Carrefour reports growth in recurring operating income and in net income for the first half 2013

Key H1 2013 figures

- Sales ex. VAT of €36.5bn, up 1.4% at constant exchange rates. Taking into account the impact of exchange rates, the variation was -0.8%.
- Recurring operating income of €766m, up 7.7% at constant exchange rates. Taking into account the impact of exchange rates, recurring operating income is up 4.9%. Growth in recurring operating income in France and in Latin America at constant exchange rates. Southern Europe was impacted by the economic environment.
- Net income, Group share, rose to €902m.
- Stronger financial structure and improved liquidity position, with net debt of €5.9 billion, a €3.7 billion improvement compared to 30 June 2012.

(€m)	H1 2012 pro forma	**H1 2013** [1]	*Var. at constant exch. rates*	*Var. at current exch. rates*
Net Sales	**36,777**	**36,464**	**+1.4%**	**-0.8%**
Recurring Operating Income before D&A (EBITDA)	1,479	1,482	+2.4%	+0.2%
EBITDA margin	*4.0%*	*4.1%*		
Recurring Operating Income (ROI)	**730**	**766**	**+7.7%**	**+4.9%**
Recurring operating margin	*2.0%*	*2.1%*		
Non-recurring income and expenses	-21	489		
Net income from continuing operations, Group share	231	519		*x2.2*
Net income, Group share	**3**	**902**		*+€0.9bn*
Net debt at close	**9,629**	**5,894**		*-€3.7bn*

[1] The H1 2013 social and consolidated accounts were approved by the Carrefour Board of Directors, which met on August 28, 2013. The accounts were audited by the Group's auditors.

Figures for 2013 and the comparative 2012 information presented in this document take into account the classification of certain activities in accordance with IFRS 5 – *Assets held for sale and discontinued operations* (Greece, Singapore, Colombia, Malaysia, Indonesia and Turkey) as well as the retrospective application of the amended standard IAS 19 – *Employee benefits*.

H1 2013 highlights

- **Continued reorganization and strengthening of international partnerships:**
    - In Turkey, the Group reorganized its partnership with Sabanci Holding, transforming the governance of their CarrefourSA joint venture. The transaction was approved by the relevant authorities in July. Carrefour now holds 46.2% of CarrefourSA.
    - In May, Carrefour and Majid Al Futtaim Holding reorganized and strengthened their partnership: Carrefour sold its 25% stake in Majid Al Futtaim Hypermarkets for €530 million to its regional partner. The franchise partnership has been reinforced, extended in time and expanded in scope to the Middle East, North Africa and Central Asia.
    - Also in May, Carrefour and CFAO announced the signing of a memorandum of understanding to form a joint venture that will be 55% owned by CFAO and 45% by Carrefour. This venture will have exclusive distribution rights to develop various store formats in Western and Central Africa.
- **Significant improvement in the Group's liquidity position:**
    - New bond issue of €1 billion in May (1.75% coupon, maturity 2019).
    - Bond buyback for €1.3 billion in June on 2014, 2015 and 2016 maturities.
    - Renewal of syndicated loans for an amount of €4.15 billion.

H1 2013 performance by zone

	Net sales				Recurring operating income			
(€m)	H1 2012 pro forma	**H1 2013**	***Var. at constant exch. rates***	*Var. at current exch. rates*	H1 2012 pro forma	**H1 2013**	***Var. at constant exch. rates***	*Var. at current exch. rates*
France	16,995	**16,947**	***-0.3%***	*-0.3%*	275	**482**	***+75.4%***	*+75.4%*
Other Europe	9,605	**9,176**	***-4.6%***	*-4.5%*	153	**36**	***-76.4%***	*-76.4%*
Latin America	6,879	**6,953**	***+13.3%***	*+1.1%*	231	**217**	***+3.1%***	*-6.0%*
Asia	3,298	**3,388**	***+2.7%***	*+2.7%*	105	**91**	***-13.4%***	*-12.9%*
Global functions					-34	**-61**		
Total	36,777	**36,464**	***+1.4%***	*-0.8%*	730	**766**	***+7.7%***	*+4.9%*

France

In France, sales were up 1.0% ex calendar in the first half and broadly stable at -0.3% on a reported basis. Commercial margin was up as a result of action plans. SG&A costs were stable. Recurring operating income rose 75.4% to €482 million with good profitability in all formats.

Other European countries

In Europe, sales were down -4.5% at current exchange rates, reflecting the persistently difficult economic environment in Southern Europe. However, commercial margin was resilient, thanks to our constant focus on price positioning. SG&A costs were stable. Recurring operating income amounted to €36 million, impacted by Italy.

Latin America

At constant exchange rates, sales growth in Latin America continued (+13.3%). The currency effect was strongly unfavorable in the first half. The commercial margin held up well. Profitability in Brazil continued to grow. In Argentina, the business was resilient as a regulatory price freeze and wage increases impacted profitability.

Asia

Sales in Asia increased by 2.7%. During the second quarter, sales in China and Taiwan returned to positive trends. The commercial margin held up well. Recurring operating income was impacted by wage inflation and continued expansion in China.

Analysis of H1 2013 results

Income statement

- **Net sales** increased by 1.4% at constant exchange rates vs. H1 2012. At current exchange rates, they were down 0.8%.
- **Recurring operating income** rose by 7.7% at constant exchange rates and by 4.9% at current exchange rates to reach €766m, with:
    - **Commercial margin** rising to 21.9% of net sales vs. 21.5% in H1 2012.
    - **SG&A** costs under control.
- The Group's **operating income** increased by 77%, at €1,254m, vs. H1 2012, after taking into account **net non-recurring income** of €489m.
- **Net income, Group share**, stood at €902m compared to the €3m recorded in H1 2012.
    - **Net income from recurring operations, Group share** rose significantly to €519m, reflecting the following:
        - **Financial expenses** of €402m (up by €75m), including an exceptional charge of €119m linked to the bond buyback program. Interest expenses related to debt decreased by €40m.
        - An **effective tax rate** of 34.9%.
    - **Discontinued operations, Group share**, stood at €383m, essentially due to the net positive effect of the Group's refocusing.

Cash flow and debt

- **Free cash flow** improved by €243m compared to H1 2012:
    - Excluding the €119m exceptional expense related to the bond buy-back, **cash flow from operations** was broadly stable.
    - The change in **working capital requirement** was stable.
    - **Capital expenditure** continued, amounting to €620m, up 11% vs. H1 2012.
    - The cash-out related to **discontinued activities** decreased by €256m.
- The Group's refocusing, mainly the disposals of our stakes in MAF Hypermarkets and in Indonesia, generated a cash inflow of €980m.
- The net cash outflow related to **dividend** payments amounted to €108m, as 72% of our dividend was paid in shares.
- The Group's financial structure strengthened with **net financial debt** amounting to €5.9bn, an improvement of €3.7bn compared to June 30th, 2012.

Continuation of our 2013 priorities

Amid toughening consumption trends worldwide and exchange rate volatility, Carrefour is staying the course. The priorities announced at the annual results presentation in March are reaffirmed.

- **Development of the multi-local, multi-format model**
  - France: Continued action plans in all formats, with priority given to improvement of the offer and of price perception, store refurbishments, Drive roll-out and multi-channel development
  - Europe: Adaptation of the offer and costs in the face of a tough economic environment
  - Emerging markets: Continued expansion in Latin America and Asia
  - New momentum in the development of real estate assets

- **Decentralization and empowerment**
  - Simplify structures and decision-making process
  - Re-empower stores
  - Place the client at the core of the business

- **Continued strict financial discipline**
  - Stable dividend payout policy
  - Controlled increase of capital expenditure (expected at between €2.2bn and €2.3bn in 2013)
  - Control of working capital

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APPENDICES

Consolidated Income Statement

(€m)	H1 2012 pro forma	**H1 2013**	Change
Sales, net of taxes	**36,777**	**36,464**	**-0.8%**
Sales, net of taxes and loyalty	**36,406**	**36,177**	**-0.6%**
Other revenues	1,156	1,184	+2.4%
Total Revenues	**37,563**	**37,361**	**-0.5%**
Cost of sales	-29,654	-29,374	-0.9%
Commercial income	7,908	7,986	+1.0%
SG&A	-6,429	-6,504	+1.2%
Recurring operating incomes before D&A (EBITDA)	**1,479**	**1,482**	**+0.2%**
Depreciation & amortization	-749	-717	-4.3%
Recurring operating income (ROI)	**730**	**766**	**+4.9%**
Non-current income and expenses	-21	489	
Operating income	**709**	**1,254**	**+77.0%**
Financial expenses	-327	-402	+22.9%
Profit before tax	382	853	+123.3%
Income tax	-117	-298	+154.5%
Companies accounted for by the equity method	23	25	+7.5%
Net income from continuing operations	**288**	**580**	**+101.3%**
Net income from discontinued operations	-276	376	
Net income	**13**	**955**	
Of which Net income – Group share	**3**	**902**	
Of which net income from continuing operations, Group share	231	519	
Of which net income from discontinued operations, Group share	-229	383	
Of which Net income – Non-Controlling Interests (NCI)	**10**	**53**	
Of which net income from continuing operations, NCI	57	61	
Of which net income from discontinued operations, NCI	-47	-8	

Main ratios

	H1 2012 pro forma	**H1 2013**
Commercial margin	21.5%	**21.9%**
Recurring operating income / Net sales	2.0%	**2.1%**
Operating income / Net sales	1.9%	**3.4%**

Consolidated Balance Sheet

(€m)	December 31, 2012	June 30, 2013
ASSETS		
Intangible assets	9,409	9,131
Tangible assets	11,509	10,966
Financial investments	1,509	1,418
Deferred tax assets	854	854
Investment properties	513	422
Consumer credit from financial-services companies – long term	2,360	2,372
Non-current assets	**26,154**	**25,164**
Inventories	5,658	5,595
Trade receivables	2,144	2,390
Consumer credit from financial-services companies – short term	3,286	2,968
Tax receivables	520	936
Other receivables	789	946
Current financial assets	352	409
Cash and cash equivalents	6,573	3,834
Current assets	**19,332**	**17,079**
Assets held for sale[1]	**465**	**739**
TOTAL	**45,941**	**42,981**
LIABILITIES		
Shareholders equity, Group share	7,302	7,838
Minority interests in consolidated companies	868	767
Shareholders' equity	**8,170**	**8,605**
Deferred tax liabilities	580	532
Provisions for contingencies	4,287	3,608
Borrowing – long term	8,983	8,496
Bank loans refinancing – long term	1,966	1,781
Non current liabilities	**15,816**	**14,416**
Borrowings – short term	2,263	1,640
Trade payables	12,925	11,219
Bank loans refinancing – short term	3,032	2,895
Tax payables & others	1,040	1,090
Other debts	2,422	2,634
Current liabilities	**21,682**	**19,478**
Liabilities related to assets held for sale[2]	**273**	**482**
TOTAL	**45,941**	**42,981**

[1] Assets held for sale and related liabilities correspond:
- as of December 31, 2012 to assets and liabilities related to Indonesia and Singapore, and certain assets in Italy
- as of June 30, 2013 to assets and liabilities related to Turkey, and certain assets in France

Consolidated Cash Flow Statement

(€m)	H1 2012 pro forma	**H1 2013**
NET DEBT OPENING	**-6,911**	**-4,320**
Gross cash flow (ex. discontinued activities)	828	676
Change in working capital	-2,415	-2,441
Impact of discontinued activities	-189	-15
Cash flow from operations (ex. financial services)	**-1,776**	**-1,780**
Capital expenditures	-559	-620
Asset disposals (business related)	-342	-92
Change in net payables to fixed asset suppliers	78	54
Impact of discontinued activities	-104	-22
Free Cash Flow	**-2,703**	**-2,460**
Financial investments	-153	-35
Proceeds from disposals of subsidiaries and from other tangible & intangible assets	155	539
Others	-59	92
Impact of discontinued activities	-5	441
Cash Flow after investments	**-2,764**	**-1,423**
Dividends/ capital increase	-49	-164
Acquisition and disposal of investments without change of control	47	-11
Treasury shares	0	0
Others	10	-8
Impact of discontinued activities	56	35
Consumer credit impact	-19	-2
NET DEBT CLOSING	**-9,629**	**-5,894**

Changes in Shareholder Equity

(€m)	**Total shareholders' equity**	**Shareholders' equity, Group share**	**Minority interests**
At December 31, 2012	**8,170**	**7,302**	**868**
Net income for the first half	955	902	53
2012 dividend	-167	-108	-59
Capital increase / premium	3	0	3
Change in translation adjustment	-195	-183	-12
Impact of scope changes and others	-162	-76	-86
At June 30, 2013	**8,605**	**7,838**	**767**

Consolidated Income Statement pro forma 2012

(€m)	2012 pro forma
Sales, net of taxes	**75,701**
Sales, net of taxes and loyalty	**75,048**
Other revenues	2,309
Total Revenues	**77,357**
Cost of sales	-60,685
Commercial income	16,672
SG&A	-13,033
Recurring operating incomes before D&A (EBITDA)	**3,639**
Depreciation & amortization	-1,520
Recurring operating income (ROI)	**2,119**
Non-current income and expenses	-660
Operating income	**1,460**
Financial expenses	-879
Profit before tax	581
Income tax	-385
Companies accounted for by the equity method	72
Net income from continuing operations	**268**
Net income from discontinued operations	1,087
Net income	**1,351**
Of which Net income – Group share	**1,267**
Of which net income from continuing operations, Group share	145
Of which net income from discontinued operations, Group share	1,122
Of which Net income – Non-Controlling Interests (NCI)	**83**
Of which net income from continuing operations, NCI	123
Of which net income from discontinued operations, NCI	-40

Definitions

Commercial income

Commercial income is the difference between the sum of net sales, other income, reduced by loyalty program costs and the cost of goods sold. Cost of sales comprises purchase costs, changes in inventory, the cost of products sold by the financial services companies, discounting revenue and exchange gains and losses on goods purchases.

Recurring Operating Income Before Depreciation and Amortization (EBITDA)

Recurring Operating Income Before Depreciation and Amortization (EBITDA) is defined as the difference between the commercial income and sales, general and administrative expenses. It excludes non-recurring items as defined below.

Recurring Operating Income (ROI)

Recurring Operating Income is defined as the difference between the commercial income and sales, general and administrative expenses, depreciation and amortization.

Operating Income (EBIT)

Operating Income (EBIT) is defined as the difference between commercial income and sales, general and administrative expenses, depreciation, amortization and non-recurring items

Non-recurring income and expenses are certain material items that are unusual in terms of their nature and frequency, such as impairment, restructuring costs and expenses related to the revaluation of preexisting risks on the basis of information that the Group became aware of during the accounting period.

Free Cash Flow

Free cash flow is defined as the difference between funds generated by operations, the variation of working capital requirements and capital expenditures.

Disclaimer