



**Management's discussion  
and analysis  
as of December 31, 2017**



<b>1. Consolidated sales and earnings performance</b>	page 3
1.1. Main earnings indicators	
1.2. Analysis of the main income statement items	
<b>2. Group financial position</b>	page 8
2.1. Shareholders' equity	
2.2. Net debt	
2.3. Cash flows for the year and cash and cash equivalents	
2.4. Financing and liquidity resources	
2.5. Restrictions on the use of capital resources	
2.6. Expected sources of funding	
<b>3. Outlook for 2018</b>	page 11
<b>4. Other information</b>	page 12
4.1. Accounting principles	
4.2. Significant events of the period	
4.3. Main related-party transactions	
4.4. Subsequent events	



# 1. Consolidated sales and earnings performance

## 1.1 Main earnings indicators

<i>(in € millions)</i>	2017	2016	% change	% change at constant exchange rates
<b>Net sales</b>	<b>78,897</b>	<b>76,645</b>	<b>2.9%</b>	<b>2.6%</b>
<b>Gross margin from recurring operations</b>	<b>18,214</b>	<b>17,985</b>	<b>1.3%</b>	<b>1.2%</b>
<i>in % of net sales</i>	<i>23.1%</i>	<i>23.5%</i>	<i>(0.4)%</i>	<i>(0.3)%</i>
Sales, general and administrative expenses and amortisation	(16,209)	(15,634)	3.7%	3.9%
<b>Recurring operating income</b>	<b>2,006</b>	<b>2,351</b>	<b>(14.7)%</b>	<b>(17.2)%</b>
Recurring operating income before depreciation and amortisation <sup>(1)</sup>	3,636	3,886	(6.4)%	(9.7)%
<b>Recurring operating income after net income from companies accounted for by the equity method</b>	<b>2,010</b>	<b>2,315</b>	<b>(13.2)%</b>	<b>(16.0)%</b>
Non-recurring operating income and expenses, net	(1,310)	(372)	na	na
Finance costs and other financial income and expenses, net	(445)	(515)	(13.6)%	(13.5)%
Income tax expense	(618)	(494)	25.1%	24.5%
<b>Net income/(loss) from continuing operations - Group share</b>	<b>(531)</b>	<b>786</b>	<b>(167.6)%</b>	<b>(175.0)%</b>
Net income/(loss) from discontinued operations - Group share	1	(40)	(101.7)%	(101.7)%
<b>Net income/(loss) - Group share</b>	<b>(531)</b>	<b>746</b>	<b>(171.1)%</b>	<b>(179.0)%</b>
<b>Free cash flow (including non-recurring items)<sup>(2)</sup></b>	<b>503</b>	<b>603</b>		
<b>Net debt at December 31, 2017</b>	<b>3,743</b>	<b>4,531</b>		

- In 2017, consolidated sales rose 2.6% at constant exchange rates to 78.9 billion euros;
- recurring operating income before depreciation and amortisation<sup>(1)</sup> came in at 3,636 million euros (down 9.7% at constant exchange rates);
- recurring operating income totalled 2,006 million euros, down 14.7% at current exchange rates reflecting strong competitive pressure, particularly in France, an increase in distribution costs in the Group's main markets, an increase in depreciation after a period of significant investments and a more difficult situation in Argentina;
- non-recurring operating income and expenses represented a net expense of 1,310 million euros, and mainly comprised an impairment loss charged against goodwill allocated to the Group's Italian operations for 700 million euros, and writedowns relating to the network of ex-Dia stores;
- finance costs and other financial income and expenses, net, stood at 445 million euros, a 70 million-euro improvement compared with 2016, thanks in particular to a decrease in the Group's net debt;
- income tax expense amounted to 618 million euros, representing an effective tax rate of 242.0% as a result of non-recurring items recorded in 2017;
- the net loss from continuing operations – Group share came in at 531 million euros, compared with net income of 786 million euros in 2016;
- net income from discontinued operations – Group share totalled 1 million euros;
- taking into account all of these items, the Group ended the period with a net loss – Group share of 531 million euros, versus net income of 746 million euros in 2016;
- free cash flow<sup>(2)</sup> came to 503 million euros, versus 603 million euros in 2016, taking into account lower capital expenditure (excluding Cargo Property), which was down 355 million euros to 2,415 million euros.

(1) Recurring operating income before depreciation and amortisation relating to logistics equipment included in the cost of sales.

(2) Free cash flow corresponds to cash flows from/(used in) operating activities before net finance costs, and after the change in working capital requirement, less cash flows from/(used in) investing activities.



# 1. Consolidated sales and earnings performance

## 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.

<i>(In € millions)</i>	2017	2016	% change	% change at constant exchange rates
France	35,835	35,877	(0.1)%	(0.1)%
Rest of Europe	21,112	20,085	5.1%	5.1%
Latin America	16,042	14,507	10.6%	8.3%
Asia	5,907	6,176	(4.4)%	(3.2)%
<b>Total</b>	<b>78,897</b>	<b>76,645</b>	<b>2.9%</b>	<b>2.6%</b>

The Carrefour group generated net sales of 78.9 billion euros, up 2.6% at constant exchange rates.

- Sales in France were stable at 35.8 billion euros, demonstrating momentum in line with 2016 in a highly competitive environment.
- Sales in the rest of Europe increased by a sharp 5.1%, mainly reflecting an improved trend in Northern Europe.
- In Latin America, sales were up 8.3% year on year. This sound performance was achieved at a time of significantly reduced food price inflation in Brazil and persistently weak consumption in Argentina linked to unfavourable economic conditions.
- In Asia, sales contracted 3.2% in 2017 at constant exchange rates, following a 5.6% decrease in sales in China, which was partially offset by 3.1% growth in sales in Taiwan.

### Net sales by region – contribution to the consolidated total

<i>In %</i>	2017 <sup>(1)</sup>	2016
France	45.6%	46.8%
Rest of Europe	26.8%	26.2%
Latin America	20.0%	18.9%
Asia	7.6%	8.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>(1)</sup> at constant exchange rates

At constant exchange rates, the contribution of emerging markets (Latin America and Asia) to consolidated net sales continued to rise, representing 27.6% in 2017, versus 27.0% in 2016.



# 1. Consolidated sales and earnings performance

## Recurring operating income by region

<i>(In € millions)</i>	2017	2016	% change	% change at constant exchange rates
France	692	1,031	(32.9)%	(32.9)%
Rest of Europe	677	712	(4.9)%	(4.8)%
Latin America	715	711	0.6%	(7.0)%
Asia	4	(58)	(107.1)%	(97.6)%
Global functions	(83)	(45)	83.1%	82.6%
<b>Total</b>	<b>2,006</b>	<b>2,351</b>	<b>(14.7)%</b>	<b>(17.2)%</b>

Recurring operating income fell by 17.2% year on year, to 2,006 million euros.

In France, recurring operating income came to 692 million euros, down 32.9% compared with 2016. Carrefour France suffered from strong competitive pressure. In addition, operating losses generated by the network of ex-Dia stores continued to weigh heavily on the country's profitability, accounting for 150 million euros of the year-on-year decrease.

In Europe (excluding France), recurring operating income dipped by 4.8% at constant exchange rates to 677 million euros, with operating margin<sup>(3)</sup> contracting by 34 points to 3.2% of sales. Mixed performances were recorded across the region, with operating margin holding firm in Northern Europe while Southern Europe's was down, also impacted by a tough competitive environment, as well as inflation in distribution costs in Spain.

In Latin America, recurring operating income came in at 715 million euros in 2017, down 7.0% at constant exchange rates. Brazil delivered a solid operating performance, despite strong food deflation, driven by the confirmed success of the Atacadão model which improved its profitability. In Argentina, unfavourable macroeconomic conditions resulted in operating losses.

In Asia, recurring operating income came to 4 million euros in 2017, an improvement of 62 million euros versus 2016. The Group reaped the fruits of the action plans implemented in China, in particular in terms of cost reduction, in a context that remains highly competitive, marked by rapidly-changing consumption habits. In Taiwan, sales growth remained strong and operating margin continued to improve.

## Depreciation and amortisation

Depreciation and amortisation of tangible and intangible assets, and investment property amounted to 1,567 million euros in 2017. At 1.9% of sales, the ratio was stable compared to 2016.

Taking into account the depreciation and amortisation relating to logistics equipment included in the cost of sales, a total of 1,630 million euros was recognised in the 2017 consolidated income statement, compared with 1,535 million euros in 2016.

## Net income of equity-accounted companies

The net income of equity-accounted companies totalled 4 million euros, versus a net loss of 36 million euros in 2016. The increase was mainly due to the improvement in net income from the Group's investment in Turkey.

<sup>(3)</sup> Recurring operating income as a percentage of net sales.



# 1. Consolidated sales and earnings performance

## 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 1,310 million euros in 2017.

The detailed breakdown is as follows:

<i>(in € millions)</i>	<b>2017</b>	<b>2016</b>
Net gains on sales of assets	22	39
Restructuring costs	(279)	(154)
Other non-recurring items	(13)	(127)
<b>Non-recurring income and expenses net before asset impairments and write-offs</b>	<b>(271)</b>	<b>(242)</b>
Asset impairments and write-offs	(1,039)	(130)
<i>Impairments and write-offs of goodwill</i>	<i>(707)</i>	<i>(5)</i>
<i>Impairments and write-offs of tangible and intangible assets</i>	<i>(332)</i>	<i>(125)</i>
<b>Non-recurring income and expenses, net</b>	<b>(1,310)</b>	<b>(372)</b>

As in 2016, gains on disposals of assets in 2017 primarily related to sales of various individually non-material assets.

Restructuring costs recognised in 2017 concerned plans to streamline operating structures in several of the Group's countries. Restructuring measures primarily concern France (particularly costs relating to the overhaul of supply chains), Italy, Argentina, China (store closure plan), and Spain (plan to integrate the hypermarkets acquired from Eroski).

The expense recognised in 2016 mainly includes the residual impact of integrating the Dia France stores acquired in late 2014, as well as costs relating to the overhaul of supply chains in France.

In defining its transformation plan, the Group reviewed its financial trajectories and adjusted certain assumptions underlying financial projections for its operations in Italy. The impairment tests carried out on this basis (see the accounting principles in Note 6.3 to the Consolidated Financial Statements) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss has no impact on cash flow.

Impairment was also recognised against non-current assets other than goodwill in an amount of 302 million euros, primarily in France, China and Italy. This impairment reflects a decline in the outlook for an improvement in the profitability of certain loss-making stores, including stores which the Group intends to sell or close in 2018 within the scope of the transformation plan announced on January 23, 2018 (particularly former Dia stores in France). In addition, 30 million euros' worth of assets were written off during the year (2016: 33 million euros).

In 2016, impairment losses against non-current assets other than goodwill totalled 93 million euros and chiefly concerned assets of loss-making stores, mainly in China.

Other non-recurring income and expenses amounted to a net expense of 13 million euros in 2017, compared with an expense of 127 million euros in 2016, mainly relating to the tax on retail space in France (TaSCom), which resulted from a change in the accounting treatment of said tax.

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



# 1. Consolidated sales and earnings performance

## Operating income

The Group ended 2017 with operating income of 700 million euros, versus 1,943 million euros in 2016.

## Finance costs and other financial income and expenses, net

Finance costs and other financial income and expenses represented a net expense of 445 million euros, representing 0.6% of sales as in 2016.

<i>(in € millions)</i>	<b>2017</b>	<b>2016</b>
Finance costs, net	(317)	(377)
Other financial income and expenses, net	(128)	(138)
<b>Finance costs and other financial income and expenses, net</b>	<b>(445)</b>	<b>(515)</b>

Finance costs, net fell by 60 million euros to 317 million euros.

Other financial income and expenses represented a net expense of 128 million euros, compared with a net expense of 138 million euros in 2016.

## Income tax expense

Income taxes amounted to 618 million euros, compared with 494 million euros the year before. The effective tax rate was 242.0% compared to 34.6% in 2016, as a result of non-recurring items recorded in 2017.

## Net income attributable to non-controlling interests

Net income attributable to non-controlling interests came to 169 million euros, versus 148 million euros in 2016.

## Net income/(loss) from continuing operations – Group share

The Group reported a net loss from continuing operations of 531 million euros in 2017, compared with net income of 786 million euros in 2016.

## Net income/(loss) from discontinued operations – Group share

In 2017, net income from discontinued operations totalled 1 million euros.

In 2016, the net loss from discontinued operations amounted to 40 million euros, corresponding mainly to the loss generated by Dia stores sold during the year or held for sale at the year-end, which were classified as discontinued operations in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.



## 2. Group financial position

### 2.1 Shareholders' equity

At December 31, 2017, shareholders' equity stood at 12,159 million euros, compared with 12,008 million euros at the previous year-end, representing an increase of 151 million euros.

The increase mainly reflects:

- the net loss for the year of 362 million euros;
- other comprehensive income for a negative 482 million euros (mainly explained by exchange differences on translating foreign operations);
- Changes in capital and additional paid-in capital and other movements in 2017 mainly reflect the July 2017 Grupo Carrefour Brasil IPO: the primary offering of 840 million euros generated (i) an increase of 370 million euros in non-controlling interests and (ii) an increase of 470 million euros in shareholders' equity, Group share corresponding to the dilution gain (Notes 2.2 and 3.2.1 to the Consolidated Financial Statements);
- dividends paid in an amount of 254 million euros, of which 151 million euros paid to Carrefour shareholders and 103 million euros to non-controlling shareholders of subsidiaries.

### 2.2 Net debt

Net debt was reduced by 788 million euros to 3,743 million euros at December 31, 2017 from 4,531 million euros at December 31, 2016.

Net debt breaks down as follows:

<i>(in € millions)</i>	<b>2017</b>	<b>2016</b>
Bonds	6 596	6 962
Other borrowings	522	690
Finance lease liabilities	301	322
<b>Total borrowings before derivative instruments recorded in liabilities</b>	<b>7 419</b>	<b>7 974</b>
Derivative instruments recorded in liabilities	78	101
<b>Total long and short term borrowings (1)</b>	<b>7 497</b>	<b>8 075</b>
<i>Of which, long-term borrowings</i>	<i>6 428</i>	<i>6 200</i>
<i>Of which, short-term borrowings</i>	<i>1 069</i>	<i>1 875</i>
Other current financial assets	161	239
Cash and cash equivalents	3 593	3 305
<b>Total current financial assets (2)</b>	<b>3 753</b>	<b>3 544</b>
<b>Net debt = (1) - (2)</b>	<b>3 743</b>	<b>4 531</b>

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:

<i>(in € millions)</i>	<b>2017</b>	<b>2016</b>
Due within 1 year	991	1,774
Due in 1 to 2 years	1,333	333
Due in 2 to 5 years	3,056	3,221
Due beyond 5 years	2,039	2,646
<b>Total</b>	<b>7,419</b>	<b>7,974</b>





## 2. Group financial position

At December 31, 2017, the Group had access to 3.9 billion euros in committed syndicated lines of credit with no drawing restrictions expiring in 2022 (excluding extension options), underpinning its liquidity position.

Cash and cash equivalents totalled 3,593 million euros at December 31, 2017 compared with 3,305 million euros at December 31, 2016, representing an increase of 288 million euros.

### 2.3 Cash flows for the period and cash and cash equivalents

Net debt was reduced by 788 million euros over the year, after falling by 15 million euros in 2016. The change is analysed in the simplified statement of cash flows presented below:

<i>(in € millions)</i>	<b>2017</b>	<b>2016</b>
Cash flow from operations	2,653	2,964
Change in trade working capital requirement	250	614
Change in other receivables and payables	(93)	(160)
Change in consumer credit granted by the financial services companies	32	(103)
Investments	(2,379)	(2,749)
Change in amounts due to suppliers of fixed assets	(88)	(70)
Other	127	107
<b>Free cash flow</b>	<b>503</b>	<b>603</b>
Acquisitions of subsidiaries and investments in associates	(251)	(187)
Purchases and disposals without change in control	479	(40)
Cash dividends/reinvested dividends	677	48
Finance costs, net	(317)	(377)
Exchange rates	(138)	(96)
Other	(165)	63
<b>Decrease / (Increase) in net debt</b>	<b>788</b>	<b>15</b>

Free cash flow came to 503 million euros in 2017, compared with 603 million euros in 2016, and mainly comprised:

- cash flow from operating activities in an amount of 2,653 million euros;
- the change in trade working capital requirement, which amounted to 250 million euros in 2017 versus 614 million euros in 2016;
- operational investments in an amount of 2,379 million euros, compared with 2,749 million euros in 2016. The decrease reflects the evolution in the Group's investment strategy and measures implemented in the second half of 2017 to control capital expenditure.

### 2.4 Financing and liquidity 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 programmes, mainly in euros, in order to create a balanced maturity profile. The Group's issuance capacity under its Euro Medium Term Notes (EMTN) programme totals 12 billion euros;
- using the 5 billion-euro commercial paper programme on Euronext Paris, described in a prospectus filed with the Banque de France;



## 2. Group financial position

- maintaining undrawn medium-term bank facilities that can be drawn down at any time according to the Group's needs. At December 31, 2017, the Group had two undrawn syndicated lines of credit obtained from a pool of leading banks, for a total of 3.9 billion euros. Group policy consists of keeping these facilities on stand-by to support the commercial paper programme. The loan agreements for the syndicated lines of credit include the usual commitments clauses, including *pari passu*, negative pledge, change of control and cross-default clauses and a clause restricting substantial sales of assets. The pricing grid may be adjusted up or down to reflect changes in the long-term credit rating.

In Brazil, Atacadão SA issued commercial promissory notes (*notas promissórias*) with maturity between 6 and 19 months during the second half of the year amounting to a total of 2 billion Brazilian reals (Note 12.2.2 to the Consolidated Financial Statements).

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 averaged three years and nine months.

At December 31, 2017, 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 host 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 programmes, as well as its credit lines.



## 3. Outlook for 2018

The Group is fully mobilised to execute the « Carrefour 2022 » plan presented on January 23, 2018. With this plan, the Group has launched a profound transformation, with 2022 targets that will be reached through actions in all geographies.

In order to invest in growth and rapidly improve its price competitiveness, short-term measures have been launched, notably to reach the target of 2 billion euros in cost cuts by 2020 on a full-year basis.

**2018 constitutes the first year of the plan and is a pivotal year in the Group's transformation.** More specifically, the plan's implementation will be materialised by advances in 2018 in each of the plan's pillars, notably by:

### **Deploying a simplified and open organisation**

- Faster decision-making process;
- Implementation of the previously-announced departure plans at headquarters.

### **Achieving productivity and competitiveness gains**

- Target of shedding 273 ex-Dia stores from our scope;
- A first wave of cost savings within the framework of the plan to achieve savings of 2 billion euros by 2020 on a full-year basis and investments in commercial competitiveness;
- Capex of 2 billion euros.

### **Creating an omni-channel universe of reference**

- Acceleration in the Cash and Carry format, notably with:
  - the opening of 20 new Atacadão stores in Brazil;
  - the conversion of 16 hypermarkets to the Maxi format in Argentina.
- Launch of the single e-commerce platform, Carrefour.fr;
- Extended the food e-commerce offering in France with 15 new cities offering home delivery (D+1) and 10 new cities offering one-hour delivery;
- Opening of 170 new Drives in France;
- Implement partnerships aiming in particular at accelerating the group's digitalisation, along the lines of the partnership with Showroomprivé.

### **Overhauling the offering to promote food quality**

- Launch of actions to revamp and develop our offering in fresh and organic products and our own brands:
  - launch of an Agri-ecology plan in several fresh product categories and of the "organic development contract" and the doubling of the number of employees trained in fresh products with the WWF aiming at supporting the upstream segment of the agri-business chain;
  - broadening of our organic product ranges in stores;
  - deployment of "blockchain" technology in all Carrefour quality lines to improve the traceability of our offer.



## 4. Other information

### 4.1 Accounting principles

The accounting and calculation methods used to prepare the 2017 Consolidated Financial Statements are the same as those used for the 2016 Consolidated Financial Statements, except for the following amendments, which were applicable as of January 1, 2017:

- Amendments to IAS 7 – *Disclosure Initiative*: the requisite disclosures regarding changes in liabilities arising from financing activities are set out in Note 12;
- Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*: these amendments did not have a material impact on the Consolidated Financial Statements.

The Group decided not to early adopt the following standards, amendments and interpretations that were not applicable as of January 1, 2017:

#### **Adopted for use in the European Union:**

- IFRS 9 – *Financial Instruments* (applicable in annual periods beginning on or after January 1, 2018);
- IFRS 15 – *Revenue from Contracts with Customers* (applicable in annual periods beginning on or after January 1, 2018);
- IFRS 16 – *Leases* (applicable in annual periods beginning on or after January 1, 2019).

In addition, IFRS Annual Improvements 2014-2016 Cycle (applicable in annual periods beginning on or after January 1, 2018) will have no impact on the Consolidated Financial Statements.

#### **Not yet adopted for use in the European Union:**

- Amendments to IFRS 10 and IAS 28 – *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* (Application deferred indefinitely by the IASB)
- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (applicable in annual periods beginning on or after January 1, 2018);
- Amendments to IAS 40 – *Transfers of Investment Property* (applicable in annual periods beginning on or after January 1, 2018);
- IFRIC 22 – *Foreign Currency Transactions and Advance Consideration* (applicable in annual periods beginning on or after January 1, 2018);
- IFRIC 23 – *Uncertainty over Income Tax Treatments* (applicable in annual periods beginning on or after January 1, 2019);
- IFRS 17 – *Insurance Contracts* (applicable in annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 9 – *Prepayment Features with Negative Compensation* (applicable in annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures* (applicable in annual periods beginning on or after January 1, 2019);
- IFRS Annual Improvements 2015-2017 Cycle;
- Amendments to IAS 19 – *Compensation Plan Amendment, Curtailment or Settlement* (applicable in annual periods beginning on or after January 1, 2019);

The Group is currently analysing the potential impacts of IFRIC 23 and IFRS 17. It does not expect the application of the other standards, amendments or interpretations to have a material impact on its Consolidated Financial Statements.

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. Other information

### 4.2 Significant events of the period

#### a. New Group management team

The Board of Directors appointed Alexandre Bompard to replace Georges Plassat as Chairman of the Board of Directors and Chief Executive Officer of the Carrefour group, effective July 18, 2017.

On September 22, 2017 Alexandre Bompard announced the appointment of a Group Executive Committee effective October 2, 2017. The new management team comprises managers from the Group and individuals from other horizons bringing complementary expertise.

The first task of the new management team has consisted in redefining the Group's strategy. The Group's ambition is to become the leader of the food transition for all and regain momentum. The transformation plan announced on January 23, 2018 aims at revamping the Carrefour model, by simplifying its organisation and by opening up to partnerships, improving operational efficiency, investing in growth formats, building an efficient omni-channel model and developing the fresh and organic products offering, notably under the Carrefour brand.

#### b. IPO of the Group's Brazil operations

In June 2017, the Group announced that Atacadão SA, the parent company of the Carrefour group's operations in Brazil (Grupo Carrefour Brasil) filed a prospectus with the Brazilian Securities Commission (CVM) with the aim of listing the shares of Grupo Carrefour Brasil on the Novo Mercado segment of the São Paulo stock exchange.

The IPO took place on July 20, 2017 and consisted of a primary offering of 205,882,353 shares issued by Grupo Carrefour Brasil and a secondary offering of 34,461,489 and 56,800,000 Grupo Carrefour Brasil shares sold by Carrefour and Península, respectively.

Carrefour also granted a secondary over-allotment option to the Brazilian banks participating in the offering that led to the placement of an additional 34,369,876 Carrefour-owned shares to cover over-allotment.

Based on the IPO price, set at 15 Brazilian reais per share, the primary offering amounted to 3.1 billion Brazilian reais (0.8 billion euros), thereby valuing, at the launch of the IPO and following a capital increase, Grupo Carrefour Brasil's equity at 29.7 billion Brazilian reais (8.1 billion euros).

After the completion of the IPO and the exercise by Península of its call option to purchase 71,003,063 Grupo Carrefour Brasil shares from Carrefour, Carrefour holds a 71.8% interest in Grupo Carrefour Brasil, while Península holds 11.5% and Grupo Carrefour Brasil's free float is 16.7%.

The accounting impact of the transaction is presented in Note 3.2.1 to the Consolidated Financial Statements.

#### c. Absorption of Carmila by Cardety

On March 2, 2017, Carmila and Cardety, two property companies over which the Group has significant influence, announced a draft merger agreement under which Carmila would be absorbed by Cardety, whose shares are listed on Euronext Paris. The merger took place on June 12, 2017. Post completion, Carrefour held 42.45% of the new entity, which has been named Carmila.

As part of its development plan, the merged entity carried out a capital increase for 628.6 million euros in July 2017, subscribed by Carrefour in an amount of 50 million euros. Carrefour now owns 35.76% of the shares and voting rights of Carmila.

The accounting impact of the business combination is presented in Note 3.2.1 to the Consolidated Financial Statements.



## 4. Other information

### d. Acquisition of hypermarkets in Spain

On February 29, 2016, the Carrefour 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 metres, as well as eight shopping malls and 22 service stations adjacent to the stores.

The conditions precedent have been met for the acquisition of 31 stores. The accounting impact of the transaction is presented in Note 3.2.1 to the Consolidated Financial Statements.

The acquisition has enabled Carrefour to expand its store network to 27 new towns and cities, and strengthen its position in the food market. In this way, the Group is furthering its ongoing multi-format and omni-channel development for the benefit of its customers.

### e. Impairment of goodwill allocated to Italian operations

In defining its transformation plan, the Group reviewed the financial trajectories of its various regions and adjusted certain assumptions underlying financial projections for its operations in Italy. Although profitability in the region has gradually improved over the past few years, certain commercial dynamics observed in 2017 prompted the Group to adjust its forecast in terms of margins and free cash flow (change in cash from operating activities less operational investments) as reflected in the financial trajectory defined by the Group's Executive Management.

The results of the impairment tests carried out on this basis (Note 6.3 to the Consolidated Financial Statements) led the Group to recognise a 700 million-euro impairment loss against goodwill allocated to its Italian operations. This impairment loss is included in non-recurring expenses and has no impact on cash flow (Note 5.3 to the Consolidated Financial Statements).

### f. Securing the Group's long-term financing

In December 2016, the Group exercised its option to extend its 2,500 million-euro credit facility by one year. The extension was effective in January 2017 and the facility will now mature in January 2022.

On May 2, 2017, the Group obtained a new 1,400 million-euro five-year bank facility (maturing in May 2022) from a pool of eight banks with two one-year extension options. This new facility will replace the facility of the same amount expiring in April 2019.

These operations contribute to the ongoing strategy to secure the Group's long-term financing sources by maintaining the average maturity of its facilities (which has risen from 4.1 years as of December 31, 2016 to 4.2 years as of December 31, 2017).

On June 7, 2017 (settlement on June 14, 2017), the Group issued 500 million US dollars worth of six-year cash-settled convertible bonds (maturing in June 2023) to institutional investors. The bonds were issued at 98.25% of their nominal value, and do not bear interest as they are zero-coupon bonds. The resulting initial conversion price is 27.7536 euros, including a conversion premium of 20% over the Carrefour reference share price. They may be converted into cash only and will not give rise to the issuance of new shares or carry rights to existing shares.

In parallel with the bond issue, the Group purchased cash-settled call options on its own shares in order to hedge its economic exposure relating to cash payments due on bonds in the event that investors exercise their conversion rights.

The above operations, for which a EUR/USD cross currency swap was arranged in euros, provide the Group with the equivalent of standard euro-denominated bond financing (see a description of the related accounting treatment in Note 12.2 to the Consolidated Financial Statements).

The issue consolidated the Group's long-term financing, extended the average maturity of its bond debt (from 3.6 years to 3.9 years at June 7, 2017) and further reduced its borrowing costs.



## 4. Other information

### g. 2016 dividend reinvestment option

At the Annual Shareholders' Meeting held on June 15, 2017, the shareholders decided to set the 2016 dividend at 0.70 euros per share with a dividend reinvestment option.

The issue price of the shares to be issued in exchange for reinvested dividends was set at 20.15 euros per share, representing 90% of the average of the opening prices quoted on Euronext Paris during the 20 trading days preceding the date of the Annual Shareholders' Meeting, less the net amount of the dividend of 0.70 euros per share and rounded up to the nearest euro cent.

The option period was open from June 21 to July 4, 2017. At the end of this period, shareholders owning 71.32% of Carrefour's shares had elected to reinvest their 2016 dividends.

July 13, 2017 was set as the date for:

- settlement/delivery of the 18,442,657 new shares corresponding to reinvested dividends, representing a total capital increase including premiums of 372 million euros;
- payment of the cash dividend to shareholders who chose not to reinvest their dividends, representing a total payout of 151 million euros.

### 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

#### a. "Carrefour 2022" transformation plan

On January 23, 2018, the Carrefour group unveiled its transformation plan based on four pillars:

- Deploy a streamlined and open organisation;
- Achieve productivity and competitiveness gains;
- Create a leading omni-channel universe;
- Overhaul the offering to promote food quality.

In the first pillar, the Group's headquarters around the globe will be scaled back in order to improve teams' operational efficiency and responsiveness:

- In the Ile-de-France region, the corporate headquarters in Boulogne will be closed and a project to build a new 30,000 square-metre headquarters in Essonne will be abandoned;
- A strictly voluntary redundancy plan will be offered to 2,400 employees at the headquarters in France, out of a total workforce of 10,500;
- In Belgium, the measures announced on January 25, 2018 to reduce expenditure and operating costs and to increase operational efficiency could have an impact on jobs. Any implementation of these measures, which could impact up to 1,233 employees, will be launched following the information and consultation procedure in progress with trade unions.

A provision will be accrued for the cost of these measures in 2018 when the conditions for recognising such a provision are met.

The second pillar aims to regain room for manoeuvre to improve the Group's efficiency and competitiveness in the interest of its customers. This will involve a significant reduction in its cost base and a more effective, targeted investment policy focused on its growth drivers. As well as a 2 billion-euro cost reduction plan, the roll-out of this pillar will eliminate certain loss centres. Struggling stores will exit the Group's scope of consolidation. These include the network of 273 ex-Dia stores which have experienced great difficulties. A search for buyers has been or will be launched. In the absence of buyers, the stores will be closed.

The property and equipment of the stores concerned have therefore been written down in the Consolidated Financial Statements for the year ended December 31, 2017 (Note 5.3 to the Consolidated Financial Statements).



## 4. Other information

### b. Strategic partnership in China

On January 23, 2018, Carrefour announced that it had signed a term sheet with Tencent and Yonghui regarding a potential investment in Carrefour China. The planned transaction, which is subject to the finalisation of further due diligence and the agreement of the parties on the definitive terms of the complete legal documentation, would allow Carrefour to remain Carrefour China's largest shareholder and to continue to control the company.

The potential investment would leverage Carrefour's retail knowledge with Tencent's technological excellence and Yonghui's operational know-how and in particular its deep knowledge of fresh products.

Also on January 23, 2018, Carrefour and Tencent announced that they had signed a preliminary agreement regarding strategic business cooperation in China in order to bring together Carrefour's retail knowledge with Tencent's digital expertise and innovation capabilities.

Thanks to this partnership, Carrefour would improve its online visibility, increase the traffic of its offline and online retail activities, and benefit from Tencent's advanced digital and technological expertise to develop new smart retail initiatives.

### c. Strategic partnership with Showroomprivé

On January 11, 2018, Carrefour announced that it had signed a strategic agreement with Showroomprivé, Europe's second-largest online private sales player. This partnership is part of both groups' strategy of developing a leading omni-channel offering, and will notably cover areas such as sales, marketing, logistics and data.

In order to seal the partnership, Carrefour acquired 16.86% of Showroomprivé's share capital on February 7, 2018. This took the form of an off-market acquisition of the block of shares owned by Conforama, a Steinhoff group subsidiary, at a price of 13.5 euros per share, for a total amount of around 79 million euros.

An additional payment will be made by Carrefour to Conforama should Carrefour launch a takeover bid for Showroomprivé within 18 months of the completion of the transaction. This transaction was granted an exemption from the obligation to launch a public offer by the French financial markets authority (AMF).

Upon completion of the transaction, Carrefour will replace Conforama in the current shareholders' agreement between the founders of Showroomprivé and Conforama, under an agreement whose main terms are identical to the existing pact between the founders and Conforama/Steinhoff. The founders will retain 27.17% of the capital and 40.42% of the voting rights. Carrefour will hold 16.86% of the capital and 13.67% of the voting rights.

The shareholders' agreement contains provisions relating to (i) the composition of the board of directors (11 directors and one non-voting director, including five appointed by the founders among whom the chairman who has a casting vote and one director and one non-voting director appointed by Carrefour, as well as five independent directors); (ii) an undertaking of the parties to maintain the current management; and (iii) possible termination of the shareholders' agreement in case of persistent disagreement on major strategic decisions, which could lead to the unwinding of the Carrefour investment or a tender offer.

The Group considers that its representation on Showroomprivé's Board of Directors gives it significant influence over the company. Accordingly, the stake acquired by the Group on February 7, 2018 will be accounted for by the equity method in the Consolidated Financial Statements as from that date.

No other events have occurred since the year-end that would have a material impact on the Consolidated Financial Statements.