	67	70
<b>Total</b>			<b>1</b>	<b>3</b>	<b>13</b>	<b>23</b>	<b>60</b>	<b>68</b>	<b>82</b>	<b>87</b>
<b>PORTUGAL</b>										
Hypermarkets	2	2	3	4	5	5	5	6	7	7
Hard Discount stores					273	272	276	281	283	286
<b>Total</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>278</b>	<b>277</b>	<b>281</b>	<b>287</b>	<b>290</b>	<b>293</b>

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>CZECH REPUBLIC</b>										
Hypermarkets					3	6	7	8	9	10
<b>Total</b>					<b>3</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>SLOVAKIA</b>										
Hypermarkets						2	4	4	4	4
<b>Total</b>						<b>2</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>SWITZERLAND</b>										
Hypermarkets							8	8	8	8
<b>Total</b>							<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>TURKEY</b>										
Hypermarkets	1	1	2	2	5	8	10	10	11	11
Supermarkets						1	3	3	5	7
Hard Discount stores					9	37	86	132	182	233
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>14</b>	<b>46</b>	<b>99</b>	<b>145</b>	<b>198</b>	<b>251</b>
<b>LATIN AMERICA</b>										
Hypermarkets	57	72	84	101	112	120	124	135	147	157
Supermarkets					83	253	263	249	254	211
Hard Discount stores					106	201	263	313	413	488
<b>Total</b>	<b>57</b>	<b>72</b>	<b>84</b>	<b>101</b>	<b>301</b>	<b>574</b>	<b>650</b>	<b>697</b>	<b>814</b>	<b>856</b>
<b>ARGENTINA</b>										
Hypermarkets	12	15	18	21	22	22	22	23	24	28
Supermarkets						138	132	141	141	114
Hard Discount stores					106	201	246	246	285	310
<b>Total</b>	<b>12</b>	<b>15</b>	<b>18</b>	<b>21</b>	<b>128</b>	<b>361</b>	<b>400</b>	<b>410</b>	<b>450</b>	<b>452</b>
<b>BRAZIL</b>										
Hypermarkets	38	44	49	59	69	74	74	79	85	85
Supermarkets					83	115	131	108	113	97
Hard Discount stores							17	67	128	178
<b>Total</b>	<b>38</b>	<b>44</b>	<b>49</b>	<b>59</b>	<b>152</b>	<b>189</b>	<b>222</b>	<b>254</b>	<b>326</b>	<b>360</b>
<b>CHILE</b>										
Hypermarkets				1	2	3	4	4		
<b>COLOMBIA</b>										
Hypermarkets				1	2	3	5	8	11	15
<b>MEXICO</b>										
Hypermarkets	7	13	17	19	17	18	19	21	27	29

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>ASIA</b>										
Hypermarkets	13	24	39	59	80	94	105	123	144	170
Supermarkets										6
Hard Discount stores									55	164
<b>Total</b>	<b>13</b>	<b>24</b>	<b>39</b>	<b>59</b>	<b>80</b>	<b>94</b>	<b>105</b>	<b>123</b>	<b>199</b>	<b>340</b>
<b>CHINA</b>										
Hypermarkets	2	3	7	14	20	24	24	32	40	56
Supermarkets										6
Hard Discount stores									55	164
<b>Total</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>14</b>	<b>20</b>	<b>24</b>	<b>24</b>	<b>32</b>	<b>95</b>	<b>226</b>
<b>KOREA</b>										
Hypermarkets		3	3	6	12	20	22	25	27	27
<b>HONG KONG</b>										
Hypermarkets		1	2	4	4					
<b>INDONESIA</b>										
Hypermarkets				1	5	7	8	10	11	15
<b>JAPAN</b>										
Hypermarkets						1	3	4	7	8
<b>MALAYSIA</b>										
Hypermarkets	1	2	3	5	6	6	6	6	7	8
<b>SINGAPORE</b>										
Hypermarkets			1	1	1	1	1	1	2	2
<b>TAIWAN</b>										
Hypermarkets	10	13	17	21	23	24	26	28	31	34
<b>THAILAND</b>										
Hypermarkets		2	6	7	9	11	15	17	19	20
<b>GROUP</b>										
Hypermarkets	245	275	308	350	513	580	657	704	750	794
Supermarkets				398	794	1,272	1,345	1,446	1,471	1,495
Hard Discount stores	465	356	367	384	2,489	2,724	2,932	3,125	3,510	3,888
Other formats	258	288	321	357	652	847	300	256	336	369
<b>Total</b>	<b>968</b>	<b>919</b>	<b>996</b>	<b>1,489</b>	<b>4,448</b>	<b>5,423</b>	<b>5,234</b>	<b>5,531</b>	<b>6,067</b>	<b>6,546</b>



## SALES AREA OF CONSOLIDATED STORES BY FORMAT

In thousand sq. meters	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Hypermarkets	2,378	2,727	3,075	3,489	4,580	5,256	5,674	6,180	6,510	6,885
Supermarkets					1,195	1,968	2,117	2,132	2,277	2,321
Hard Discount stores				232	794	906	997	1,093	1,255	1,466

## SALES AREA OF CONSOLIDATED STORES BY COUNTRY

In thousand sq. meters	Hypermarkets	Supermarkets	Hard Discounts Stores	Total
<b>France</b>	<b>1,681</b>	<b>1,003</b>	<b>372</b>	<b>3,056</b>
<b>Europe (excluding France)</b>	<b>2,425</b>	<b>948</b>	<b>892</b>	<b>4,265</b>
Spain	1,203	279	674	2,156
Italy	274	276		550
Belgium	350	141		491
Greece	112	153	82	347
Poland	157	86		244
Turkey	103	12	53	168
Portugal	66		84	150
Czech Republic	80			80
Switzerland	48			48
Slovakia	31			31
<b>Latin America</b>	<b>1,332</b>	<b>362</b>	<b>160</b>	<b>1,854</b>
Argentina	216	189	102	507
Brazil	736	173	58	966
Colombia	126			126
Mexico	255			255
<b>Asia</b>	<b>1,445</b>	<b>9</b>	<b>42</b>	<b>1,496</b>
China	464	9	42	515
Indonesia	110			110
Japan	75			75
Korea	262			262
Malaysia	77			77
Singapore	15			15
Thailand	182			182
Taiwan	260			260
<b>Group</b>	<b>6,885</b>	<b>2,321</b>	<b>1,466</b>	<b>10,671</b>

## CONSOLIDATED HYPERMARKETS DATA

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Annual sales per sq. m (Net sales in euros)	9,270	8,660	7,930	7,410	7,410	8,110	7,214	6,594	6,319	6,109
Annual sales per store (Net sales in millions of euros)	80	86	79	74	66	67	65	58	55	53
Annual customers through check-out (in millions)	653	677	733	818	974	1,115	1,206	1,264	1,355	1,466

## BREAKDOWN OF 2004 CONSOLIDATED SALES INCLUDING TAXES BY GEOGRAPHIC REGION AND BY FORMAT

In millions of euros	Hypermarkets	Supermarkets	Hard Discounts Stores	Other formats	Total
France	20,875	8,316	2,297	8,534	40,022
Europe (excluding France)	16,719	5,468	3,788	4 173	30,148
Latin America	4,303	1,036	304	12	5,655
Asia	5,508	5	41		5,553
<b>Group</b>	<b>47,405</b>	<b>14,825</b>	<b>6,430</b>	<b>12,719</b>	<b>81,379</b>

## INFORMATION ON STORES UNDER BANNER

	France	Europe (excluding France)	Latin America	Asia	Group
<b>All formats</b>					
Sales including taxes (in millions of euros)	44,727	34,740	5,660	5,553	90,681
Variation 2004/2003 (as %)	(0.4)	5.1	4.1	7.7	2.4
% of the total sales including taxes	49.3	38.3	6.2	6.1	100.0
Number of stores	3,675	6,156	909	340	11,080
Sales area (in m <sup>2</sup> )	4,909,006	5,683,689	1,868,763	1,496,267	13,957,724
<b>Hypermarkets</b>					
Sales including taxes (in millions of euros)	23,394	19,085	4,303	5,508	52,290
Variation 2004/2003 (as %)	(2.3)	6.6	6.1	6.9	2.4
% of the total sales including taxes	25.8	21.0	4.7	6.1	57.7
Number of stores	216	325	157	170	868
Sales area (in m <sup>2</sup> )	1,904,503	2,697,984	1,332,450	1,445,500	7,380,457
Sales including taxes per sq. m (in euros)	12,284	7,074	3,230	3,810	7,085
<b>Supermarkets</b>					
Sales including taxes (in millions of euros)	13,366	8,280	1,036	5	22,687
Variation 2004/2003 (as %)	1.6	(0.3)	(9.0)		0.4
% of the total sales including taxes	14.7	9.1	1.1	0.0	25.0
Number of stores	1,022	1,137	211	6	2,376
Sales area (in m <sup>2</sup> )	1,656,744	1,418,771	361,740	8,726	3,445,981
Sales including taxes per sq. m (in euros)	8,068	5,836	2,865	526	6,584
<b>Hard Discount stores</b>					
Sales including taxes (in millions of euros)	2,332	4,824	321	41	7,517
Variation 2004/2003 (as %)	14.5	9.5	30.6	825.9	12.3
% of the total sales including taxes	2.6	5.3	0.4	0.0	8.3
Number of stores	642	3,587	541	164	4,934
Sales area (in m <sup>2</sup> )	379,942	1,112,308	174,574	42,040	1,708,864
Sales including taxes per sq. m (in euros)	6,137	4,337	1,837	973	4,399
<b>Others</b>					
Sales including taxes (in millions of euros)	5,635	2,551			8,187
Variation 2004/2003 (as %)	(2.4)	4.0			(0.5)
% of the total sales including taxes	6.2	2.8			9.0
Number of stores	1,795	1,107			2,902

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