MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2015

Contents

1. **Sales and earnings performance**

1.1 Main earnings indicators

(In € millions)	2015	2014	% change	% change at constant exchange rates
Net sales	**76,945**	**74,706**	**3.0%**	**4.1%**
Gross margin from recurring operations	**18,019**	**17,049**	**5.7%**	**6.4%**
in % of net sales	*23.4%*	*22.8%*		
Sales, general and administrative expenses and amortization	(15,574)	(14,662)	6.2%	6.3%
Recurring operating income	**2,445**	**2,387**	**2.4%**	**7.0%**
Recurring operating income after net income from companies accounted for by the equity method	**2,489**	**2,423**	**2.7%**	**7.2%**
Non-recurring operating income and expenses, net	(257)	149	na	na
Finance costs and other financial income and expenses, net	(515)	(563)	(8.4)%	(2.5)%
Income tax expense	(597)	(709)	(15.8)%	(11.9)%
Net income from continuing operations - Group share	**977**	**1,182**	**(17.4)%**	**(13.9)%**
Net income from discontinued operations - Group share	4	67		
Net income - Group share	**980**	**1,249**		
Free cash flow	**687**	**306**		
Net debt at December 31	**4,546**	**4,954**		

Carrefour's 2015 performance reflected the sustained growth momentum enjoyed by the Group, with faster organic sales growth and an increase in recurring operating income at constant exchange rates.

- Sales were up 4.1% at constant exchange rates, reflecting organic gains across all formats in France, sales growth in Europe for the first time in seven years and strong organic growth in emerging markets, led by Brazil and Argentina.
- Recurring operating income totaled €2,445 million, up 7.0% at constant exchange rates with increases of 3.6% in Europe (including France) and 9.2% in emerging markets (Latin America and Asia).
- Non-recurring operating income and expenses represented a net expense of €257 million, mainly reflecting the impact of transformation plans under way in some of the Group's countries. In 2014, this item mainly corresponded to the gain recognized on the contribution of assets to a new associate, Carmila.
- Finance costs, net amounted to €515 million. This was €47 million less than the 2014 figure, mainly due to the improvement in the cost of net debt resulting from the lower average interest rate on the Group's bond debt.
- Income tax expense amounted to €597 million, representing an improved effective tax rate of 34.8% compared with 2014.
- Net income from continuing operations, Group share, came in at €977 million, compared with €1,182 million in 2014.
- Net income from discontinued operations totaled €4 million.
- Taking into account all of these items, the Group ended the year with net income (Group share) of €980 million, versus €1,249 million in 2014.
- Free cash flow came to €687 million versus €306 million in 2014.

1.2 Analysis of the main income statement items

Net sales by region

The Group's operating segments consist of the countries in which it does business, combined by region, and "Global functions", corresponding to the holding companies and other administrative, finance and marketing support entities.

(In € millions)	2015	2014	% change	% change at constant exchange rates
France	36,272	35,336	2.6%	2.6%
Rest of Europe	19,724	19,191	2.8%	2.8%
Latin America	14,290	13,891	2.9%	15.3%
Asia	6,659	6,288	5.9%	(8.9)%
Total	**76,945**	**74,706**	**3.0%**	**4.1%**

Carrefour reported significant sales growth in 2015, with the net figure up 4.1% at constant exchange rates (up 3% at current exchange rates). Overall sales were up in all regions at constant exchange rates, with increases of 2.7% in Europe and 7.7% in the emerging economies.

Performance by region can be explained as follows:

- In France, the Group's businesses became more competitive, leading to organic growth in sales (excluding gasoline) across all formats for the third year in a row.
- Sales in the rest of Europe increased for the first time in seven years, led by gains in Spain, Italy and Romania and stable performances in Belgium and Poland.
- In Latin America, sales continued to grow rapidly, rising by 15.3% at constant exchange rates. However, due to the extremely negative currency effect, the increase at current exchange rates was just 2.9%.
- In Asia, sales were down 8.9% at constant exchange rates.

Net sales by region – contribution to the consolidated total

In %	2015 (1)	2014
France	46.7%	47.3%
Rest of Europe	25.4%	25.7%
Latin America	20.6%	18.6%
Asia	7.4%	8.4%
Total	**100.0%**	**100.0%**

(1) at constant exchange rate

At constant exchange rates, the contribution of emerging markets (Latin America and Asia) to consolidated net sales continued to rise, representing 28% in 2015 versus 27% in 2014.

Recurring operating income by region

(In € millions)	2015	2014*	% change	% change at constant exchange rates
France	1,191	1,271	(6.4)%	(6.4)%
Rest of Europe	567	425	33.4%	33.4%
Latin America	705	660	6.9%	23.5%
Asia	13	97	(87.0)%	(87.6)%
Global functions	(31)	(67)	(53.4)%	(53.8)%
Total	**2,445**	**2,387**	**2.4%**	**7.0%**

* For the purposes of comparison with 2015 segment information, 2014 recurring operating income by segment has been restated to reflect an adjustment linked to the allocation of head office costs.

Recurring operating income increased by 7.0% at constant exchange rates, to €2,445 million, reflecting growth in both Europe and the emerging economies. This represented 3.2% of sales, unchanged from 2014.

The increase reflected:

- Sales growth by 3.0% at current exchange rate.
- A higher gross margin, representing 23.4% of sales versus 22.8% in 2014.
- Tight control of sales, general and administrative expenses and depreciation and amortization, which represented 20.2% of net sales compared with 19.6% in 2014.

In France, 2015 recurring operating income totaled €1,191 million (3.3% of sales) and operating margin[1] was up year on year net of the cost of integrating Dia stores, the rise in tax on commercial sites and the transfer of shopping center rental income to Carmila following its creation in 2014. The plan to convert the former Dia stores was stepped up as planned in the second half of 2015.

In the Rest of Europe, recurring operating income of €567 million was 33.4% higher at constant exchange rates. Operating margin advanced by 70 points to 2.9 % of sales. This strong performance was largely driven by the continued recovery in Spain and improved profitability in Italy. Operating margin was up in all of the Group's countries.

In Latin America, recurring operating income came in at €705 million (up 23.5% at constant exchange rates) and represented 4.9% of sales (up 20 points). This improvement reflects solid like-for-like sales growth in Brazil and Argentina as well as a pick-up in gross margin. Sales, general and administrative expenses include an increase in energy costs in Brazil.

In Asia, recurring operating income came to €13 million. Against a backdrop of economic slowdown and rapidly evolving consumer expectations in China, the Group continued to reposition itself in the market. In Taiwan, sales grew for the first time in more than two years while recurring operating income improved, boosted by the development of our multi-format model and the modernization of certain hypermarkets.

[1] Recurring operating income as a percentage of sales.

Depreciation and amortization

Depreciation and amortization amounted to €1,470 million in 2015. At 1.9% of sales, the ratio was stable compared with 2014.

Net income from companies accounted for by the equity method

Net income from companies accounted for by the equity method rose to €44 million versus €37 million in 2014.

Non-recurring income and expenses, net

Non-recurring income and expenses correspond to certain material items that are unusual in terms of their nature and frequency, such as impairment charges, restructuring costs and provision charges recorded to reflect revised estimates of risks provided for in prior periods, based on information that came to the Group's attention during the reporting year.

Non-recurring items represented a net expense of €257 million in 2015.

The detailed breakdown is as follows:

(in € millions)	2015	2014
Net gains on sales of assets	64	336
Restructuring costs	(237)	(111)
Other non-recurring items	31	1
Non-recurring income and expenses net before asset impairments and write-offs	**(142)**	**226**
Asset impairments and write-offs	(115)	(77)
Impairments and write-offs of goodwill	*(2)*	*0*
Impairments and write-offs of tangible and intangible assets	*(113)*	*(77)*
Non-recurring income and expenses, net	**(257)**	**149**

In 2015, gains on disposals of assets primarily concerned assets sold to an associate, Carmila. In 2014, they mainly concerned the assets contributed to Carmila at the time of its creation.
Restructuring costs concerned plans to streamline operating structures in several of the Group's countries. The expense recognized in 2015 notably includes the impact of integrating the Dia France store network acquired in late 2014 and the ongoing action plan in China.

A description of non-recurring income and expenses is provided in Note 5.3 to the Consolidated Financial Statements.

Operating income

The Group ended the year with operating income of €2,232 million versus €2,572 million in 2014.

Finance costs and other financial income and expenses, net

Finance costs and other financial income and expenses represented a net expense of €515 million, representing 0.7% of sales versus 0.8% in 2014.

(In € millions)	2015	2014
Finance costs, net	(347)	(399)
Other financial income and expenses, net	(168)	(164)
Finance costs and other financial income and expenses, net	**(515)**	**(563)**

Finance costs, net decreased by €52 million to €347 million. The favorable change was primarily due to a reduction in the average interest rate on the Group's bond debt, following the retirement of existing issues and their replacement with issues at lower rates of interest (€1,000 million at 1.75% in July 2014 and €750 million at 1.25% in January 2015).

Other financial income and expenses represented a net expense of €168 million, compared with a net expense of €164 million in 2014.

Income tax expense

Income taxes amounted to €597 million in 2015 compared with €709 million the year before. The effective tax rate was 34.8% (35.3% in 2014).

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests came to €143 million versus €118 million in 2014.

Net income from continuing operations – Group share

The Group reported net income from continuing operations of €977 million in 2015, compared with €1,182 million in 2014.

Net income from discontinued operations – Group share

In 2015, net income from discontinued operations amounted to €4 million, corresponding mainly to the final settlement of litigation dating back to prior years, less the loss generated by Dia stores sold during the year or in the process of being sold at the year-end. In 2014, net income from discontinued operations consisted primarily of €88 million received in settlement of litigation dating back to prior years, less the €24 million loss arising on the closure of the Group's operations in India.

2. Financial position

2.1 Shareholders' equity

At December 31, 2015, shareholders' equity stood at €10,672 million, compared with €10,228 million at the previous year-end.

The €444 million increase reflected:

- Net income for the year of €1,123 million.
- The sale of €394-million worth of treasury stock on March 23, 2015.
- The sale of a 2% stake in the Group's Brazilian subsidiary, which had a positive net impact of €94 million on total shareholders' equity.
- Dividend payments of €590 million, of which €492 million paid to Carrefour shareholders (including €102 million paid in stock) and €98 million to minority shareholders of subsidiaries.
- Exchange differences on translating foreign operations, representing a negative impact of €602 million.

2.2 Net debt

Net debt was reduced by €408 million to €4,546 million at December 31, 2015 from €4,954 million at December 31, 2014.

Net debt breaks down as follows:

(in € millions)	2015	2014
Bonds	6,884	6,915
Other borrowings	345	1,078
Commercial paper	0	120
Finance lease liabilities	351	398
Total borrowings before derivative instruments recorded in liabilities	**7,580**	**8,511**
Derivative instruments recorded in liabilities	49	61
Total long and short term borrowings (1)	**7,629**	**8,572**
Of which, long term borrowings	*6,662*	*6,815*
Of which, short term borrowings	*966*	*1,757*
Other current financial assets	358	504
Cash and cash equivalents	2,724	3,113
Total current financial assets (2)	**3,083**	**3,618**
Net debt = (1) - (2)	**4,546**	**4,954**

Long and short-term borrowings (excluding derivatives) mature at different dates through 2025 for the longest tranche of bond debt, leading to balanced repayment obligations in the coming years as shown below:

(in € millions)	2015	2014
Due within one year	921	1,696
Due in 1 to 2 years	1,306	954
Due in 2 to 5 years	2,447	2,662
Due beyond 5 years	2,905	3,198
Total	**7,580**	**8,511**

At December 31, 2015, its liquidity position was strengthened by the availability of €3.9 billion in committed syndicated lines of credit with no drawing restrictions, expiring in 2019 and 2020.

Cash and cash equivalents totaled €2,724 million at December 31, 2015, compared with €3,113 million at December 31, 2014, representing a decrease of €389 million.

2.3 Cash flows for the year and cash and cash equivalents at December 31, 2015

Net debt was reduced by €408 million over the year, after increasing by €837 million in 2014. The decrease is analyzed in the simplified statement of cash flows presented below:

(In € millions)	2015	2014
Cash flow from operations	2,733	2,504
Change in working capital requirement	81	19
Investments	(2,138)	(2,305)
Other	10	88
Free cash flow	**687**	**306**
Financial investments	(85)	(1,336)
Disposals	109	236
Purchases and disposals without change in control	208	311
Cash dividends / capital increase	(474)	(214)
Finance costs, net	(347)	(399)
Changes in the scope of consolidation and impact of discontinued operations	(3)	(64)
Other	315	322
Decrease / (Increase) in net debt	**408**	**(837)**

Free cash flow came in at €687 million in 2015, compared with €306 million in 2014, after taking into account a €229 million increase in cash flow from operations, a €62 million favorable change in working capital requirement, and lower capital expenditure (with the net spend down €167 million over the year).

Financial investments represented a net outflow of €85 million in 2015, compared with a €1,336 million outflow in 2014. The 2014 net outflow mainly concerned the acquisition of Erteco (Dia) and the Group's investment in its new associate, Carmila.

Disposals for the year represented a €109 million inflow and consisted primarily of the proceeds from asset sales to Carmila in France and Italy. The €236 million inflow in 2014 also consisted of the proceeds from asset sales to Carmila, in France and Spain.

Purchases and disposals without change in control represented a €208 million net inflow and consisted primarily of the balance receivable from the sale of a 10% stake in the Group's Brazilian subsidiary to Peninsula in 2014, and the proceeds from the sale of an additional 2% stake in the first half of 2015.

Changes in the scope of consolidation and discontinued operations had a negative net impact of €3 million in 2015 and €64 million in 2014.

Other impacts mainly correspond to the sale of treasury stock in March 2015, which generated a net inflow of €392 million.

2.4 Financing and liquid resources

Corporate Treasury and Financing's liquidity management strategy consists of:

- Promoting conservative financing strategies in order to ensure that the Group has a sufficiently strong credit rating and can raise funds on the bond and commercial paper markets.
- Maintaining a presence in the debt market through regular debt issuance programs, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium Term Notes (EMTN) program totals €12 billion. Since 2007, the loan agreements for the EMTN program include a soft change of control clause that would be triggered in the event that a change of control led to Carrefour losing its investment grade rating. In this case, the notes would not become immediately repayable but the interest rate would increase.

- Using the €5 billion commercial paper program on NYSE Euronext Paris, described in a prospectus filed with the Banque de France.
- Maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2015, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of €3.9 billion. Group policy consists of keeping these facilities on stand-by to support the commercial paper program. The loan agreements for the syndicated lines of credit include the usual commitments and default clauses, including *pari passu*, negative pledge, change of control and cross-default clauses and a clause restricting substantial sales of assets. They do not, however, include any rating trigger, although the pricing grid may be adjusted up or down to reflect changes in the long-term credit rating. None of the agreements contains a material adverse change clause.

The Group considers that its liquidity position is robust, as it has sufficient cash reserves to meet its debt repayment obligations in the coming year.
The Group's debt profile is balanced, with no peak in refinancing needs across the remaining life of bond debt, which averages four years and four months.

At December 31, 2015, Carrefour was rated BBB+/A-2 with a stable outlook by S&P.

2.5 Restrictions on the use of capital resources

There are no material restrictions on the Group's ability to recover or use the assets and settle the liabilities of foreign operations, except for those resulting from local regulations in its countries. The local supervisory authorities may require banking subsidiaries to comply with certain capital, liquidity and other ratios and to limit their exposure to other Group parties.

2.6 Expected sources of funding

To meet its commitments, Carrefour can use its free cash flow and raise debt capital using its EMTN and commercial paper programs, as well as its credit lines.

3. Outlook for 2016

- Carrefour is continuing its transformation and has strong ambitions in a world of changing consumer needs and behaviors. Our multi-format model is expanding into new channels, enabling us to optimize our customers' purchasing experience.
- Carrefour is consolidating its position as a multi-format international retailer and in 2016 will continue to open convenience stores at a swift pace in all countries. Conversion of the Dia store network is being carried out as planned, with close to 500 additional stores expected to be converted in 2016.
- Carrefour is investing to sustain its growth. The Group is continuing to expand its network in order to increase its geographical coverage. It is also pursuing investments to modernize its stores in all countries and boost the appeal of its locations by capitalizing on associate Carmila in France, Spain and Italy. Carrefour is also continuing to implement its structural projects, which include revamping the supply chain and streamlining IT systems in France as well as realigning the business model in China.
- Carrefour is accelerating its digital transformation in line with its omnichannel ambition, capitalizing on click & collect services and leveraging its physical store network.Virtually all of the Group's countries now offer e-commerce services. The acquisition of Rue du Commerce in France is a major step that will enable us to expand our product ranges via the online market place.
- Carrefour will continue to invest in 2016 while paying close attention to financial discipline:
    - Total investments, including Dia France, of between €2.5 billion and €2.6 billion.
    - Constant attention to free cash flow.

- o Continued strict financial discipline: maintain BBB+ rating.

4. Other information

4.1 Accounting principles

The accounting and calculation methods used to prepare the 2015 consolidated financial statements were the same as those used in 2014 except for the changes resulting from the following amendments, which were applicable as of January 1, 2015 and were not early adopted:

- IFRS Annual Improvements 2011-2013

Application of these amendments had no material impact on the Group's published consolidated financial statements. IFRIC 21 – *Levies*, which was also applicable as of January 1, 2015, was early adopted in 2014.

The Group decided not to early adopt the following standards and interpretations that were not applicable as of January 1, 2015:

Adopted for use in the European Union:

- IFRS Annual Improvements 2010-2012 (applicable in annual periods beginning on or after February 1, 2015)
- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions* (applicable in annual periods beginning on or after February 1, 2015)
- Amendments to IAS 1 – *Disclosure Initiative* (applicable in annual periods beginning on or after January 1, 2016)
- Amendments to IFRS 11 – *Acquisition of an Interest in a Joint Operation* (applicable in annual periods beginning on or after January 1, 2016)
- Amendments to IAS 16/IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable in annual periods beginning on or after January 1, 2016)
- IFRS Annual Improvements 2012-2014 (applicable in annual periods beginning on or after January 1, 2016)

The possible impact on the consolidated financial statements of applying these new and amended standards is currently being assessed.

Details of the new and amended standards and interpretations, including those not yet adopted for use in the European Union, are provided in Note 1.2 to the Consolidated Financial Statements "Changes of method".

4.2 Significant events of the period

Placement of 12.7 million treasury shares

On March 23, 2015, Carrefour announced the disposal of 12.7 million treasury shares, representing approximately 1.73% of its share capital.
The sale was carried out through a private placement by way of an accelerated bookbuilding at a price of €31 per share, for a total amount of €393.7 million.
Of the 12.7 million treasury shares sold, 9.3 million shares were directly owned by Carrefour and 3.4 million shares were indirectly owned through an equity swap. These shares correspond to the excess coverage of Carrefour's obligations under stock option plans and free share allotments.

Operations to strengthen the Group's financial position

On January 22, 2015, the Group obtained a new €2,500 million five-year bank facility (expiring in January 2020) with two one-year extension options from a pool of 22 banks.

This facility replaces two existing facilities, for €1,591 million and €1,458 million, expiring in July 2017 and November 2018 respectively.
The operation contributed to the ongoing strategy to secure the Group's long-term financing sources by extending the average maturity of its facilities and reducing the related borrowing costs, while aligning their amount with the Group's needs.

On January 27, 2015, the Group carried out a new €750 million 10.3-year 1.25% bond issue due June 2025. The issue's settlement date was February 3, 2015.
The issue consolidated the Group's long-term financing, extended the average maturity of its bond debt and further reduced its borrowing costs.

2014 dividend reinvestment option

At the Annual General Meeting held on June 11, 2015, shareholders decided to set the 2014 dividend at €0.68 per share with a dividend reinvestment option.

The issue price of the shares to be issued in exchange for reinvested dividends was set at €28.77 per share, representing 95% of the average of the opening prices quoted on NYSE Euronext Paris during the 20 trading days preceding the date of the Annual General Meeting, less the net amount of the dividend of €0.68 per share and rounded up to the nearest euro cent.

The option period was open from June 17 to July 7, 2015. At the end of this period, shareholders owning 20.69% of Carrefour's shares had elected to reinvest their 2014 dividends.

July 17, 2015 was set as the date for:

- Settlement/delivery of the 3,556,885 new shares corresponding to reinvested dividends, leading to a total capital increase including premiums of €102 million.
- Payment of the cash dividend to shareholders who chose not to reinvest their dividends, representing a total payout of €390 million.

Acquisition of Rue du Commerce

On August 24, 2015, Carrefour announced that it was in exclusive negotiations with Altarea Cogedim for the acquisition of 100% of the shares of Rue du Commerce, a major player in the non-food e-commerce market in France.

The acquisition was completed in January 2016 after employee representatives at Rue du Commerce had been consulted and the necessary anti-trust approvals had been obtained.

It represents another step in the roll-out of Carrefour's omnichannel strategy in France for the benefit of its customers both in stores and on-line.

Planned acquisition in Romania

On December 22, 2015, Carrefour announced that an agreement had been signed with the Rewe Group for the acquisition of Billa Romania, which operates a network of 86 supermarkets spread across the whole of Romania, representing a total sales area of 83,000 square meters.

Through this acquisition, Carrefour would become the leading supermarket operator in Romania, strengthening its multi-format offer to better serve its customers.

Completion of this transaction remains subject to approval by the relevant anti-trust authorities.

4.3 Main related party transactions

The main related party transactions are disclosed in Note 7.3 to the Consolidated Financial Statements

4.4 Subsequent events

In December 2015, the Group exercised an option to extend a €2,500 million credit facility. The one-year extension, until January 2021, became effective in January 2016. The Group retains an option to extend the facility by a further year. The operation has contributed to the ongoing strategy to secure the Group's long-term financing sources by extending the average maturity of its facilities (from 3.7 to 4.4 years as of December 31, 2015).

On February 29, 2016, the Group announced it had signed an agreement with the Eroski Group to acquire 36 compact hypermarkets with a total sales area of 235,000 square meters, as well as 8 shopping malls and 22 gas stations adjacent to the stores. The acquisition is subject to conditions, including approval by the relevant anti-trust authorities.

No other events have occurred since the year-end that would have a material impact on the consolidated financial statements.