



2006

■ Annual Report ■


groupe**carrefour**

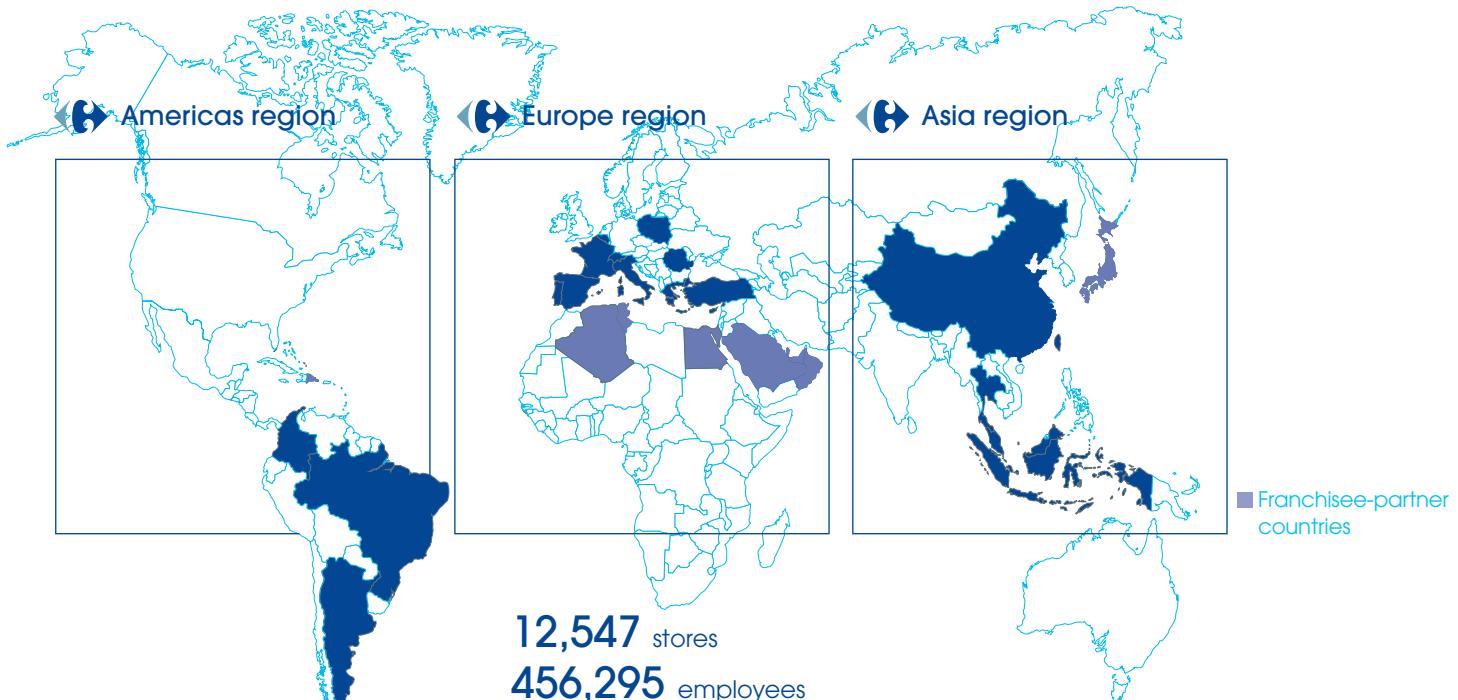
No. 1 in Europe
No. 2 worldwide
29 countries
12,547 stores
456,295 employees

15,268,616
sq.m sales area

97.24 billion euros
of sales incl. tax under Group banners

More than **3** billion cash transactions
per year for all store formats

In forty years, the Carrefour Group has become a leading international force in retailing. As the second largest retailer in the world and the largest in Europe, the Carrefour Group now boasts over 12,500 stores operated directly by the Group or under franchising agreements in 29 countries, spanning four main grocery store formats: hypermarkets, supermarkets, hard discount stores and convenience stores.

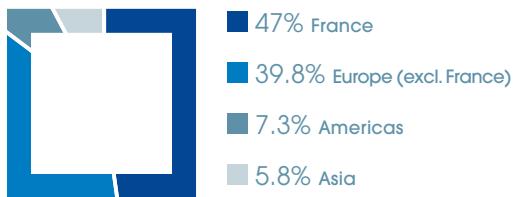


An international, multi-format Group operating in 29 countries

Breakdown of sales (incl. tax, under Group banners) by format



Breakdown of sales (incl. tax, under Group banners) by geographic region



Hypermarkets

Carrefour

292,877

employees

1,040

stores

Supermarkets

Champion **Carrefour EXPRESS** **GS** **GB** **GLOBI** **Gima**

81,344

employees

2,425

stores

Hard discount

Dia **Ed** **Mminipreço**

46,302

employees

5,798

stores

Convenience, Cash & Carry and Online commerce

Convenience: **MarchéPlus** **8 à Huit** **express** **SHOP!**
 Cash & Carry: **Contact** **Edipérdi** **5** **Smile** **ed**
 Online commerce: **Promocash** **ocks** **GROSS**

4,523

employees

3,130*

stores

Online commerce

oooshop.com **BOO STORE**

154

stores

* Except for Sherpa and Proxi banners representing 1,541 stores in France.

Store locations as of 31 December 2006

Europe	Year of establishment	Portfolio of stores										Total			
		Number of employees	Sales incl. tax under banners in millions of euros		Growth in sales incl. tax under banners at constant exchange rates	HYPERMARKETS		SUPERMARKETS		HARD DISCOUNT		CONVENIENCE			
			Franchised	Total		Franchised	Total	Franchised	Total	Franchised	Total	Franchised	Total		
France	1963	140 514	45 725	2,8 %	192	26	615	410	811	37	-	1 654	101	33	3,879
Spain	1973	70,134	14,087	3.4%	148	6	82	-	1,961	845	-	-	-	-	3,042
Italy	1993	26,551	7,677	4.9%	55	1	247	221	-	-	173	816	17	3	1,533
Belgium	2000	18,131	5,381	1.8%	56	-	79	202	-	-	-	224	-	-	561
Greece and Cyprus	1991	14,675	2,540	10.7%	25	-	164	4	295	100	51	151	-	-	790
Portugal	1992	6,155	1,386	6.2%	10	-	-	-	320	107	-	-	-	-	437
Poland	1997	17,265	1,359	12.4%	42	-	83	-	-	-	-	-	-	-	125
Romania	2001	4,462	607	32.8%	7	-	-	-	-	-	-	-	-	-	7
Switzerland	2001	2,294	637	0.4%	9	3	-	-	-	-	-	-	-	-	12
Turkey	1993	9,227	1,468	22.3%	13	-	91	-	393	42	-	-	-	-	539
Total		168,894	35,140	5.5%	365	10	746	427	2,969	1 094	224	1 191	17	3	7,046
Latin America															
Brazil	1975	47,254	4,636	7.3%	143	-	-	-	214	44	-	-	-	-	401
Argentina	1982	20,066	1,674	17.6%	30	-	118	-	325	49	-	-	-	-	522
Colombia	1998	6,454	819	27.6%	31	-	-	-	-	-	-	-	-	-	31
Total		73,774	7,129	12.1%	204	0	118	0	539	93	0	0	0	0	954
Asia															
China	1995	40,742	2,482	18.6%	90	-	-	-	255	-	-	-	-	-	345
Taiwan	1989	11,474	1,390	4.9%	47	-	-	-	-	-	-	-	-	-	47
Thailand	1996	6,828	503	0.2%	24	-	-	-	-	-	-	-	-	-	24
Indonesia	1998	9,869	689	27.2%	29	-	-	-	-	-	-	-	-	-	29
Malaysia	1994	3,538	251	9.0%	10	-	-	-	-	-	-	-	-	-	10
Singapore	1997	662	102	1.7%	2	-	-	-	-	-	-	-	-	-	2
Total		73,113	5,417	13.0%	202	0	0	0	255	0	0	0	0	0	457
Partner countries (franchised)															
Belgium	2000	-	-	-	-	-	-	-	-	-	-	-	-	-	63
United Arab Emirates	1995	-	10	-	-	-	-	-	-	-	-	-	-	-	10
Saudi Arabia	2004	-	5	-	-	-	-	-	-	-	-	-	-	-	5
Oman	2000	-	1	-	-	-	-	-	-	-	-	-	-	-	1
Qatar	2000	-	2	-	-	-	-	-	-	-	-	-	-	-	2
Egypt	2002	-	3	-	-	-	-	-	-	-	-	-	-	-	3
Tunisia	2001	-	1	-	2	-	-	-	-	-	-	-	-	-	3
Algeria	2006	-	1	-	-	-	-	-	-	-	-	-	-	-	1
France (French overseas territories)	1988	-	9	-	44	-	-	-	-	-	61	-	-	-	114
Dominican Republic	2000	-	1	-	-	-	-	-	-	-	-	-	-	-	1
Japan	2000	-	8	-	-	-	-	-	-	-	-	-	-	-	8
Total		3,829	16.2%	0	41	0	109	0	0	0	61	0	0	0	211
Group total															
		456,295	97,240	5.4%	963	77	1,479	946	4,574	1 224	224	2 906	118	36	12,547

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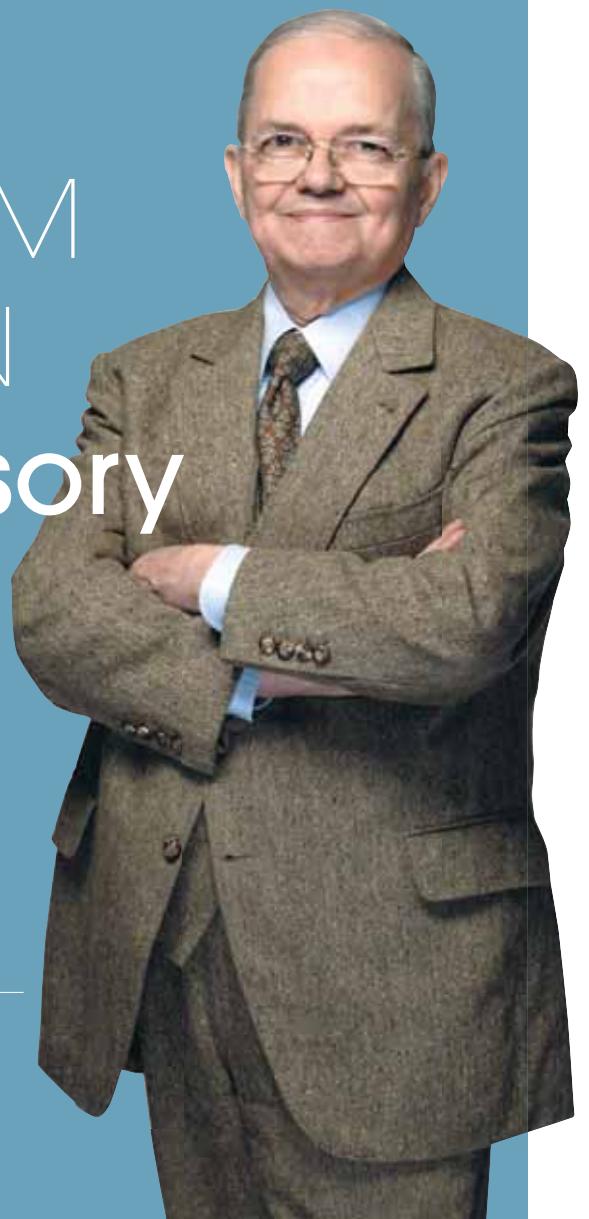
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MESSAGE FROM THE CHAIRMAN of the Supervisory Board

Robert Halley



2006 was a year of growth for the Carrefour group, a result of the strategy instituted by the Management Board over the past two years. On behalf of the Supervisory Board and as the representative of the Group's shareholders, let me assure the Management Board of my full support and confidence in pursuit of this strategy, which is already bearing fruit.

In 2006, the Carrefour group successfully seized every potential opportunity for growth. Sales rose by 6.4%, the strongest increase in four years. We opened nearly 1,000 stores and our retail banners gained market share overall. To achieve these results, Carrefour made the right decisions and recaptured a winning spirit.

I am counting on the Management Board and its teams to consolidate our 2006 achievements by maintaining our policy of low prices and a diverse offering and to forge ahead on other initiatives as well. In an increasingly competitive global environment, the Carrefour group must explore new frontiers, offer new services and expand its banners in high-potential emerging markets.

I am convinced that Carrefour possesses all the necessary assets to remain on this path towards further growth and innovation. The Supervisory Board will ensure that the Management Board and its teams continue to implement their strategy in a rigorous and responsive manner. Over the past 24 months, the market has responded to the Group's hard work. There is no doubt that this will lead to the creation of lasting value for shareholders. Staying firmly on course is therefore essential to creating this long-term value.



Robert Halley

“

CARREFOUR POSSESSES
ALL THE NECESSARY ASSETS
TO REMAIN ON THIS PATH
TOWARDS FURTHER GROWTH
AND INNOVATION. ”



■ **José Luis Duran, how would you assess the Carrefour group overall in 2006?**

Through our efforts in 2006, Carrefour is moving and growing again. We set new records for store openings and maintained a downward pressure on prices.

Our European stores are once again competitive and our low-price policy has strengthened our positioning in key markets. As a result, in 2006 our grocery market share in France rose 0.5%* to 26%, consolidating our market lead.

Sales grew at the strongest rate in four years, rising 6.4% at constant exchange rates—a two-point gain over our increase in 2005. That's the tangible result of our customer-focused policy of growth and competitiveness. Every day, in each and every one of our stores, we have continued our low-price policy backed by customer loyalty programmes, while expanding our product mix and encouraging innovation in our departments.

We accelerated our growth by opening nearly 1,000 points of sale, amounting to 1.4 million sq.m in one year, and we plan to maintain that pace in the coming years.

We also grew our business through tactical acquisitions. Our latest acquisition was that of Poland's Ahold in December 2006, which has vaulted Carrefour Polska to the number two position in the market.

The key strength of our strategy lies in not being dependent on one single market or format. The Group's multi-format strategy, which we are developing worldwide, is now proving more effective than ever.

■ **In 2005, you announced that your two priorities were growth and customers. You have just explained how the Group has continued to grow. What have you done for the customer?**

Our entire workforce is focused on our top priority: satisfying the customer. Every day, our employees mobilize their full expertise in improving our business, providing better service to our current customers and attracting new ones as well.

This focus on customers means that we put prices front and centre. In 2006, we worked very hard to lower prices and that's what we'll continue to do this year and in the years to come. We're seeing the first signs of improvement in our price image in several countries and France in particular. Winning long-term market share depends on our ability to offer the best prices to our customers.

Focusing on customers also means offering them a wider selection, a more attractive array of products and services suited to local tastes. We have expanded our product mix in both the food and non-food categories by, for example, offering greater innovation in our own brands. For non-food products, we're emphasizing high-growth categories like apparel, housewares and baby products.

As we expand our offering, we're also improving the quality of our customer service at the point of sale. In 2006 we boosted the presence and visibility of employees throughout our stores, to provide better customer service and encourage more decision-making among those in day-to-day contact with customers.

We're also expanding our retail services. For example, Carrefour Spain was the first retailer in that country to offer a mobile telephone service under its brand name (October 2006). In France we launched a similar MVNO service in November 2006. Many other innovative services are available to our customers, such as the financial service packages we offer at Champion in France. And to improve our service offerings still further, Carrefour is developing an e-commerce operation to provide an additional retail channel alongside our stores. In France, 2006 also marked the launch of Boostore.com, a Web site dedicated to non-food products.

Lastly, our focus on customers means that we serve them better by getting to know them better. For that purpose, we have expanded our customer databases. By mining the information contained in these databases, we can tailor our products, services, prices and customer relations programmes to our customer base with even greater precision. Effective customer-loyalty practices are being widely adopted throughout the Carrefour group. For example, Carrefour Polska has introduced its first loyalty card, which can be used at Champion, Globi and Carrefour Express. This initiative puts Carrefour ahead of the curve in the Polish retail market.

* Source: TNS Worldpanel.
Grocery market share.

■ **Lifestyles and modes of consumption are changing not only in France but everywhere that Carrefour operates. Are your stores changing as well?**

Consumption patterns are constantly changing and we view this as an opportunity to update our store formats and retail concepts in an increasingly competitive environment.

We have taken a fresh look at our traditional formats in order to improve the quality of our products and services while at the same time maximizing every opportunity for growth. The strength of our brand allows us this flexibility in adapting our formats. With our hypermarkets of less than 5,000 sq.m, we are establishing a presence in mid-sized cities in Poland, Colombia and China, and in mature markets as well.

In Spain, for example, we've opened 18 Carrefour mini-hypermarkets.

In addition, in several countries we have begun to exploit the power of the Carrefour brand by developing even smaller formats, particularly at the supermarket level. In Spain we opened 82 supermarkets in 2006 under the name Carrefour Express. This innovative strategy also extends to the hard-discount format, such as our 135 newly opened MaxiDia stores in Spain.

All of our testing is designed to maximize our return per square metre in order to offer customers a wider selection and a better availability of products within a single retail space. We're also reviewing product presentation and store layouts to make it easier for customers to shop and understand in-store signage. Several laboratory stores have been established in France, Belgium and Italy as well as Colombia and Taiwan, and initial results are encouraging.

■ **Governments and consumers alike gave signs of an increasing concern for matters of social responsibility in 2006. How is Carrefour responding to this issue?**

In line with its values, the Carrefour group has long promoted fair trade in every country in which it operates. As a major economic player, we are fully mindful of our responsibilities. Our customers and partners expect more than commitments; they want actions and results. Carrefour's retail banners actively contribute to the economy of the regions in which they are located. In each country, some 90% of our products are bought locally and in many cases from small or medium-sized businesses. As a result, we help to create jobs in numerous local industries.

We're also involved in local community life. We participate in long-term programmes involving education, health care and job training for young people in countries as diverse as Colombia, Brazil and Taiwan.

Moreover, we take action to protect the environment by raising awareness among our customers and suppliers of the need to preserve natural resources. Our teams also work to reduce our impact on nature by adopting an eco-friendly approach to the design of our stores. More specifically, following the construction in France of two Champion stores built to High Environmental Quality standards, Carrefour will open the first eco-friendly hypermarket in Beijing in 2008.

■ **How does Carrefour demonstrate its social responsibility in more specific terms?**

In the retail business, men and women play a central role. They represent our greatest asset for both customers and our brand. The Carrefour group is the world's 11th largest private employer, all industries combined, with more than 456,000 employees worldwide. In France, we're the top private employer, with over 140,000 employees. Each year our subsidiaries hire a total of more than 100,000 people throughout the world. In France alone, we hire some 15,000 new employees annually. The Group's sustained growth will naturally lead to greater employment worldwide: our growth creates jobs.

In terms of job quality, it's important to point out that we provide many young people and low-skilled workers with access to their first experience with employment. Moreover, thanks to the training we offer and a wide range of over 100 career paths, we also offer genuine opportunities for career advancement. Take China, for example: we open about 20 stores there annually, so every year we need to train approximately 20,000 new employees, including nearly 1,000 managers. At Carrefour, we offer career advancement opportunities to everyone, including opportunities abroad, without regard to a college degree. In addition, the Group prefers to promote from within; more than half of our managers have come up through the ranks.

Finally, thanks to our global presence and our wealth of professional expertise, our teams reflect an incredibly wide range of skills and cultures. This diversity is Carrefour's true strength; it allows the Group to adapt seamlessly to every region in which it operates, particularly because we hire most of our employees from the local community.

■ **What are your projections for 2007 and thereafter? Does Carrefour plan to continue its strategy of growth and its commitment to customers?**

Our priorities haven't changed. In 2006, we set a goal and we're staying the course. In 2007, we plan to accelerate our deployment of this strategy. With regard to growth, we'll be adding at least 1.5 million sq.m of surface area in 2007 – a total of 1,000 stores, including 100 hypermarkets, all banners combined.

On behalf of our customers, we are firmly moving ahead with our ongoing low-price policy while offering more promotions, especially in our hypermarkets. For the third consecutive year, we have set a goal of increased market share, particularly in France. Also for our customers, we'll continue to offer a wider variety of food and non-food items and to draw on the high level of brand recognition that our brands enjoy among consumers. With this goal in mind, we will capitalize on the experiments we conducted at our various stores in 2006.

Lastly, we'll look toward new markets as well. That means local acquisitions in countries where we currently operate, but it also includes the possibility of establishing a presence in new countries, such as Russia and India. However, any such store openings will have to satisfy three criteria: we must be able to capture a leading market position within the medium term, establish our brand quickly and secure a return on investment. It is only under these conditions that we will expand our scope of operations.

2006 marked a new dynamic of growth at Carrefour. Such momentum can only boost our confidence. On behalf of the Management Board, I would like to thank the workforce for its energy and determination throughout 2006. I am confident that Carrefour employees are already poised to make 2007 a year of accelerated growth.

“

2006 MARKED A NEW DYNAMIC OF GROWTH AT CARREFOUR. SUCH MOMENTUM CAN ONLY BOOST OUR CONFIDENCE. ON BEHALF OF THE MANAGEMENT BOARD, I WOULD LIKE TO THANK THE WORKFORCE FOR ITS ENERGY AND DETERMINATION THROUGHOUT 2006. I AM CONFIDENT THAT CARREFOUR EMPLOYEES ARE ALREADY POISED TO MAKE 2007 A YEAR OF ACCELERATED GROWTH. ”



"2006 was marked by accelerated growth within the Group. We are seeing renewed momentum."

José Maria Folache,
member of the Management Board

The year 2006



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2006: a renewed drive for growth

Once again, a combination of organic growth and acquisitions led to the opening of nearly 1,000 new stores. Here we look back on a year of growth.

■ Growth: staying the course

Growth is central to the Carrefour group's strategy. In 2005 Carrefour embarked on a new commitment to growth by expanding the number of new store openings. The Group opened over 100 new hypermarkets worldwide in 2006 and nearly 1,000 new stores altogether. New retail formats have been deployed as well, with the result that the Group now has a presence in formats of every size. Occupying the number one position in all our markets is key to offering the best prices and keeping our trade names foremost in consumers' minds.

■ Renewed momentum

- In 2006, the Carrefour group achieved its sales growth objective, with a 6.4% increase in sales at constant exchange rates.

- France's sales strategy also showed results, with a 0.5%* rise in grocery market share.

- At the global level, China, Greece, Poland, Colombia, Argentina and Indonesia showed strong sales growth.

■ Record growth

- 1.4 million sq.m of new sales floor area (90% from organic growth), marking a 20% increase over 2005.
- An increased rate of hypermarket openings in key countries:
 - China: 21 openings,
 - Taiwan: 11 openings,
 - Spain: 10 openings,
 - Colombia: 10 openings,
 - Indonesia: 9 openings,
 - Brazil: 9 openings,
 - Poland: 8 openings.

■ Targeted tactical acquisitions in Europe

Acquisitions have rounded out the growth initiative begun in 2005. For example:

- In Poland, the acquisition of Ahold Polska** catapulted the Group to the number two position in the country's grocery retail market;
- In Romania we cemented our market position by integrating six Hyparla hypermarkets;
- In Spain, we acquired four hypermarkets and two petrol stations from Caprabo in January 2006.

Consistent with our strategy of disposing of non-strategic or underperforming businesses, Carrefour withdrew from the South Korean market, selling its 32 hypermarkets in the country.

* Source TNS Worldpanel.

** Subject to regulatory approval.



+0.5%*
gain in grocery market
share in France

103
new Carrefour
hypermarkets

968
new stores

1.4 million
sq.m of new sales
surface area

Expansion of Carrefour Polska

Carrefour's aggressive strategy in Poland bore fruit in 2006. Through its acquisition of Ahold Polska, Carrefour captured a leading share of the Polish market; 194 stores, including 15 hypermarkets, with a total of 180,000 sq.m were added to the Group**. Carrefour Polska accelerated its growth in 2006, developing new store formats like Carrefour Express and opening a mini-hypermarket in September 2006.

** Subject to regulatory approval.

Financial overview

2006 was a year of growth during which Carrefour's new business model began to take shape.

Mobilized behind its two strategic orientations, customers and profitable growth, the Group fulfilled its objectives:

- Sales rose by 6.4% at constant exchange rates—beating the growth rate in 2005 by over two percentage points.
- Grocery market share increased in France for the second consecutive year.
- Nearly one thousand new stores were opened, including over 100 hypermarkets—double the rate achieved in 2004.

Every geographical region contributed to the increase in sales. In particular, Latin America and Asia both posted double-digit growth in sales at constant exchange rates.

Activity Contribution before depreciation and amortization grew by 5.7%, generally in line with sales, while activity contribution rose by 3.4%.

Group Share of net income rose by 3.3%.

Breakdown of consolidated net sales by geographic region



- 47.8% France
- 38.3% Europe (excl. France)
- 7.6% Latin America
- 6.3% Asia

TOTAL €77,901 M

Breakdown of consolidated net sales by format



- 58.9% Hypermarkets
- 17.4% Supermarkets
- 9.1% Hard Discount stores
- 14.6% Other stores

TOTAL €77,901 M

Breakdown of activity contribution



- 52.7% France
- 37.1% Europe (excl. France)
- 5.0% Latin America
- 5.2% Asia

TOTAL €3,258 M

■ Consolidated net sales: €77,901 million.

In 2006, consolidated sales grew by 6.6% at current exchange rates and 6.4% at constant exchange rates, exceeding the rate of growth posted in 2005 and 2004 by two points. By comparison, growth in sales in 2005 at constant exchange rates and after application of IFRS 5 was 4.3%.

In 2006, the Carrefour Group sold its operations in South Korea.

In addition, the Group acquired six hypermarkets in Spain and 29 stores for the Dia trade name in Andalusia. In Italy, the Group purchased six franchised supermarkets and 15 convenience stores.

Sales in France rose by 4.6% in 2006. Sales in Europe increased by 6.2%,

while in Latin America and Asia sales grew by 16.8% and 14.0% respectively.

■ Activity Contribution before depreciation and amortization: €4,845 million

Thanks to a slight increase in the margin from current operations, Activity Contribution before depreciation and amortization rose by 5.7%, generally in line with sales, despite increased costs primarily driven by higher rental payments.

■ Group activity contribution: €3,258 million

As projected, Activity Contribution increased at a more moderate pace than sales, as a result of the low-price policy and costs tied to the acceleration in the Group's expansion programme.

Activity Contribution rose by 3.4%, and every geographic region contributed to this growth.

The increase was 0.3% in France, 5.5% in Europe, 21.8% in Latin America and 5.4% in Asia.

■ Debt:

Net debt stood at €6,309 million at the year end, a reduction of €481 million from 2005.

The ratio of net financial debt to shareholders' equity was 60%, an improvement over 2005.

Financial expense increased by 6.6% over the year, while coverage of financial expenses stood at 10.1 X.

■ **Net income from recurring operations – Group share: €1,857 million**

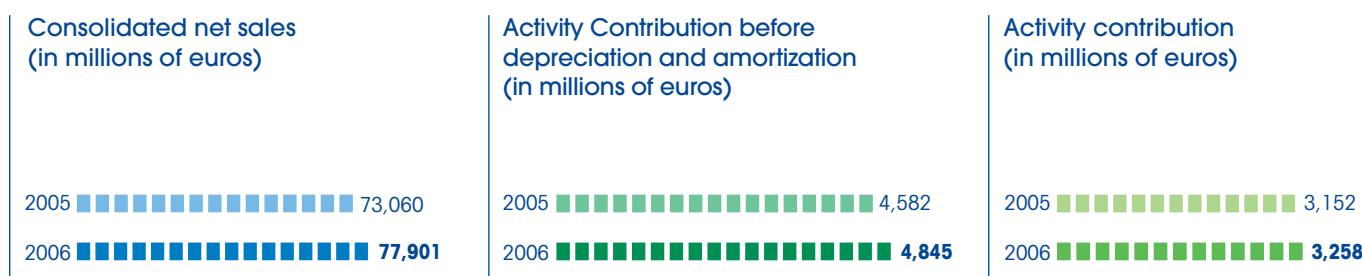
Net income from recurring operations – Group share grew by 3.3%, despite a 6.6% increase in financial expenses. The taxation rate for 2006 stood at 29%, compared with 29.3% in 2005.

■ **Net income from recurring operations per share: €2.64**

Net income from recurring operations per share was €2.64, an increase of 2.5% over 2005.

The Group Share Net Income per share taking into account the proceeds from operations that were sold or are in the process of being sold, was €3.22 in 2006, versus €2.05 in 2005.

The 2006 financial statements are presented in accordance with IFRS principles. The 2005 financial statements have been restated to reflect the IFRS 5 standard. They have been adjusted for disposals that occurred or were announced during the course of 2006.



* Published in 2005.



Stock market overview

Capital

At 31 December 2006, Carrefour's equity capital totalled 1,762,256,790 euros.

This was made up of 704,902,716 shares with a par value of 2.50 euros and is unchanged from 31 December 2005.

■ Distribution of capital

The capital structure at 31 December 2006 was as follows:

Shareholders	Number of shares	In %	Number of ordinary voting rights	In %	Number of extraordinary voting rights	In %
Halley family group	95,307,541	13.52	168,762,694	20.47	168,762,694	20.47
Employees	8,619,876	1.22	17,216,097	2.09	17,216,097	2.09
Owned shares	1	0.00		0.00		0.00
Controlled shares	0	0.00		0.00		0.00
Public	600,975,298	85.26	638,318,397	77.44	638,318,397	77.44
Total	704,902,716	100.00	824,297,188	100.00	824,297,188	100.00

Carrefour stock

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

It is included in the following indices: CAC 40, DJ Euro Stoxx 50 and DJ Stoxx 50. On 29 December 2006, the share was in 9th position in the CAC 40 index in terms of market capitalization, with a weighting of 2.87%.

(in euros)	2002	2003	2004	2005	2006
Quoted price: highest	58.15	46.34	44.11	41.75	51.15
lowest	38.07	29.35	33.70	35.36	38.10
on 31 December	42.43	43.52	35.04	39.58	45.94
Number of shares on 31 December	716,141,771	716,142,383	705,119,550	704,902,716	704,902,716
Market capitalization on 31 December (in billions of euros)	30.4	31.2	24.7	27.9	32.4
Average daily volume	2,567,064	2,513,291	3,028,232	2,613,756	3,117,619
Net income per share from recurring operations	-	-	2.56	2.58	2.64
Net dividend	0.64	0.74	0.94	1	1.03*
Yield	1.50%	1.70%	2.70%	2.53%	2.24%

* Subject to the approval of the shareholders at their Annual Meeting on 30 April 2007.

Share price movements in 2006
compared with the CAC 40 index (basis 100)
compared with the BEFOODR index* (basis 100)



* The BEFOODR index includes: Carrefour, Casino, Colruyt, Delhaize, Sainsbury, Ahold, Metro AG, Wm Morrison and Tesco.

Shareholder information

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

■ A telephone number for shareholders

Service available 7 days a week, 24 hours a day.

By dialing +33 (0)1 55 63 39 00, shareholders have access to the following information:

- Group news and important events;
- The share price, its movement and that of the CAC 40;
- The calendar of meetings and financial publications — contact information can be left by voice mail to receive the Letters to Shareholders, the Shareholder's Guide or the Annual Report;
- Pure registered shares and their advantages — the shareholder is put through to an adviser of the Credit Agricole Indosuez Corporate Trust, appointed by Carrefour to manage registered shares;
- The Group's strategy and outlook, by contacting the Shareholders' Service.

■ A Shareholders' e-mail alert

Register under the "Shareholders" section of the Carrefour website:
<http://www.carrefour.com>.

■ The Letter to Shareholders

Sent to all registered and bearer shareholders who request it, the Letter to Shareholders appears twice a year, following the publication of the half-yearly and annual results.

■ The Shareholder's Guide

Contains all the essential information on the Group and share management.

■ Meetings:

the Annual Shareholders' Meeting, other shareholder meetings or meetings during the Paris Actionaria Exhibition. A schedule of upcoming meetings can be found on the Group website, www.carrefour.com.

Contacts:

Carrefour Group

■ Investor Relations

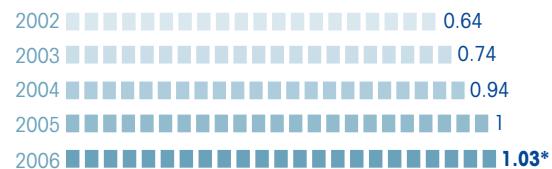
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investisseurs@carrefour.com

Carrefour Group

■ Shareholder Relations

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Dividend per share (in euros)



* Subject to the approval of the shareholders at their Annual Meeting on 30 April 2007.

The Dividends are prescribed after five years to the benefit of the State.

2007 calendar of financial information:

- 2006 Annual results
8 March 2007
- 2007 first quarter sales
11 April 2007
- Shareholders' Meeting (on 2nd notification)
30 April 2007
- Payment of dividend
4 May 2007*
- 2007 second quarter sales
10 July 2007
- 2007 half-yearly results
30 August 2007
- 2007 third quarter sales
16 October 2007

* Subject to the approval of the shareholders at their Annual Meeting.





"The era of standardized stores has gone by the wayside; to stay on top, we have to adapt and innovate."

Guy Yraeta,
member of the Management Board

Changing retail models



18 **New formats:** reinvented stores

20 **Hypermarkets:** a model in constant change

22 **Supermarkets:** a redefined format

24 **Hard discount stores:** building on success

26 **Convenience stores:** highly adaptable

27 **Cash & Carry and e-commerce**



New formats: reinvented stores

In response to its customers' changing lifestyles, the Carrefour group has been testing new store concepts. Rollout began in 2006.

Since 2005, the Group has been breaking the link between trade name, format and sales floor area. Initial market tests demonstrated their growth potential, so these new concepts have been implemented and adapted in a number of countries.

■ MaxiDia: a focus on discount prices

A true hard discount supermarket, MaxiDia offers the lowest prices for groceries and boasts a wide range of fresh products as well as everyday household items sold primarily under the Dia brand name. Larger than the traditional format at 1,000 to 1,200 sq.m, MaxiDia features more product variety plus parking facilities for easy access. By year-end 2006, Spain had 135 MaxiDia stores.

■ Mini Hyper: big selection in a smaller package

These are hypermarkets located in mid-sized cities or towns that cannot accommodate a traditional hypermarket. Their appeal is based on food promotions and their product range, including a particularly compact and carefully chosen selection of

non-food products. The stores offer a broad but shallow product mix at hypermarket prices in a sales floor area of 2,500 to 4,000 sq.m. Store brands account for 25% of sales. Stores converted into Mini Hypers boosted their sales by approximately 40%. In 2006, 18 Mini Hypers opened in Spain.

■ Carrefour Express: a successful supermarket

The brand, the products, the "all under one roof" concept: the format behind Carrefour Express borrows heavily from its older sibling, the Carrefour hypermarket, but on a much more compact scale. With a sales floor area of no more than 2,500 sq.m, this format offers about 6,700 separate products, a third of which are store brands at hypermarket prices. Stores converted to the Carrefour Express format have seen their sales increase by an average of 30%. Eighty-two Carrefour Express stores were opened in Spain during 2006. The concept has also been adapted to the Brazilian market under the Carrefour Bairro trade name, and pilot projects have been conducted in Poland and Turkey.



Urban supermarkets: putting customers first

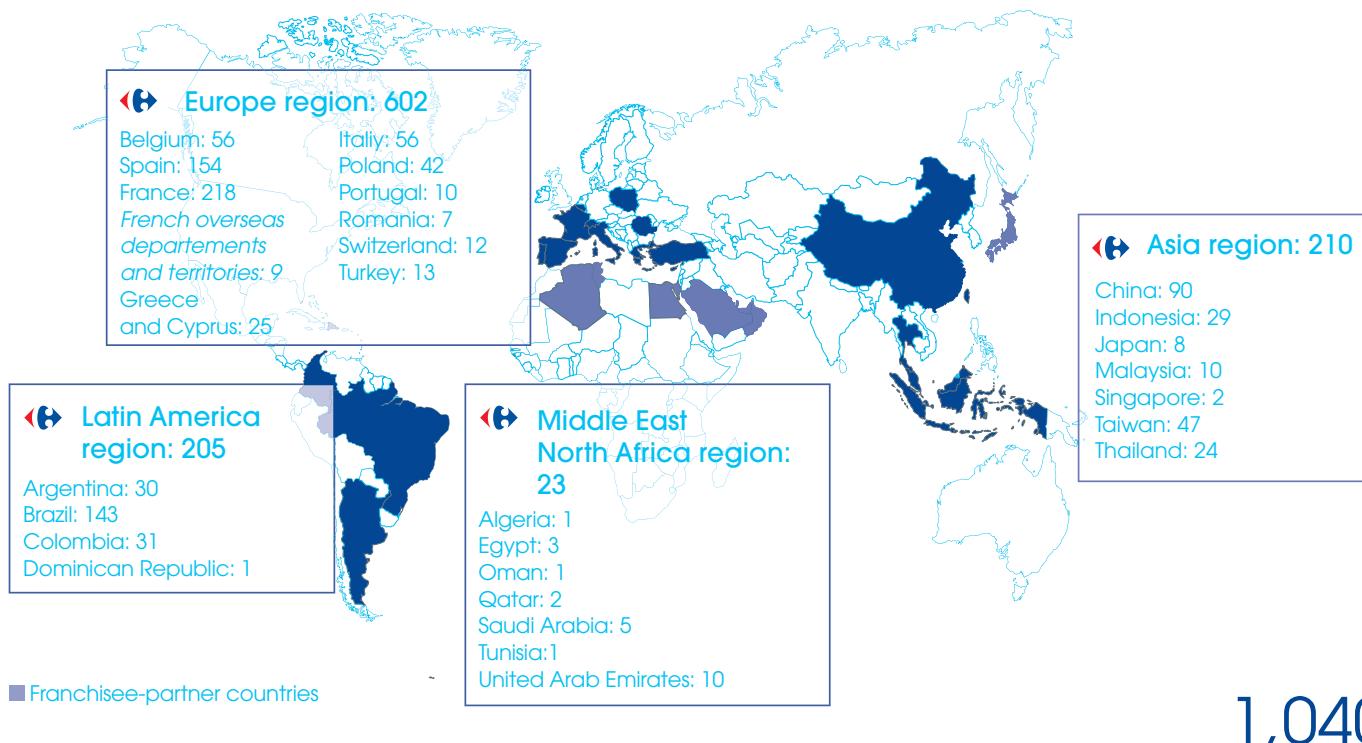
For busy city-dwellers, shopping should offer a moment to relax. To satisfy the need for quick and easy shopping, the Carrefour group recently introduced a new supermarket format designed for active and fairly affluent customers living in city centres. These more sophisticated stores are open until late in the evening, offering prepared meals,

a wide selection of fresh products and an express lane for shoppers who wish to save time. Champion currently operates 30 such stores in France. In Italy, GS Top is testing this concept as well with five newly renovated supermarkets in Milan. The store serves hot meals and customers pressed for time can use the "Spesa Veloce" (express checkout) area.

135
MaxiDia in Spain

141
Carrefour Express,
including 82 in Spain

Hypermarket locations throughout the world at 31 December 2006



Hypermarkets: a model in constant change

The Carrefour group, the world's top hypermarket retailer, increased the number of store openings in 2006. The Group now operates over 1,000 hypermarkets in 29 countries.

■ An appealing format

In 2006, Carrefour hypermarkets enhanced their appeal in three major ways:

- An improved, expanded offering, including broader food and non-food product lines, particularly with regard to own brands, as in France and Italy.
- Competitiveness, with the ultimate goal of offering the lowest prices in each catchment area throughout the year. This has boosted the price image of the Group's hypermarkets, which in turn has helped to attract new customers.
- A wider range of services: insurance, financial services, home computer support, travel and entertainment reservations, mobile phones and more.

■ Carrefour celebrates its 1,000th hypermarket!

On 28 October 2006, Carrefour inaugurated its 1,000th hypermarket worldwide and its 84th in China. Located on the outskirts of Beijing, the Tongzhu hypermarket is the seventh to be built in the Chinese capital. Opening day was an enormous success: 50,000 customers crowded into the store, which sold seven metric tons of rice in just a few hours. Energized by a booming consumer market, the Group plans to open new hypermarkets in China at the rate of 20 per year.





Carrefour opens two new hypermarkets in France

1 March 2006

Carrefour's 217th hypermarket in France opened its doors in the town of Argelès-sur-Mer on France's Mediterranean coast, in partnership with the Eroski-France group. Formerly operating under the Champion banner, the store was expanded in size from 1,300 sq.m to 4,200 sq.m. One new feature is a large selection of non-food products (such as videos, mobile phone service, multimedia items and apparel) and services (including event ticketing services, financial services and photo developing).

23 September 2006

The town of Montélimar, located in southern France, is home to the country's 218th Carrefour hypermarket. The result of a four-month renovation to replace a Champion supermarket located on the site since 1984, the store now features:

- a sales floor area enlarged by 1,200 sq.m,
- an expanded offering of 16,000 product listings.

The hypermarket employs a workforce of 130. Reflecting the Group's new service-oriented policy, the new store offers customers a wide array of services, including an interactive terminal with direct access to the Boostore.com website.

Over-the-counter drugs at Carrefour Italy

Carrefour customers are reaping the benefits of Italy's recent liberalization of drug sales. Since 2 September 2006, Carrefour stores in Turin and Milan have added something completely new to their product offering: over-the-counter drugs are now on sale in a special area under the careful supervision of licensed pharmacists. Carrefour is remaining true to its general pricing policy, offering the lowest prices in its catchment area. And holders of the PASS customer loyalty card enjoy an added benefit: an extra 5% discount on every product.

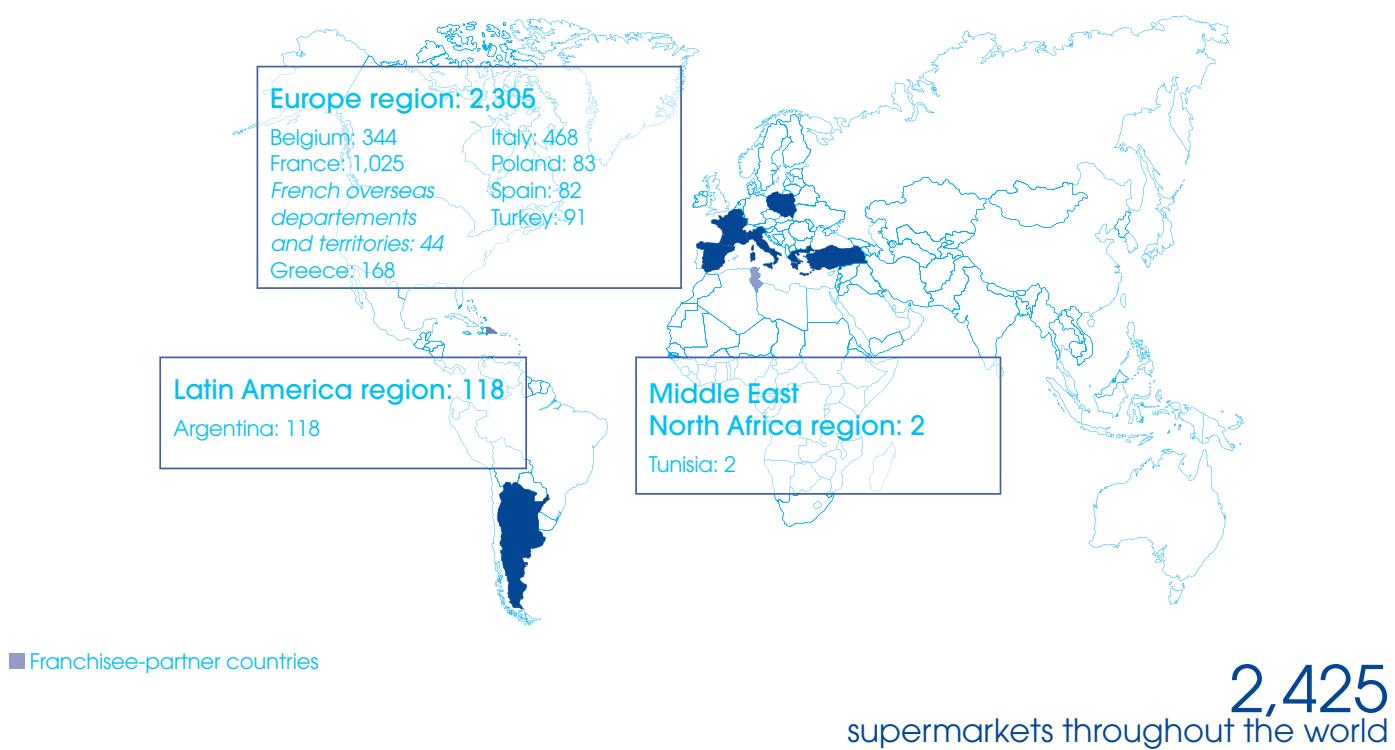
58.7%
of sales incl. tax under the Group's banner

103
new Carrefour hypermarkets worldwide

Up to
80,000
product listings

Sales floor areas of
5,000 to 20,000 sq.m

Supermarket locations throughout the world at 31 December 2006



Supermarkets: a redefined format

Our supermarket network saw major changes in 2006. Today's stores are larger and more modern, with a more intensive focus on quality and the local community.

■ An international format

The supermarket format accounts for 23.8% of gross sales (incl. tax) under Carrefour group banners and some 20% of its retail network, with 2,425 stores in nine countries. With a flexible format that can be adapted to the local environment, supermarkets change with the times. Whether in Warsaw, Istanbul, Madrid or Paris, supermarkets are continually evolving and developing new products and services. Positioned mid-way between hypermarkets and hard discount stores, they offer convenience, ease of shopping and a wide selection.

■ Stores backed by strong trade names

The Group relies on trade names that are well-known to local consumers. In France, the Champion banner, which celebrated its 35th anniversary last year, boasts a high level of name recognition. One-third of the French population shops at Champion, which attracts 7.5 million customers every week.

In Spain, the Group opted to capitalize on the Carrefour banner, which is widely recognized in that country. For that reason, the name "Carrefour Express" was developed for customers seeking Carrefour products and brands in their own neighbourhoods. The Carrefour Express concept is also being implemented in Poland, Turkey and Brazil. Elsewhere, Carrefour draws on local trade names that are widely familiar, including Champion Marinopoulos in Greece, GB in Belgium and GS in Italy.



■ Modernizing the retail network

In city centres, a highly urban supermarket concept has been developed, designed specifically to provide customers with low prices and a selection tailored to their needs, all in a service-oriented environment. In 2006, 30 Champion stores in France were remodeled in line with this concept. The results have been encouraging. With a sales floor area limited to 1,000 sq.m, these stores are intended to make life easier for their customers. They mainly sell grocery products with an emphasis on fresh foods, and feature a large number of check-out counters, including automated check-outs, as well as a pleasing environment, with background music in the produce department and subdued lighting throughout. The stores are practical and comfortable.

In Italy, the new GS Top concept offers upscale stores for a demanding urban clientele. An urban concept is also being tested in Argentina under the name Norte.

■ Champion: new challenges, new horizons

Champion, France's second largest supermarket network, once again gained market share in 2006. The retailer operates 1,025 supermarkets and is focusing on two major growth strategies: accelerate its expansion and continue efforts to update the retail concept.



2,425
supermarkets worldwide

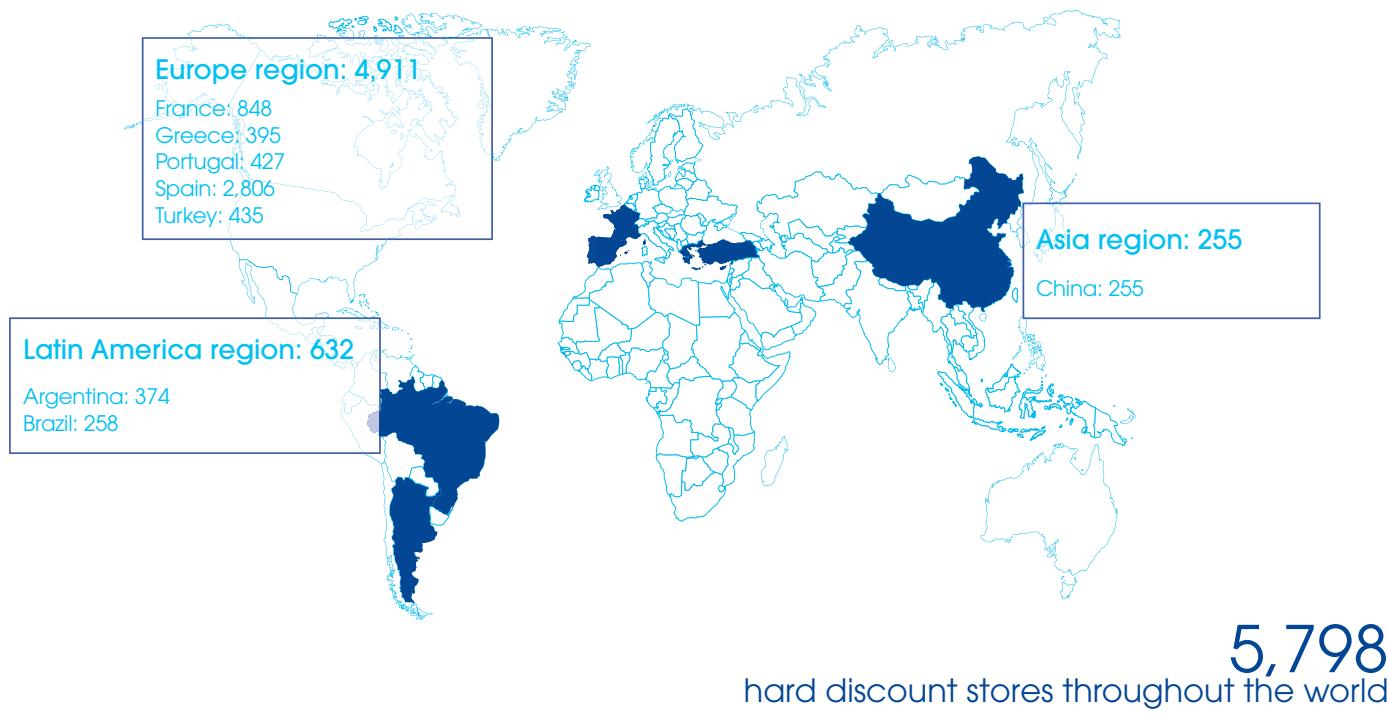
23.8%
of gross sales, incl. tax,
under the Group's banners

A presence in

9
countries

82 Carrefour Express
stores in Spain

Hard discount locations throughout the world at 31 December 2006



Hard discount: building on success

In 2006, the Carrefour group expanded its hard discount format at a faster pace, opening more than 500 stores.

■ A booming format

Carrefour's hard discount segment, No.3 in its sector in Europe, has a clear goal: to rank among the top three discount grocery retailers in every country in which the Group operates. In 2006, the segment's total sales rose 11.3%: a remarkable performance, especially in Dia International's three major countries – Spain, France and Portugal. In France, sales at ED stores also increased, climbing 13.3% to 2.7 billion euros. The Carrefour group plans to open 400 new stores in 2007.

■ Dia, a global benchmark brand

The essentials and nothing but the essentials at the lowest price: that's the mission of Carrefour's hard discount stores, which consequently offer a mix of basic health and cleaning products in addition to grocery items. Spearheading the hard discount segment, the Dia brand is distributed worldwide. Alongside a selection of key major brands, the Dia brand forms the core of the product offering on store shelves and meets a full range of household needs.

■ Maxi Dia: a new growth engine

At year-end 2006, Dia International, comprising all of the Group's hard discount stores, totaled 5,798 stores, as compared to 5,451 one year earlier. It also includes Maxi Dia, a network of stores based on an original and dynamic concept. The stores measure over 1,200 sq.m and feature parking facilities and an expanded offering of non-grocery items.



■ ED continues to soar

Created in 1978 in Paris, the Ed banner, which ranks second among hard discount retailers in France, continues its upward path. Growth at the chain has accelerated significantly over the past three years. In 2006, Ed successfully integrated the Penny stores acquired from Rewe in 2005. A number of new services were introduced in Ed retail outlets during 2006, such as rechargeable phone cards; at the same time, a new product mix was developed for these 1,200 sq.m stores, including a wider selection of non-food items. These efforts have resulted in greater customer retention by providing a comprehensive range of products and services, all offered at discount prices – and designed to satisfy a clientele that demands both quality and low prices.



Hard discount stores:

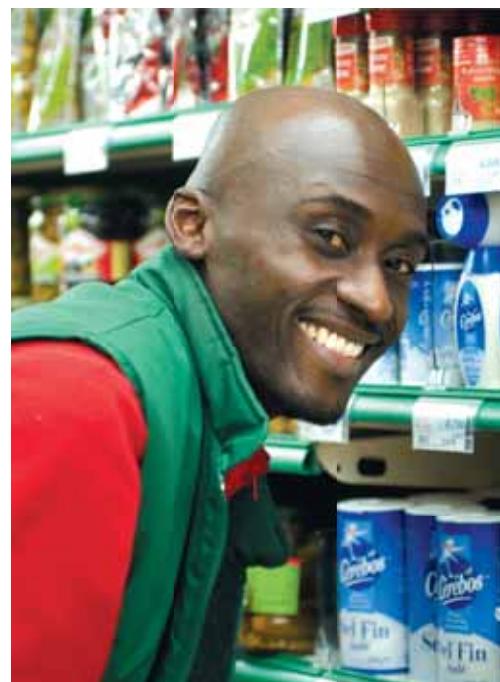
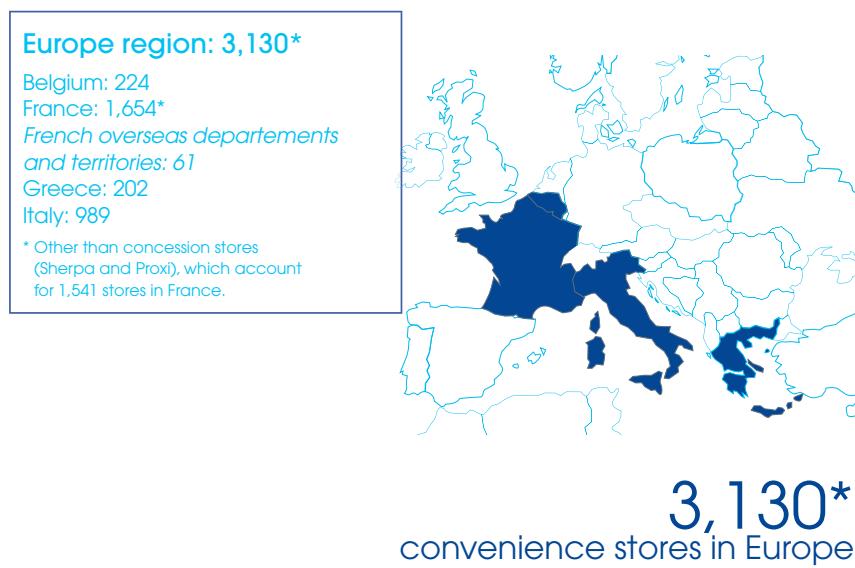
+11.3%
increase in sales

5,798
stores worldwide

544
new stores in 2006

135
MaxiDia stores in Spain

Locations of convenience stores in Europe at 31 December 2006



Convenience stores and other formats: **highly adaptable**

In 2006, the Carrefour group continued to expand its convenience store banners in Europe. The segment comprises a total of 3,130* stores in five countries.

■ Convenience stores: rising value

- Each convenience store banner responds to the specific needs expressed by its customers. These banners include Shopi, Marché Plus, 8 à Huit, Proxi and Sherpa in France; Contact GB and GB Express in Belgium; Di per Di in Italy; and 5' Marinopulos, Smile Market and Ok in Greece. In France, our convenience stores attract over five million customers a month and have captured 24.1% of the market.
- Success built on success in 2006, when the Carrefour group opened a total of 196 new stores. By constantly updating their goods and services, the convenience stores are responding to a twofold challenge:
 - Adapting to sociodemographic changes (including the rising number of single-person households and an aging population)

- Saving customers time and providing solutions by offering products and services suited to their daily needs and good value for their money, all in a friendly environment.

■ New DiperDì format opens in Italy

In Italy, DiperDì is taking on a completely new look, with an innovative store in a central area of Rome. The store has a more modern image in tune with its urban clientele and includes an area open 24/7 with vending machines containing basic food items and hot dishes.



Cash & carry and e-commerce

■ Cash & carry: a convenience store for professionals, too

Promocash, Carrefour's cash & carry trade name in France, helps local catering and food service businesses to better serve their own customers. Serving 140,000 business customers, Promocash offers over 12,000 product listings with appropriate packaging. With 134 stores (ranging from 1,500 to 4,000 sq.m) located throughout France, Promocash is the leading cash & carry network by number of sites. Since late 2005, the banner has expanded its store network through franchising. Carrefour also operates 20 cash & carry stores in Italy under the Docks Market and Gross Iper trade names.

■ E-commerce: Ooshop and Boostore serve Internet users

With sales of over 12 billion euros in 2006, e-commerce rose nearly 40% in France, a trend that will only grow in the coming years. The Carrefour group operates two online hypermarkets, Ooshop and Boostore:

- Ooshop is currently France's leading grocery cybermarket and ranks third overall in online sales. With sites in Lyon, Rouen, Evreux, Rennes, Le Mans, Nantes, Bordeaux and Paris, Ooshop offers more than 8,000 product listings, including 2,000 fresh and frozen items. In particular, Ooshop boasts the largest selection of fruits and vegetables on the Web.
- Boostore is the latest addition to the Carrefour family. Launched in 2006, it distinguishes itself from its older counterpart, Ooshop, by exclusively offering non-grocery products. This virtual hypermarket offers CDs, books, DVDs, stereo equipment, personal computers or household appliances, all with the Carrefour guarantee.

** Source: FEVAD, French Ministry of Commerce and SMEs.

8 à Huit at a train station near you

The 8 à Huit convenience store demonstrates once again Carrefour's responsiveness to modern consumer needs. What's the novelty? Opening of stores in high-traffic areas. An 8 à Huit store, for example, has been serving customers since 17 May 2006 at a central location inside the Saint Germain en Laye RER commuter rail station in France. The idea is to make it easy for people to shop when returning from work or a trip and thereby save time. Whether they want a snack or a meal, customers can find basic food items in the 62-sq.m shop. But the real advantage is the excellent service: customers can leave a shopping list on their way to work in the morning and return that evening to find their order ready to go.

3,130*
convenience stores in Europe

1,541
Sherpa and Proxi superette concession stores in France

24.1%
share of the convenience store market in France

* Excl. concession stores.



"The coming battle will play out on every front: price, selection and services."

Javier Campo,
member of the Management Board

Strategy: a close
relationship with
our customers



30 Price: a heightened offensive

32 Products: an enhanced offering

34 Loyalty programmes: more benefits for customers

36 Services: a growth engine



Price: a heightened offensive

Our commitment to low prices – the core of our strategy since 2005 – continued in 2006 in all our retail banners and in every country in which the Carrefour group operates.

In 2006, our consistent low-price policy resulted in an improved price image at our banners in a number of countries. In particular, Carrefour hypermarkets made significant strides in Argentina, France, Poland and Indonesia. To reduce its impact on profitability, the low price strategy has been leveraged by three key strategies: purchasing synergies, price positioning and improved product presentation.

■ Pooled purchasing

To ensure the best prices, we have continued to expand our purchasing synergies with Dia. Seven hundred Dia products out of an average 1,200 product listings in a hard discount store are now purchased alongside store brand products sold in the Group's hypermarkets and supermarkets.

■ Aggressive positioning

Carrefour strives to be the price leader throughout the world. To achieve that goal, the Group is deploying an ongoing and aggressive low-price policy by expanding its in-store promotions and communications.

- The introduction of the "Ligne Alerte Prix" (Price Hotline) in hypermarkets in France in April 2006 reflects this commitment. The hotline gives customers a key role in competitive intelligence while providing them with an opportunity to influence prices. Carrefour is committed to lowering its prices within 24 hours if a customer identifies a lower price at a competitor's store.
- In 2006, Carrefour Argentina made a strong impression on consumers with a wide-ranging advertising campaign. Launched on 23 February 2006, the campaign helped to cement the reputation of Carrefour hypermarkets



as a business committed to keeping prices down. Throughout the country, Carrefour promised the lowest prices on 800 basic consumer goods and invited consumer organizations to verify its claim.

- Italy's GS slashed its prices during the year. In a campaign similar to one conducted in 2005, the supermarket network opted to reduce prices by an average of 12% on 2,500 products beginning in April 2006. The initiative was strongly promoted by a large-scale display advertising campaign. From a strategic standpoint, this price offensive is not a temporary promotion but rather a long-term repositioning.

■ Improved product presentation

The new ready-to-sell approach to product presentation now being deployed offers two advantages: by showcasing products in display units or in their original boxes rather than stocking shelves with products one by one, stores save significantly on time and labour, resulting in lower costs and lower prices for consumers. In the wake of conclusive market testing in France, Belgium, Taiwan and Colombia in 2006, the concept will be introduced in other countries in 2007.

Fuel: Carrefour Italy – less expensive than oil companies

In 2006, Carrefour forcefully asserted its leadership once again with regard to fuel prices. In Italy, where the sale of petrol and diesel oil has traditionally been dominated by oil companies, the Group continues to set itself apart by building its own service stations. Primarily operated under the Carrefour name or that of another Group brand, the stations offer prices that are four to seven euro cents lower than those charged by oil companies. Additional discounts of 2.5 to 4 euro cents are offered to PASS card holders at the network's 14 service stations.



Products: an expanded offering

Since 2005, the Carrefour group has expanded its product mix and introduced new products with high-growth potential. Our banners have focused on seeking a balance between grocery and non-grocery product ranges.

One of the Group's strategies for energizing sales growth is to offer a broad, high-quality and innovative array of both **grocery** and **non-grocery** products.

■ **Grocery: own brands prove an unqualified success**

Offering excellent value for the customer's money, the Group's own brands met with undeniable success in 2006, attracting an ever more demanding clientele.

This success is not just a matter of price; it can also be attributed to the consistent quality of our products and ongoing efforts to update the product mix worldwide. In France, our product ranges were revamped in 2005. In 2006, our assortments were expanded, with 2,000 new product listings sold under the Carrefour name. In particular, two new product lines for children were added: Carrefour Kids (ages 4-10) and Carrefour Baby (infants up to age 2), developed in cooperation with a committee of paediatricians.

■ **Champion expands its product ranges**

In 2006, Champion supermarkets in France expanded their selection of store-brand products, with 850 new listings now available in stores:

- Innovative fresh foods: mini fruits and vegetables for children, microwavable vegetables, and the first line of cholesterol-fighting yoghurt launched as a store brand.
- Sophisticated gourmet products: 100 premium-quality product listings under the "Collection Champion" brand name are now competing with upscale products from the major brands.
- Environmentally and socially conscious products, like the many eco-friendly household cleaning products bearing the Champion Eco Planète name.



■ Non-grocery: a rapidly changing product mix

The Group's non-food strategy has also changed. Market tests were conducted in 2006 and the initial results are persuasive. Among the latest products:

- In France, Carrefour launched its first ready-to-wear collection for men, designed by Olivier Lapidus for the Tex brand.
- In Argentina, Brazil and Colombia, a line of housewares has been introduced under the name "casa & deco".
- In China, customer demand prompted Carrefour to develop a range of cooking utensils and tableware.
- And in Italy, Carrefour opened its first pharmaceutical departments and launched a line of health and beauty products.

■ Apparel: profiting from popular trend-setting brands

Carrefour plans to expand its clothing line in order to offer fashionable and high-quality designer collections. Two recent partnerships illustrate this proactive policy:

- A cooperation agreement signed with BCBG-Max Azria, an international leader in women's ready-to-wear clothing. The Carrefour and BCBG-Max Azria teams will take on the task of designing and manufacturing high-fashion collections for Carrefour hypermarkets in France, Spain, Italy, Belgium, Portugal and Greece;
- An expanded collaboration with Disney to produce new lines of apparel, household goods and toys.

2,000
new product listings under
the Carrefour brand name in
France

1,300
additional products
(national brands and
own brands) in Champion
stores in France

1,000
new Carrefour brand
products in Italy



Loyalty programmes: more benefits for customers

By learning more about its customers and strengthening their ties to its retail banners, the Group can anticipate their needs more effectively.

■ Building closer customer relations

In all of the Group's banners worldwide, 2006 was notable for the growing popularity of customer loyalty programmes. Carrefour in France and Spain, Dia in Spain, Champion in France, GS in Italy and GB in Belgium: the Group's business units can now pool their experiences and expertise and deploy the latest tools for developing loyalty programmes that reflect local challenges and constraints and the maturity of the market.

In 2006, Carrefour strengthened its appeal among its loyal customers in France. Thanks to its loyalty card, now carried by some 8.7 million customers, our hypermarkets recorded an increase in both the average customer purchase and the number of customer visits.

■ France: The Carrefour Loyalty Programme celebrates its second anniversary

On 15 May 2006, Carrefour celebrated a highly symbolic anniversary: the second year of its loyalty programme, which offers a 5% discount year-round on 8,000 Carrefour brand products. To express its appreciation to its best customers, the banner developed an exceptional promotional campaign: a mailing sent to all cardholders, a radio campaign, a special catalogue, anniversary terminals and in-store displays. The purpose of the campaign was to offer a 40% reduction on 300 products over a 10-day period. The campaign proved an enormous success in Carrefour's 218 hypermarkets in France, which in two years have developed the largest customer database in the country's retail sector.



A consumer club to suit every taste!

To keep customers coming back, GB in Belgium and Champion in France have introduced a new concept: consumer clubs, which offer even more advantages to loyalty cardholders. Beauty Club, Baby Club, Healthy Living Club, Gourmet Club: every customer can find a club to suit his or her lifestyle and needs. On the banners' websites and in brochures, club members receive practical advice from experts and exclusive offers in the form of discounts on targeted products.

■ Poland: Carrefour Polska unveils its first supermarket loyalty card

Customers at 83 supermarkets in Poland have been shopping with their "Rodzinka" loyalty card since 8 November 2006. Each time they check out, cardholders earn points for the amount of their purchase – points that can then be redeemed for gifts or purchase vouchers. This free, easy-to-use programme is backed by the Group's expertise and at the same time adapted to local conditions. Polish families, who have previously proven reluctant to join customer loyalty programmes, have signed on in large numbers.

■ Taiwan: The Hao Kang card on the inside track

Two million participating customers in 2006 with the potential for millions more: that's the boast of the new loyalty card launched by Carrefour in Taiwan, which already offers its customers joint Carrefour-Visa credit cards. The principle behind the Hao Kang Advantage Card is simple: cardholders earn one credit point for every Taiwanese dollar spent and, as always, earn extra points when they buy Carrefour brand products. And in Taiwan, customers receive their discount in cash when they check out. Simple and very enticing!

8.7 million
Carrefour loyalty cardholders in France

6.3 million
Carrefour El Club loyalty cardholders in Spain

5.6 million
Champion Iris cardholders in France



Services: a growth engine

Providing a powerful tool for attracting and retaining customers, added services such as mobile telephone offerings, financial services and insurance were expanded significantly in 2006.

■ Carrefour becomes a mobile virtual network operator in France...

On 8 November 2006, following the example of its sister unit in Belgium, Carrefour France unveiled its new mobile phone service – an economical, user-friendly, no-obligation service that reflects Carrefour's strong commitment to its strategy of innovation at every level for the ultimate benefit of its customers. Featuring prepaid services, a fixed pricing plan for both phone calls and text messages and a reliable network, Carrefour Mobile relies on a transparent marketing campaign and a partnership with the European operator Orange. The service has also been offered in 65 Champion supermarkets since December 2006 and will be extended to every Champion store in 2007.

■ ...and in several other European countries as well

- In Belgium, six months after its launch in February 2006, the prepaid "1 Mobile" phone card has nearly 40,000 customers. Sold in Carrefour and GB stores, the card allows customers to "pay less and talk more" thanks to a simple pricing plan.
- In Spain, Carrefour Móvil has joined forces with Orange to make a noteworthy debut in the mobile phone sector. Carrefour is now the first retailer in Spain to provide its customers with this service, which is available in its 154 hypermarkets and 82 Carrefour Express supermarkets.
- In Greece, 228 Carrefour, Champion Marinopoulos and 5' Marinopoulos stores sell two prepaid phone packages in partnership with Vodafone that live up to the Group's commitments regarding quality and price.



Home computer support

Fifty percent of French households own a personal computer, but many report problems with installing, using and repairing their equipment. The solution? Carrefour Micro-informatique Assistance (Computer Technical Support), available since 8 November 2006, in 86 hypermarkets in southwest France and the Paris metropolitan area. Experts provide technical assistance via telephone from 8 a.m. to 10 p.m. seven days a week or in customers' homes from Monday through Friday. Home training sessions for up to five people can be arranged upon request.

■ Champion Service Packages: an array of synergies with Carrefour

Introduced in May 2006, the Champion Service Packages are mainly comprised of Group services and draw on the expertise of Carrefour hypermarkets. They operate as follows: in-store flyers offer a range of different services to customers, available via a special telephone number.

These packages include a portfolio of 11 services in four different categories:

- Financial services, including the PASS card, personal loans, life insurance and interest-bearing savings accounts.
- Insurance coverage, including homeowner's and automotive insurance, family protection and pet insurance.
- Travel services, including car rentals in partnership with Avis.
- Practical information, including a care hotline for disabled and elderly individuals.

This new service will both attract and retain new customers.





"Our strength lies in rallying over 456,000 employees from many different nationalities and backgrounds around a common goal and shared values."

Jacques Beauchet,
member of the Management Board

Promoting responsible trade



40 Employees: Carrefour's No.1 asset

42 Quality and ethical practices: a corporate commitment

44 Environment: act differently



Employees: Carrefour's No. 1 asset

Carrefour owes its strength to its 456,000 employees and the ideas, perspective and experience they provide. Through its efforts to enhance career management, expand the skills of its workforce and help workers realize their potential, the Group is committed to doing its utmost to attract and retain new employees.

■ The Carrefour group: a major employer

As the world's 11th largest private employer, Carrefour is a significant economic force and an influential employer on account of its many trade names and wide variety of store formats. It is the leading private employer in France and Greece, the third largest in Brazil and the fifth largest in Colombia. Because 90% of its employees work in direct contact with customers, it is essential that they have the necessary skills, motivation and ability to respond to customer demands. For this reason, the Group maintains a dynamic human resources policy for recruiting, developing and retaining staff. In 2006, the Group's Human Resources Department created a special career management tool to acquire a greater understanding of Carrefour employees. The objective is to eventually use this tool in all countries within the Group's scope of consolidation.

■ Youth-oriented initiatives

The Carrefour group has consistently provided young people with an important gateway to the labour market. Every year, Carrefour hypermarkets hire 8,000 new employees, one-third of whom are under

26 years of age. Our first contact with students is often decisive, insofar as 20% of new hires join the Group after an internship at Carrefour. Carrefour hypermarkets have demonstrated their desire to attract young people by creating the Carrefour School to teach the basics of the retail business; by signing the Apprenticeship Charter, a commitment to hire 1,500 apprentice workers by 2007; and by offering special employment contracts for students. Champion is also a major national recruiter, hiring 3,500 young people in France each year on a permanent-contract basis. Champion places special emphasis on the Internet to create direct links with young people through both its Web site and a "chat line" that potential candidates can use to talk directly with Human Resources managers.

■ Customized training in each country

Carrefour maintains several training centres around the world and organizes training programmes in every country to support employee development. Training provides a means of fostering internal promotion, the cornerstone of our human resources policy.

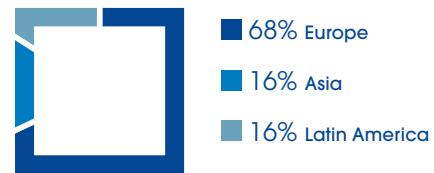
- Carrefour Polska created the Chopin Academy to train a pool of future hypermarket managers in Poland,



Carrefour Attitude: a management tool for fulfilling our values

The men and women who make up the Carrefour group share seven core Values: freedom, responsibility, sharing, respect, integrity, solidarity and progress. To implement these values on a daily basis, the Group in early 2005 launched Carrefour Attitude, a group management and assessment tool that the Executive Committee in each country can use to conduct self-evaluations and improve its relations with stakeholders. Carrefour Attitude has been deployed in eight countries and will eventually be expanded to the rest of the Group.

Breakdown of workforce by geographic area



a high-growth country for the Group. For six months, trainees alternate between in-store training and classroom instruction in functional skills.

- In Spain, 150 apprentices and future employees at Carrefour's "Parque Mediterraneo" in Cartagena have taken part in degree programmes ranging in length from 140 to 250 hours, designed to give them a better understanding of the retail sector and their specific area of concentration.
- In Turkey, Carrefour initiated a programme to raise employee awareness of ethical practices. A Code of Ethics was developed, and training personnel in stores, head offices and warehouses serve as liaisons to the entire staff concerning ethical practices.

■ Respecting diversity: a Carrefour commitment

By signing the Diversity Charter in October 2004, the Carrefour group made a strong commitment to combat discrimination. A number of new initiatives were undertaken in 2006:

- In January 2006, Carrefour Hypermarkets France renewed its pledge to France's national employment agency, the Agence Nationale Pour l'Emploi (ANPE). Employee hiring, orientation, promotion and

development have no connection to national or ethnic origin, cultural background or educational level. In this spirit, as of March 2006 Carrefour doubled its use of the hiring simulation method developed in cooperation with ANPE. One thousand assessments were conducted using this method.

- In Spain, Carrefour signed a partnership agreement with Madrid's municipal employment agency to encourage the hiring of unemployed workers.
- Carrefour Poland demonstrated its tangible commitment to its diversity policy by finalizing an agreement with the Warsaw branch of the Polish Association for the Deaf to promote the employment of people with disabilities in Carrefour stores.
- In Brazil, the Group employs 659 disabled workers. A Hiring Programme for People with Disabilities has been developed as part of a long-term initiative.

456,295
employees worldwide

2,200 apprentices
hired by hypermarkets in France in 2006

7,333
disabled employees worldwide



Quality and ethical practices: a corporate commitment

An aggressive pricing policy must not come at the cost of safety, quality or corporate ethics.

■ Food safety: an absolute requirement

As a leading grocery retailer, the Carrefour group maintains stringent policies when it comes to food safety and quality. Over 1,000 Carrefour employees define and verify quality standards for every product the Group sells. Each retail banner has a warning management system for taking protective measures at every site within 24 hours.

■ Nutritional quality: a day-to-day concern

Today's customers express a strong demand for nutritional advice, a well-balanced diet and healthy lifestyles. In this area, the Carrefour group goes above and beyond the strict requirements defined by law. All new own-brand products are evaluated by Carrefour customers before being placed on store shelves. Each product is once again submitted to a panel of customers for their approval at intervals of 18 months thereafter. Our Ed banner requires that a balanced diet be available to all its customers: the chain offers well-balanced meals for four euros, an initiative demonstrating that hard discount stores can still provide quality nutrition. During Nutrition

Week, the Group's banners offer a variety of activities in the form of workshops and partnerships. In Italy, the Group introduced the first products in its new "In Forma" health food product line in Italy; the line already extends to some 80 products. And in Asia, Carrefour Thailand conducted a large-scale promotional campaign called "Eating better is easy" in all its stores during April 2006.

Nutrition is also a major concern of the Carrefour International Foundation, which has lent its support to France's EPODE programme (Together Let's Prevent Child Obesity). The programme's goal is to promote a varied, balanced and enjoyable diet along with regular exercise among the entire population and particularly children ages 5 to 12, with backing from municipal governments, teachers, health care professionals and others. Carrefour International Foundation has voiced its support for expanding EPODE across Europe.

■ Building lasting partnerships with our suppliers

Year after year, the Carrefour group strives to develop partnerships with small and medium-sized enterprises (SMEs) in the countries in which it operates.



The Carrefour group introduces nutrition labels on its products

Carrefour has unveiled a major initiative aimed at educating its customers about nutrition by providing an innovative array of nutritional information on all its products bearing the Carrefour, Grand Jury and Champion brand names. The packaging includes six colourful and easy-to-read nutrition labels that provide all the information customers need in order to eat a balanced diet. Recipes and nutritional advice are provided as well. Informative and easy to understand, these new labels will gradually be introduced throughout Europe and subsequently in Asia.

Eighty-five percent of the Group's own brands are currently manufactured by SMEs, and the Group relies on anywhere from 4,000 to 15,000 suppliers in each country. Carrefour also undertakes initiatives to support small producers; two such programmes are underway in Colombia and Brazil.

■ Promoting human rights

The Carrefour group is committed to ensuring compliance with the basic principles of human rights, such as prohibiting child labour and providing decent working conditions, both within the Group and among its suppliers. This commitment is reflected in a number of steps taken by the Group:

- Implementation of a cooperative agreement with the International Federation for Human Rights, in force since 1997.
- The adoption of a supplier charter in 2000.
- The deployment of a methodology for verifying compliance with this charter through the performance of 1,460 supplier audits since 2000.
- The signing of an agreement with the UNI in 2001 and membership in the United Nations Global Compact.



1,460 supplier audits since 2000

1,048 quality control employees in the Group

30,364 Carrefour Quality Line producers worldwide



Environment: act differently

The Carrefour group focuses its environmental efforts on four major areas: store design, day-to-day store operations, logistics, and product sourcing and integrity.

■ Sustainable construction

Designing environmentally friendly stores is a challenge the Group plans to meet. After successfully constructing a pilot store in Saint-Maur des Fossés to High Environmental Quality standards, Champion has gone on to design additional stores that incorporate eco-friendly features, such as the Champion supermarket in Toulouse and Bordeaux's Bastide supermarket. A hypermarket in Limbiate, Italy, was built so as to blend harmoniously into the surrounding environment. The negative impact of the store's operations has been reduced and an energy-savings policy adopted. All of these features were incorporated into the building's design from a very early stage.

■ Stores that are friendlier to the environment

• Energy efficiency

To reduce its energy consumption, Carrefour measures usage during every work shift while encouraging employees to change their habits. It also takes steps to improve energy efficiency through enhanced controls, maintenance and innovative technology. Each of the Group's hypermarkets in France has deployed a Centralized Technical Management system designed to manage facilities effectively and reduce energy consumption.

• Water management

French hypermarkets have pledged to reduce their use of municipal water and minimize wastewater pollution.

• Waste reduction

In most countries in which Carrefour operates, employees and customers are encouraged to adopt responsible waste management behaviours on a daily



basis. Recycling bins for batteries and electronic waste products are located in each store. In addition, in each of its retail banners Carrefour offers an alternative to disposable bags at check-out in most countries, and in some cases has discontinued their use altogether.

■ Sustainable logistics

The Group is developing alternative means of transport in order to reduce its CO₂ emissions by:

- giving priority to local suppliers and short distribution channels;
- optimizing its logistics flows (to reduce the frequency of lorry deliveries and loading);
- encouraging alternative means of transport (combined rail-and-road or barge-and-road transport) in France, Spain, Italy, Romania and Poland;
- using less-polluting vehicles (meeting the Euro 4 standard in Europe) and testing alternative fuels, such as NGV and biofuel.

■ Socially responsible product lines

Carrefour Quality Lines, responsible fishing, timber policy: the Group is determined to select quality products that protect biodiversity and natural resources. For that reason, Carrefour hypermarkets in France and Belgium decided in April 2006 to discontinue their sales of teak furniture as a means of fighting deforestation. Carrefour now offers furniture made from South American Amburana wood, which meets Forest Stewardship Council (FSC) standards. This decision reflects the commitment the Group made in 1997 to preserve natural resources. In the same spirit, hypermarkets in France have been selling firewood bearing the PEFC and NF labels. These labels indicate respectively that the wood was taken from sustainably managed French forests and that the level of humidity is monitored to ensure cleaner combustion.

Italy: Limbiate blends harmoniously into the landscape

In 2006, Carrefour Italy opened a hypermarket in the town of Limbiate, just outside of Milan and near the protected Le Groane park. So as to blend effectively into this environment, the store was constructed with natural materials (bricks, river pebbles, wood) and offers green spaces for visitors that include sculptures intended for both play and education. Other highlights: the building's roof is designed to collect rainwater, and its electricity is supplied by a hydroelectric plant in the Aoste Valley.



"Now our task is to accelerate our pace and remain focused on our objectives for growth."

José Luis Duran,
Chairman of the Management Board

The outlook for
2008...





A time to accelerate our pace

Carrefour has met its first challenge and succeeded in propelling the Group forward. For 2007 and 2008, our strategy remains resolutely focused on growth. Our objective now is to quicken the pace at which we move ahead.

■ Accelerating our expansion in growing markets

The Carrefour group is determined to capitalize fully on the position of strength it has established in high-growth markets. Accordingly, we increased the number of store openings outside our four major mature markets (France, Belgium, Spain and Italy) by 60% between 2004 and 2006. In 2007, this pace will be maintained. We plan to open at least an additional 1.5 million sq.m of sales floor area, of which two thirds will be outside our four major European markets.

At the same time, we are investigating new growth opportunities in such countries as Russia and India. Moreover, the Group plans to play an active role in the consolidation of local markets when conditions meet our operational and financial criteria.

■ Maintaining our determination to keep prices low

We are determined to continue the low-price policy that has been in place since 2005. Our objective is to remain the unrivaled local price leader in every market in which we operate. This strategy has already borne fruit: in 2006, the Group's grocery market share made further gains in France and its banners improved their price image.



■ Aligning our banners and strengthening the Carrefour brand

After our successful experiments in Spain and Brazil with new Carrefour Express and Carrefour Bairro formats, in 2007 we plan to expand our multi-format and single-banner strategy to Turkey, Belgium, Poland and Argentina.

We will continue to capitalize on strong awareness of the Carrefour brand by adding more store-brand products and drawing on the Carrefour brand name to accelerate our introduction of new services.

■ Upgrading our business model for both food and non-food sales

As we develop our sales model still further, we must guarantee our customers better product availability, a more pleasant shopping experience and an expanded offering tailored more effectively to their needs. This approach should yield additional opportunities to lower our prices and increase our customers' purchasing power. With regard to non-food sales, partnerships with recognized brands like Orange, Disney and BCBG-Max Azria will play a key role in efforts to enhance our business model.

Projected annual opening of over

100
hypermarkets
worldwide

At least

1.5 million
new square metres per year



Corporate Governance



52 The Supervisory Board

56 The Management Board and the Management Committee

The Supervisory Board

The main prerogatives of the Supervisory Board are:

- The appointment and dismissal of members of the Management Board and its Chairman;
- The approval of any changes in the Group's structures or in the structure of the share capital.

The continuing role of the Supervisory Board is to verify and monitor the execution of corporate strategy. It can carry out any verification procedures that it deems necessary at any time and obtain access to all documents that it considers useful for such verifications. It must also verify the fairness and accuracy of the financial statements presented to it by the Management Board. When this verification process has been completed, the Supervisory Board draws up a report which is communicated to the shareholders during the Annual General Meeting.

■ Composition of the Supervisory Board

Composition of the Supervisory Board

Robert Halley*

Chairman of the Supervisory Board

Age 71

Robert Halley joined Promodès in 1961.

He was appointed General Manager of the Management Board in 1972 and Vice-Chairman and Managing Director in 1987.

Other appointments

Members of boards of Citra SA

Comet BV represented by Bernard Bontoux

Representative of the Halley Family Group, a core shareholder of Carrefour

Age 71

Bernard Bontoux was a lawyer from 1970 to 1983. He joined the Promodès Group in 1983 as director of its legal department, and was a member of the Group's general management committee up until 1996. During the same period he was chairman of COCIL, a fund that manages mandatory employer wage contributions used for employee housing.

Other appointments

Chairman of the Board of Directors of Citra S.A., Member of the Boards of SOPARIL and S.A.I.

José Luis Leal-Maldonado

Former Spanish Finance Minister and former Chairman of the Spanish Banking Association

Age 67

José Luis Leal-Maldonado was appointed Managing Director for Economic Policy in Spain in 1977, a position that he occupied until February 1978, when he became Secretary of State for Economic Coordination and Planning. He was appointed Spain's Finance Minister 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 Banco Bilbao Vizcaya. From 1990 to 2006, he was Chairman of the Spanish Banking Association.

Other appointments

Member of the Boards of Saint-Gobain, Saint-Gobain Cristaleria Espanola, CEPSA and Renault Spain.

Chairman of "Dialogo," a 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

Former Carrefour General Manager for Asia

Age 66

René Brillet began his career as a radio officer in the Merchant Marine in 1968. In 1972 he joined Carrefour and successively held the positions of Chief Accountant in Italy and Brazil, then

of Store Manager and Director of Organization and Methods while still in Brazil. In 1981, he moved to Argentina as Executive Director and then to Spain, where he was in charge of operations from 1982 to 1985, and finally to France, which he managed from 1986 to 1995. In 1996 he was appointed General Manager for Europe and then General Manager for Asia in 1998, a position that he held until 28 February 2004.

Anne-Claire Taittinger

Senior Adviser to WEFCOS (Women's Forum for the Economy and Society)

Age 56

Anne-Claire Taittinger is a graduate of the Institut d'Études Politiques de Paris, and holds a Master's degree in urban sociology and an advanced degree in urban development from the Centre de Perfectionnement aux Affaires. She began her career in 1976 at the Caisse des Dépôts et Consignations as head of urban development operations at the Société Centrale d'Équipement du Territoire. She joined the Louvre group in 1979 as 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 and 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 Baccarat. She became General Manager and subsequently Chairman of the Executive Committee of the Société du Louvre in 1997, and then in 2002 Chairman of the Executive Committee of the Taittinger Group as well as General Manager of its subsidiary, the Louvre group.

in conjunction with the separation of functions of Chairman of the Board and General Manager. She left these positions in July 2006 upon a change in the shareholder base at the Taittinger Group.

Other appointments

Member of the Boards of Dexia, Club Méditerranée and Baccarat.

René Abate

Consultant

Age 58

René Abate is a graduate of the École Nationale des Ponts et Chaussées and the Harvard Business School. He began his career as an engineer with the New York Port Authority in 1970 and then joined BCG in 1974 where he was a consultant in the fields of strategy and organization to large companies in various sectors, notably in high turnover consumer goods and in food and specialty retailing. He was successively Cabinet Business Manager in France, Chairman of the Group for Europe and member of the World Executive Committee, positions from which he resigned in 2006.

Other appointments

Assistant Manager of Delphen SARL. Member of the Management Board of the École Nationale des Ponts et Chaussées. Member of the Management Board and Vice-President of the Association l'Envol pour les Enfants Européens. Member of the Management Board of the Laboratoire Français du Fractionnement et des Biotechnologies.

Amaury de Sèze

Chairman of the Supervisory Board of PAI partners

Age 60

Amaury de Sèze began his career in 1968 at Bull General Electric. In 1978 he joined the Volvo group where he held 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 a member of the Management Board of the Compagnie Financière de Paribas and

of the Paribas Bank, in charge of equity holdings and industrial affairs and then as Manager of the Equity Holdings Division of the BNP-Paribas Bank. He has been Chairman of PAI partners since 1998.

Other appointments

Member of the Boards of Eiffage, Groupe Bruxelles Lambert (GBL), Publicis, Gras Savoye, Groupe Industriel Marcel-Dassault, Power Corporation of Canada and Pargesa Holding S.A.

Jean-Martin Folz*

Age 60

A graduate of the École Polytechnique and the École des Mines, Jean-Martin Folz began his career in 1972 in a regional office of the French Ministry of Industry, after spending a year in Tokyo at the Maison Franco-Japonaise. Between 1975 and 1978 he belonged to various ministerial staffs and was ultimately appointed Chief of Staff to the Secretary of State for Industry. In 1978 he joined the Rhône-Poulenc group, first as Plant Manager of the Saint Fons unit and then later as Deputy General Manager of the Rhône-Poulenc Specialty Chemicals Division. Between 1984 and 1987 he was Deputy Managing Director and subsequently CEO of Jeumont Schneider. He was appointed COO of Péchiney in July 1987 and then Chairman of Carbone Lorraine. In 1991 Mr. Folz was appointed CEO of Eridania Béghin Say and Chairman of Béghin Say. He joined the PSA Peugeot Citroën group in July 1995 and was appointed Director of the Automotive Division in April 1996. He was named Chairman of the PSA Peugeot Citroën Group as of October 1, 1997. On that same date he was also appointed Chairman of Automobiles Peugeot and Automobiles Citroën. He resigned from these positions in 2007.

Other appointments

Member of the Boards of Saint Gobain and Solvay (Belgium).

Halley Participations*

Representative of the Halley Family Group, a core shareholder of Carrefour

Sébastien Bazin*

Age 45

From 1990 to 1994, Sébastien Bazin was Deputy Director of Hottinguer Rivaud Finances in Paris. Between 1994 and 1997, he served as Group Managing Director and General Manager of Immobilière Hôtelière SA. From 1997 to 1999 he was CEO of Colony Capital SAS. Since 1999 he has been Executive Managing Director of Colony Europe.

Other appointments

Chairman of the Board of Directors and Chief Executive Officer of Lucia SA.

Chairman of the Board of Directors of Château Lascombes.

Member of the Supervisory Board of ANF and Director of the Groupe Lucien Barrière and Accor SA.

Chairman of the Board of Directors and Chief Executive Officer of the Société d'Exploitation Sports et Evènements and of Holding Sports et Evènements.

Nicolas Bazire*

Age 49

Nicolas Bazire was an Auditor and later Conseiller référendaire at France's Cour des Comptes. In 1993 he became Chief of Staff to French Prime Minister Edouard Balladur. He served as a Managing Partner in Rothschild & Cie Banque between 1995 and 1999, when he was appointed to the Supervisory Board. In 1999 he became CEO of Groupe Arnault SAS and Director of Development and Acquisitions at LVMH – Moët Hennessy Louis Vuitton.

Other appointments

Member of the Board of LVMH – Moët Hennessy Louis Vuitton. Member of the Supervisory Board of Rothschild & Cie Banque SCS France. Member of the Board of IPSOS.

* The appointment of Robert Halley as Member of the Supervisory Board is subject to ratification by the shareholders at the Annual Meeting. The appointments of Jean-Martin Folz, Halley Participations, Sébastien Bazin and Nicolas Bazire are subject to the approval of the shareholders at the Annual Meeting.

The Committees of the Supervisory Board

There are two specialized committees within the Supervisory Board. The purpose of these committees is to examine certain specific issues in depth and make proposals to the Supervisory Board.

■ The Audit Committee

Missions of the Committee

The prerogatives of the Audit Committee include responsibility for:

Annual and interim financial statements, 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 analyzes the intermediate and preliminary results and the commentaries on them before they are made public;
- it verifies that the internal procedures for collecting and auditing the information ensure that the aforementioned 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 regulations (reference document).

The internal and external audit

of the company and its main subsidiaries, for which:

- it evaluates proposals for the nomination or renewal of the company's Statutory Auditors and their compensation;
- it evaluates, with those responsible for internal control, the Group's internal control 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 Group's Finance and Management Director and can hear the Statutory Auditors under conditions stipulated by the Committee.

Membership of the Committee

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

Current committee members are:

- Robert Halley (Chairman);
- René Brillet (independent member);
- Amaury de Sèze (independent member).

The Committee meets at least three times per year. Two meetings are scheduled before the presentation of the annual and interim financial statements. The Committee is not quorate unless at least half its members are present. A committee member may not appoint a proxy.

■ 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 corporate officers and the distribution of director's fees.
- Assessment of the overall stock-option package.
- Information on the nomination and remuneration of the Group's senior management.
- 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.

Current committee members are:

- José Luis Leal-Maldonado (Chairman and independent member);
- Anne-Claire Taittinger (independent member);
- René Abate (independent member).

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 committee member may not appoint a proxy.

The Management Board

The Management Board, an executive body appointed by the Supervisory Board, is responsible for the General Management of the company through a collective decision-making process. It examines and approves the financial statements and calls the Shareholders' Meeting. It reports on its management decisions to the Supervisory Board.

José Luis Duran

Chairman of the Management Board

Age 42

After studying economics, José Luis Duran began his career in 1987 at Arthur Andersen. He joined Pryca (a Carrefour subsidiary) in 1991, where he successively held the positions of Management Auditor (1991-1994), Management Auditor - Southern Europe (1994-1996) and then Management Auditor - Americas Region until 1997. After holding the position of Chief Financial Officer at Pryca, he became Chief Financial Officer of 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 was named Managing Director and Chief Executive Officer of the Group. On 20 April 2005 he was appointed Chairman of the Management Board.

Jacques Beauchet

Member of the Management Board

Age 55

After completing his studies at the European School of Management in Paris (ESCP), Jacques Beauchet began his career in 1977 in management control at Shell. In 1986, he joined Codex as Management

Control Director until 1989, when he became General Secretary. At the end of 1990, he was appointed acting Finance Director of Promodès. In 1993, he became Adviser to the Chairman, a post which he held concurrently with that of Communications Director from 1995. In 1999, he was named the Carrefour group's Human Resources Director. Since 3 February 2005, Jacques Beauchet has been Managing Director for Human Resources, Communications and General Secretary. On 20 April 2005, he was appointed to membership of the Management Board. The following divisions report to him directly: Human Resources, Communications, Legal, Quality and Risks, International Partnerships and Convenience France.

■ From left to right: Javier Campo, Guy Yraeta, José Luis Duran, José María Folache and Jacques Beauchet.



Javier Campo**Member of the Management Board****Age 52**

After studying engineering at the Universidad Politécnica in Madrid, Javier Campo began his professional career in 1979 at the Accenture consulting firm. In 1982, he became General Manager of the Alton and Old Chap jean brands. He joined the Group in 1985 as Marketing Director of Dia. In 1986, he was appointed General Manager of Dia Spain, then General Manager of Dia International. In 1996, he became a member of the Executive Committee of the Promodès group and then of the Carrefour group in 1999. On 20 April 2005, he was appointed to membership of the Management Board. The following divisions report to him directly: Dia; Food Sales; and Organization, Systems and Supply Chain.

José María Folache**Member of the Management Board****Age 47**

After obtaining a law degree and an MBE from the IESE business school in Barcelona, José María Folache joined Continente in 1986 as Deputy HCTG Purchasing Director in the Merchandise department in Spain. In 1991, he was the Manager of a hypermarket for one year, and then returned to the Merchandise Department in Spain as Sales Director. In 1993, he was appointed Regional Director, and then in 1994, Director of non-food central purchasing for the Promodès group. In 1998 he was appointed General Manager for Promodès Hypermarkets in Italy and in 2000 General Director, Spain. Since 3 February 2005, José María Folache has been Managing Director of the Europe region (excluding France). On 20 April 2005 he was appointed to membership of the Management Board. The following divisions report to him directly: Italy, Spain, Belgium, Other European countries and Non-Grocery Sales.

Guy Yraeta**Member of the Management Board****Age 54**

After completing his engineering studies at the Institut Supérieur d'Agriculture in the Rhône-Alpes region, Guy Yraeta joined Carrefour in 1976. In 1988 he was appointed Store Manager and two years later, he took up the post of Grocery Director for France. In 1994 he became Regional Director for the Central Northeast territory. Beginning in 1995, he held the post of Executive Director for Italy for four years. In 1999 he was named Executive Director for Poland, and in 2003 he was named Director for the APE (Other European countries) zone. He became Executive Director for French hypermarkets in 2004, and since 3 February 2005 has served as Managing Director for Hypermarkets in France. On 20 April 2005, he was appointed to membership of the Management Board.

The Management Committee

The Management Committee is responsible for the Group's operational management. It is composed of members of the Management Board and directors of operating and functional divisions who report directly to the Management Board, either to its Chairman or to one of its members. The Management Committee is composed of:

■ Members of the Management Board

José Luis Duran
Jacques Beauchet
Javier Campo
José María Folache
Guy Yraeta

■ Operating divisions

Italy
Giuseppe Brambilla
Dia Spain
Ricardo Curras
Convenience and Cash & Carry
Gérard Dorey
Russia
Didier Fleury

Supermarkets France

Thierry Garnier

China

Éric Legros

Belgium

Marc Oursin

Dia Europe

Javier de la Peña

Spain

Gilles Petit

Other Asian countries

Noël Prioux

Other European countries

Gilles Roudy

Latin America

Éric Uzan

■ Functional divisions

Human Resources

Hervé Clec'h

Grocery Sales

Juan Cubillo

Non-Grocery Sales

Christophe Geoffroy

Organization, Systems and Supply Chain

Gérard Lavinay

Finance Management

Éric Reiss

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In the pages that follow, the Carrefour Group Financial Report presents the Group's results for the three fiscal years 2004, 2005 and 2006.

It comprises the following:

- **the Group Management Report** presents the activity and main figures for 2006, for the Group in its entirety and for each of the geographical operating regions: France, Europe (excluding France), Latin America and Asia. It ends by focusing on recent developments and the Group's 2007 objectives, as presented at the time of the publication of the consolidated earnings on 8 March 2007;
- **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;
- **the Management Report**;
- the text of the proposed resolutions that will be submitted to the shareholders for approval, during the Shareholders' Meeting convened on 20 April 2007 and to be reconvened on 30 April 2007 if a quorum is not present at the first meeting;
- **the report by the Chairman of the Supervisory Board** on corporate governance and internal control procedures;
- and finally, the **store network and commercial statistics** summarizing ten years' worth of trends in the number of consolidated stores in each country and sundry statistics, in particular as regards sales areas and the number of branded stores.

Consolidated Financial Statements

MANAGEMENT REPORT

ACCOUNTING PRINCIPLES

The Carrefour Group consolidated financial statements for the fiscal year 2006 have been drawn up in accordance with IAS/IFRS international accounting standards.

The following are presented for prior periods: the Income Statement as of 31 December 2004 restated in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) for operations discontinued in 2005 and 2006, as well as the Income Statement as of 31 December 2005, restated for operations discontinued in 2006.

The Group decided in 2005 to make a change in the estimate of its buildings depreciation period, raising it from 20 to 40 years. In 2004, the depreciation allowances presented in the tables below are still stated over 20 years.

ACTIVITY – RESULTS

By focusing on the two main priorities of our strategy – customers and profit growth – we reached our objectives in 2006:

- net sales increased by 6.6% at current exchange rates and by 6.4% at constant exchange rates (an increase of over two points compared with growth rates recorded in 2005 and 2004);
- growth in our grocery market share was posted for the second consecutive year in France (up 0.5% according to TNS Worldpanel);
- we created 1.4 million sq.m of sales area by opening nearly 1,000 retail outlets, including 103 hypermarkets (more than double the store openings completed in 2004).

We continued to implement the major components of our strategy:

- we are strengthening our promotions and low pricing policy in a European context that continues to be characterized by both weak growth in grocery consumption and deflation;
- we are constantly expanding our product lines and services;
- we are strengthening the potency and public recognition of our brand in all countries in which we operate.

■ Annual figures

(in millions of euros)	2006	2005	% Var. 2006/2005	2004
Net sales	77,901	73,060	6.6%	69,113
Activity contribution	3,258	3,152	3.4%	3,190
Net income from recurring operations - Group share	1,857	1,798	3.3%	1,733
Net income from discontinued operations - Group share	412	(362)	-	(142)
Net income - Group share	2,269	1,436	58.0%	1,591

■ Net sales

(in millions of euros)	2006	2005	% Var.	% Var. 2006/2005 at constant exchange rates	2004	2006 at constant exchange rates
France	37,212	35,577	4.6%	4.6%	35,167	37,212
Europe (excl. France)	29,850	28,102	6.2%	6.7%	26,404	29,993
Latin America	5,928	5,075	16.8%	12.5%	3,938	5,710
Asia	4,911	4,306	14.0%	12.4%	3,603	4,838
Total	77,901	73,060	6.6%	6.4%	69,113	77,753

Net sales amounted to 77,901 million euros, up 6.4% compared with 2005 sales at constant exchange rates. After the positive impact of exchange rates, sales increased by 6.6%.

ACTIVITY CONTRIBUTION

(in millions of euros)	2006	2005	% Var.	% Var. 2006/2005 at constant exchange rates	2004	Dec. 2006 at constant exchange rates
France	1,718	1,713	0.3%	0.3%	1,964	1,718
Europe (excl. France)	1,208	1,145	5.5%	5.7%	968	1,210
Latin America	161	133	21.8%	15.2%	88	153
Asia	171	162	5.4%	3.8%	170	169
Total	3,258	3,152	3.4%	3.1%	3,190	3,249

Activity contribution amounted to 3,258 million euros and represented 4.2% of our sales as against 4.3% in 2005. It increased by 3.4% compared to 2005.

■ Breakdown of net sales by business

In %	2006	2005	2004
Hypermarkets	58.9%	58.0%	59.1%
Supermarkets	17.4%	18.1%	17.7%
Hard Discount stores	9.1%	8.8%	8.4%
Other	14.6%	15.1%	14.8%
Total	100.0%	100.0%	100.0%

■ Breakdown of net sales by geographic region

In %	2006	2005	2004
France	47.8%	48.7%	50.9%
Europe (excl. France)	38.3%	38.5%	38.2%
Latin America	7.6%	6.9%	5.7%
Asia	6.3%	5.9%	5.2%
Total	100.0%	100.0%	100.0%

■ Breakdown of activity contribution by geographic region

In %	2006	2005	2004
France	52.7%	54.3%	61.6%
Europe (excl. France)	37.0%	36.3%	30.3%
Latin America	5.0%	4.2%	2.8%
Asia	5.3%	5.2%	5.3%
Total	100.0%	100.0%	100.0%

DEPRECIATION AND PROVISIONS

Depreciation and provisions totalled 1,587 million euros, representing 2.0% of sales.

NON-CURRENT INCOME AND EXPENSES

Non-current income and expenses represented net income of 16 million euros. This included:

- costs of restructuring or closing sites in the amount of 98 million euros;
- an expense of 69 million euros relating to stock options;
- asset depreciation in the amount of 26 million euros;
- capital gains or losses from sales representing income of 211 million euros (mainly from sales of shopping malls in Italy, Poland and France);
- other non-recurring items totalling 2 million euros.

EBIT

EBIT amounted to 3,274 million euros and represented 4.2% of our sales as against 4.3% in 2005. It increased by 4.6% compared to 2005.

■ EBIT by geographic region

In %	2006	2005	2004
France	50.1%	50.7%	62.4%
Europe (excl. France)	40.3%	40.1%	32.7%
Latin America	4.9%	4.3%	(0.3%)
Asia	4.7%	4.9%	5.2%
Total	100.0%	100.0%	100.0%

FINANCIAL INCOME (EXPENSE)

Interest amounted to a net expense of 480 million euros, down by 6.6% on 2005 and representing 0.6% of sales as in 2005. The increase in interest expense this year is primarily explained by the rise in interest rates and the increase in the group's average amount of financial debt.

Thus, despite the growth in Activity Contribution before depreciation and reserves coverage of financial expenses rose from 10.2 x in 2005 to 10.1 x in 2006.

INCOME TAX

The effective income tax expense was 810 million euros in 2006. This represented 29.0% of income before taxes as against 29.3% in 2005. This slight reduction in the effective tax rate can be explained by the slight drop in taxation rates in France and by improved performance in Poland and Belgium, where the results were not taxed in view of deferred losses.

CONSOLIDATION BY THE EQUITY METHOD

Income from equity affiliates fell slightly to 36 million euros (15 million euros less than in 2005). This trend was primarily due to the full consolidation of Hyparco.

MINORITY INTERESTS

The share of minority interests in income rose from 7.7% in 2005 to 8.1% in 2006 (not including income from discontinued operations). Minority interests were up by more than 9% (or 14 million euros), due to the growth of earnings generated by subsidiaries in such countries as China and Greece.

NET INCOME FROM RECURRING OPERATIONS - GROUP SHARE

This line amounted to 1,857 million euros, up 3.3% compared with net income from recurring operations - Group share 2005, which stood at 1,798 million euros.

NET INCOME FROM DISCONTINUED OPERATIONS - GROUP SHARE

This line represented income of 412 million euros in the 2006 Income Statement and breaks down as follows:

(in millions of euros)	
Income from sale of Korea	430
Income from sale of Puntocash	17
Expense from Slovakia	(15)
Expense from sale of supermarkets in China	(9)
Expense from Champion supermarkets	(7)
Operating expense from closed Brazilian supermarkets	(6)
Expense from sale in the Czech Republic	(1)
Income from Supeco	1
Income from sale of Food service	1
Total	412

■ Withdrawal from South Korea

On 26 September 2006, the Group sold its subsidiary in South Korea to E-Land for the sum of 1.5 billion euros. Income from the sale was reported in "Net income from discontinued operations" in accordance with IFRS 5.

■ Sale of Puntocash

On 21 May 2006, after obtaining the consent of the competition authorities, Carrefour disposed of its Cash & Carry subsidiary in Spain to the Miquel Alimentacio group.

■ Withdrawal from Slovakia and the Czech Republic

On 30 September 2005 Carrefour announced its intent to acquire Tesco Taiwan and to transfer its operations in the Czech Republic and Slovakia to Tesco. Carrefour desired to sell its 11 hypermarkets in the Czech Republic and its four hypermarkets in Slovakia to Tesco.

On 21 January 2006, the European Union approved the transaction in the Czech Republic, but referred the decision on Slovakia to the Slovak authorities.

On 31 May 2006, Carrefour and Tesco finalized the transaction concerning Carrefour's withdrawal from the Czech Republic and the acquisition of Tesco's business in Taiwan.

On 29 December 2006, the Slovak authorities announced their opposition to the sale for reasons of competition. The Group is currently studying various withdrawal scenarios for fiscal year 2007.

CASH FLOW AND INVESTMENTS

Cash flow stood at 3,586 million euros, stable compared with 2005. Cash flow was impacted in 2006 by non-recurring items related to the restructuring of certain operations which had been recorded as payables in 2005. Examples include the final closing or the disposal of stores in Spain and Brazil, as well as the programme designed to optimize logistics and central services in France. We estimate that operating cash flow from continuing operations, excluding these non-recurring items, would have increased by 4% over the period, closer to the growth in EBIT before depreciation and amortization. It represented 56.8% of net debt in 2006 versus 52.7% in 2005.

Net investments for the year amounted to 1,885 million euros, as against 2,425 million euros in 2005.

The Group's tangible and intangible investments amounted to 3,368 million euros.

Financial investments for 2006 represented 594 million euros.

Divestments that impacted our cash flow in 2006 amounted to 2,078 million euros.

SHAREHOLDER'S EQUITY

This amounted to 10,503 million euros at 31 December 2006 as against 9,386 million euros the preceding year.

NET DEBT

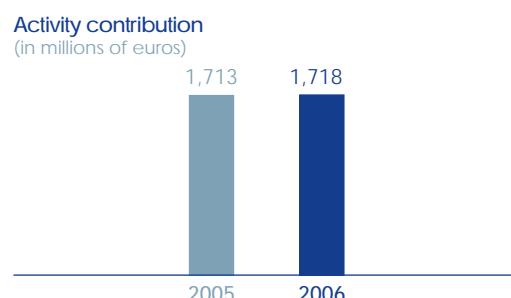
The Group's net debt decreased from 6,790 million euros at the end of 2005 to 6,309 million euros at the end of 2006. At the end of 2006, net debt represented 60% of the net position before distribution of dividends, as against 72% at the end of 2005.

■ France

The consolidated store network in France at 31 December 2006 stood as follows:

	2006
Hypermarkets	192
Supermarkets	615
Hard Discount stores	811
Other stores	101
Total	1,719

In 2006, the network expanded by 13 hypermarkets, 20 supermarkets, and by 29 hard discount stores, and decreased by 7 Cash and Carry stores.



Sales in France increased by 4.6%. The activity contribution decreased slightly from 4.8% of sales in 2005 to 4.6% of sales in 2006, amounting to 1,718 million euros. The growth of EBIT was less rapid than sales growth, primarily due to costs related to increased staff on the sales floor, the development of services and the expansion of product offerings.

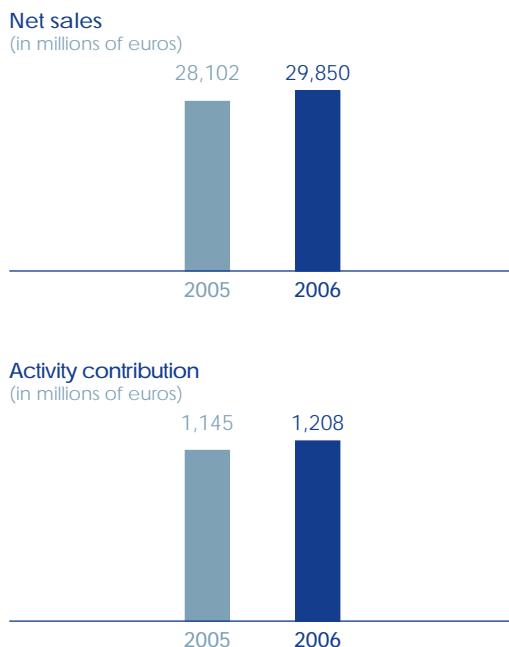
Operational investments in France totalled 1,095 million euros, representing 2.9% of sales.

■ Europe (excluding France)

The consolidated store network in Europe at 31 December 2006 stood as follows:

	2006
Hypermarkets	365
Supermarkets	746
Hard Discount stores	2,969
Other stores	241
Total	4,321

The consolidated network expanded this year by 44 hypermarkets, 180 hard discount stores, 17 convenience stores and 1 Cash and Carry store, and decreased by 19 supermarkets.



Sales in Europe increased by 6.2%, thanks to very good results in the main European countries. The activity contribution amounted to 4.0% of sales at 31 December 2006 as against 4.1% in 2005. EBIT rose slightly less than sales, by 5.5%. This trend can be attributed primarily to a smaller contribution from Italy, where the macro-economic environment and difficult competitive conditions weighed on the results. Excluding Italy, EBIT from the Europe Zone increased by 8%. We were particularly satisfied with the performance of countries such as Belgium, Greece and Poland, which posted double-digit EBIT growth.

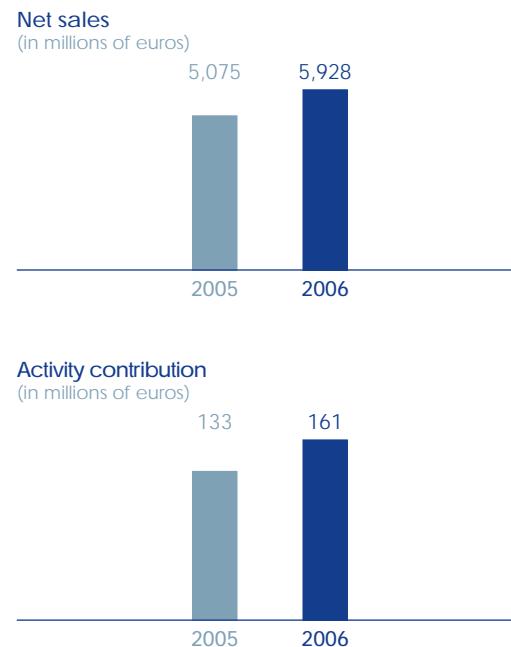
Operational investments in Europe totalled 1,529 million euros, representing 5.1% of sales.

■ Latin America

The consolidated store network in Latin America at 31 December 2006 stood as follows:

	2006
Hypermarkets	204
Supermarkets	118
Hard Discount stores	539
Other stores	-
Total	861

In 2006, the network expanded by 19 hard discount stores and 56 hypermarkets while the number of supermarkets fell by 31 stores. This trend was primarily due to the 34 supermarkets in Brazil that were converted to a new format comparable to the Carrefour Express stores launched in Spain.



Sales increased by 16.8% from 2005 to 2006, strongly affected by exchange rate fluctuations. At constant exchange rates, sales increased by 12.5%. Activity contribution increased from 2.6% of sales in 2005 to 2.7% of sales in 2006, standing at 161 million euros. This performance can be explained by an increased margin on continuing operations, which reflects the turnaround in Argentina where market conditions returned to normal, and by the effectiveness of our sales strategy in hypermarkets in Brazil, as well as by the results of our stores converted to the Carrefour Bairro trade name.

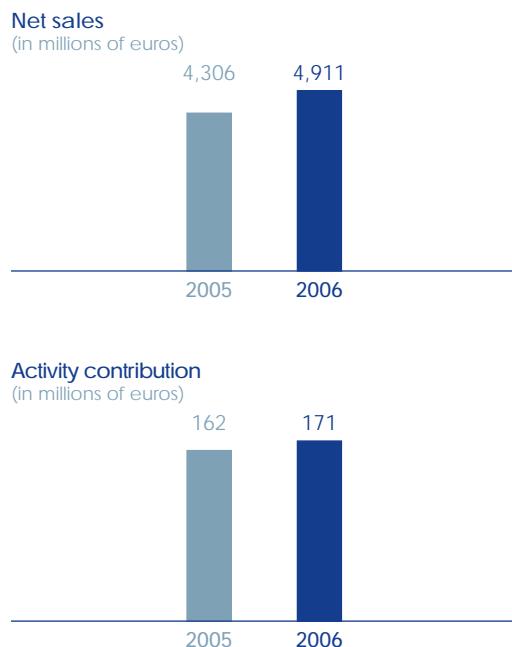
Operational investments totalled 436 million euros, representing 7.4% of sales.

■ Asia

The consolidated store network in Asia at 31 December 2006 stood as follows:

	2006
Hypermarkets	202
Supermarkets	-
Hard Discount stores	255
Other stores	-
Total	457

In 2006, the network expanded by 11 hypermarkets and 30 hard discount stores, while the number of supermarkets decreased by 8, as a result of the withdrawal from supermarkets in China.



Sales in Asia increased by 14.0%. At constant exchange rates, sales grew by 12.4%. This trend reflects the accelerated rate of store openings. Activity contribution decreased from 3.8% of sales in 2005 to 3.5% of sales in 2006, amounting to 171 million euros.

Operational investments in Asia totalled 309 million euros, representing 6.3% of sales.

RECENT CHANGES

On 1 December 2006, the Group signed a memorandum of agreement concerning the acquisition of Ahold Polska for a price of €375 million. This transaction is still subject to approval by the relevant authorities.

Ahold Polska currently operates 194 stores, including 15 Hypernova hypermarkets, with the rest being Albert supermarkets, having a total combined surface area of 180,000 sq.m. Ahold Polska generated 2005 gross sales of €591 million. This transaction will position Carrefour Polska in second place among the country's grocery retailers.

This acquisition represents a new stage in the Carrefour group's strategy, which consists in building leadership positions in all markets in which it has chosen to operate, and particularly in countries with high growth potential. It is in keeping with the ongoing policy of organic growth carried out by the Group since 2005. Carrefour Polska generated gross sales of 1,359 million euros in 2006, and included 42 hypermarkets and 83 supermarkets as of 31 December 2006, with a total combined surface area of nearly 416,000 sq.m.

OBJECTIVES

The Group has set the following objectives for 2007:

- Under current competitive conditions, we foresee 2007 sales growth, at constant exchange rates, higher than or equal to 2006 growth. The achievement of this objective will involve a certain amount of tactical acquisitions.
- Growth in activity contribution will be less than sales growth, which is a direct consequence of our determination to consolidate our leadership position through low prices and the continuation of our expansion policy.

RISK MANAGEMENT

FINANCIAL RISKS

■ Foreign exchange risk

The Group's operations throughout the world are performed by subsidiaries operating primarily in their own countries (with purchasing and sales in local currencies). As a result, the Group's exposure to exchange rate risk in commercial operations is naturally limited.

It mainly involves imports. The risk related to fixed import transactions is hedged by forward currency purchases.

Investments planned in foreign countries are sometimes covered by options.

Local financing operations are generally conducted in the local currency.

The maturity of foreign exchange transactions is less than 18 months.

The value of current positions at year end is presented in Note 26 to the financial statements.

■ Interest rate risk

Interest rate risk is managed centrally by our Coordination Centre in Brussels. The latter has a reporting obligation for its operations and measures monthly performance in order to identify:

- the outcome of actions taken;
- whether or not the actions undertaken comply with the Group's risk policy.

The control of compliance with internal risk limits and the monitoring of the Carrefour Group's policy by the Coordination Centre are the responsibility of the Risks Committee. The latter, chaired by the Group's Chief Financial Officer, meets at least once every two months.

The management procedures of the Coordination Centre are subject to approval by the Audit Committee.

To achieve its aims, the Coordination Centre has various reporting schedules (weekly, monthly and annual).

The Group's net exposure to interest rate fluctuation risk is reduced by the use of financial instruments comprising interest rate swaps and options.

The types of hedges as of 31 December 2006 and the amount of capital hedged are presented in Note 26 to the financial statements.

We have calculated our susceptibility to changes in rates in accordance with the COB recommendation of January 2003.

The result of the calculation (on short-term debt in accordance with paragraph 6.4.2 of the recommendation) is as follows:

- in the event of a decline of 1% in rates, interest income would improve by 41 million euros, or 8.5% of interest income;
- in the event of a rise of 1% in rates, interest income would fall by less than 6 million euros, or 1.25% of interest income.

■ Liquidity risk

Following the renegotiation of syndicated loans in 2004, the Group is no longer subject to any financial covenants.

The breakdown of debt by expiration date and currency is presented in Note 25 and the commitments received from financial institutions in Note 29.

■ Share risk

As of 31 December 2006, the Group held only one treasury share and thus is not exposed to share risk.

Furthermore, marketable securities and financial investments are primarily composed of monetary investments, where Group exposure is low.

LEGAL RISKS

In the normal course of business, the Group's companies are involved in a certain number of legal proceedings or litigation, including disputes with tax and social security authorities. A provision for contingency and loss has been set aside for expenses that can be estimated with sufficient reliability and are deemed probable by the companies and their expert assessors.

The amount of provision made for after-sales services, tax, social security and legal expenses and risks relating to the Group's operations totalled 1,549 million euros at 31 December 2006.

None of the disputes in progress involving the Group's companies are, in the opinion of their expert assessors, likely to affect the activity, results or financial situation of the Group in any significant way.

INSURANCE

Carrefour's insurance strategy is aimed, first of all, at protecting its customers, staff and assets.

As a result, the Group has negotiated across-the-board global schemes (in particular physical damage, civil liability, environmental, construction and transport coverage) ensuring uniform cover for all its subsidiaries, whatever their formats and wherever they are located, with a few exceptions (Brazil, for example, which does not allow this type of arrangement).

Furthermore, the Group ensures that the new acquisitions made over the year rapidly obtain its across-the-board cover or, where applicable, benefit from its DIC/DIL cover policies.

Carrefour's insurance strategy identifies and assesses existing and emerging risks in close collaboration with operational managers, Quality Management and Safety Management, and puts in place prevention measures through both centralized and local policies, thanks to links in each country.

The Group covers all its transferred risks through the insurance market using top-rated international insurance companies.

Monitoring and management methods are regularly controlled and inspected by independent parties: brokers, insurers, the captive reinsurance company manager, as well as in-house, through Carrefour's Corporate Insurance Department, which reports to the Quality, Liability and Risks Department.

The following information is provided for informational purposes only, in order to illustrate the scope of action in 2006, and should not be considered definitive and inviolable, inasmuch as, by definition, insurance must anticipate change and adapt to it. Indeed, the Group's insurance strategy also depends on market conditions, its opportunities and any risk assessments that may be conducted by general management.

Furthermore, in order to optimize its insurance costs and manage its risks appropriately, Carrefour has a policy for the maintenance of its frequency claims, through its captive reinsurance company and, since 1 January 2005, through its own insurance company located in Ireland: Carrefour Insurance Limited, accredited by the Irish authorities. Its results are consolidated in the Group's financial statements.

This direct insurance company primarily covers risks of property damage and operating losses for subsidiaries in Europe on a Free Provision of Services basis. Subsidiaries located outside the Europe Zone are re-insured by the Group. A stop-loss per claim and per insurance year has been put in place in order to protect the interests of the captive and limit its commitments. Beyond a certain limit, risks are transferred to the insurance market.

This same subscription strategy applies to civil liability risks, but only as regards re-insurance: these risks are reinsured by the Group's captive insurance company. The captive re-insurance company's exposure is limited per claim and per insurance year. Beyond these limits, depending on results, risks are transferred to the traditional insurance market.

■ Damage to property and Operating Loss coverage

The purpose of this insurance is to protect the company's assets shown on its balance sheet.

The policy in force is in the form of an "all risks with exceptions" policy issued on the basis of existing guarantees on the insurance market. It covers the traditional risks of this type of coverage, including fire, theft, natural disasters, operating losses, etc.

Deductibles are appropriate to the different store formats and countries. For certain store formats, Carrefour has a Self Insured Retention policy adapted to a well targeted loss experience.

The programme put in place by the Group offers a guarantee limit of 200 million euros per claim in direct damages and operating losses combined. This programme includes sub-limits, particularly in the area of natural disasters. Over the course of the year, certain sub-limits have been revised upwards.

The exclusions in force in this contract comply with market practices. The contract was renewed on 31 December 2006.

■ Civil liability coverage

This covers the financial consequences of Carrefour's civil liability in cases in which it is pursued and found liable as a result of bodily injury, property damage or consequential damage (in the latter case with sub-limits and depending on the legislation in force) suffered by a third party which may have been caused by the Group, both during operations and after delivery.

The majority of the Carrefour Group's sites are classified as ERP sites (Establishments Receiving the Public); as a result, its exposure to the risks inherent in this activity must be specifically taken into consideration and requires great vigilance.

Deductibles vary from country to country. The exclusions in force in this contract comply with market practices and primarily concern certain substances recognized as toxic, carcinogenic, etc.

Carrefour is covered for the risk of harm to the environment as part of its global civil liability insurance scheme.

Such risk requires a specifically designed approach due to the conditions imposed by re-insurers, which offer more limited guarantees for gradual pollution risks.

Nevertheless, Carrefour has set up specific coverage dedicated to these types of risk.

The maximum cover amount is 15 million euros per loss and per insurance year for so-called gradual pollution risks.

■ Special risks

This essentially means coverage for corporate officers.

Coverage for these risks is adapted as closely as possible to the Group's exposure. Given the sensitive nature of this information, the coverage amounts for these various contracts remain confidential.

■ Construction coverage

This covers operators during construction, as well as the consequences that may arise from their actions.

The coverage amounts put in place are in line with market practices and the limits available on the insurance market for this type of risk.

■ Employee benefits coverage

In compliance with current legislation and with collective bargaining agreements and other company agreements, schemes for covering the risks of occupational injury, medical expenses and welfare and retirement costs have been put in place in each country.

The costs incurred to reduce the environmental impact of our activities are included, in part, in the operating costs of the Quality and Sustainable Development Department and its counterparts in the countries in which we operate. The largest proportion, however, is the operational share corresponding to the amounts allocated to specific projects.

Environmental policies and risk management are inherent to and managed by each sector and are not managed solely by the Quality and Sustainable Development Department.

INDUSTRIAL AND ENVIRONMENTAL RISKS

The Carrefour Group is strongly committed to a policy of environmental responsibility.

Since our business does not involve major direct environmental risk, we have identified the main environmental impacts on which the Group has taken action:

- prevention of risks related to the operation of service stations (ground pollution, hydrocarbons, etc.);
- control of the consumption of refrigerants and energy;
- pollution by automobiles (car parks, distribution of less polluting fuels);
- logistics: reduction of atmospheric emissions and research into less polluting alternative transport systems;
- control of nuisances for local residents (via noise reduction, landscaping, etc.);
- management of natural resources (fish stocks, wood, etc.);
- reduction of the environmental impact of packaging (via ecologically designed packaging and reductions in the use of packaging);
- waste conversion and recycling;
- water management.

Consolidated Financial Statements

INTRODUCTION

The following are presented for prior periods: the Income Statement as of 31 December 2004 restated in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations) for operations discontinued in 2005 and 2006, as well as the Income Statement as of 31 December 2005, restated for operations discontinued in 2006.

IFRS 5 specifies the reporting rules concerning assets held for sale, and the presentation and information required concerning discontinued operations. In particular, the standard requires that assets held for sale be presented separately in the balance sheet and that the results of discontinued operations be presented separately in the income statement. A discontinued operation is a component of an entity which has been separated from the entity or which is classified as being held for sale and:

- which represents a line of activity or a primary and distinct geographic region;
- is part of a unique and coordinated plan for its separation from a line of activity or from a distinct geographic region;
- or is a subsidiary acquired exclusively for purposes of resale.

The standard requires that the results of discontinued operations be presented separately in the income statement for all comparative periods. Thus, as of 31 December 2006, the results of operations disposed of in 2006 must also be restated in the accounts of 31 December 2004 and of 31 December 2005. Consequently, the comparative income statements as of December 2004 and December 2005 differ from those published previously.

Similarly, the cash flow tables as of 31 December 2004 and 2005 must present the impact of these operations on distinct lines for operational, investment and financing activities.

The 2004 and 2005 balance sheets remain unchanged, however.

The Group decided in 2005 to change its method of estimating the depreciation period for its buildings, raising it from 20 to 40 years. In 2004, the depreciation allowances presented in the tables below are still presented over 20 years.

The main aggregate values from the accounts as of 31 December 2004 restated in accordance with IFRS 5 and presenting depreciation over 40 years, are as follows:

- Net sales = €69,113 million;
- EBIT = €3,334 million;
- Net income - Group share = €1,702 million.

CONSOLIDATED INCOME STATEMENT

Sign convention (- expenses + income)

(in millions of euros)	Notes	31/12/2006	% Var.	31/12/2005	31/12/2004
Net sales	4	77,901.1	6.6%	73,059.5	69,112.6
Other income	5	1,042.5	5.4%	989.4	980.4
Total income		78,943.6	6.6%	74,048.9	70,093.0
Cost of sales	6	(61,203.6)	6.5%	(57,480.2)	(54,264.2)
Gross margin from Current operations		17,740.1	7.1%	16,568.7	15,828.8
Sales, general and administrative expenses	7	(12,894.8)	7.6%	(11,986.5)	(11,140.6)
Depreciation, amortization and provisions	8	(1,586.9)	11.0%	(1,429.7)	(1,497.9)
Activity contribution		3,258.4	3.4%	3,152.5	3,190.3
Non-recurring income	9	256.5	(2.9%)	264.2	219.7
Non-recurring expenses	9	(240.6)	(15.6%)	(285.0)	(274.7)
EBIT		3,274.3	4.6%	3,131.7	3,135.2
Interest income	10	(479.6)	6.6%	(449.9)	(480.7)
<i>Net debt expense</i>		(424.1)		(398.3)	(393.2)
<i>Other financial income and expenses</i>		(55.5)		(51.5)	(87.5)
Income before taxes		2,794.7	4.2%	2,681.8	2,654.5
Income tax	11	(810.2)		(785.1)	(806.7)
Net income from recurring operations of consolidated companies		1,984.5	4.6%	1,896.7	1,847.9
Net income from companies consolidated by the equity method		35.8	(29.2%)	50.6	40.7
Net income from recurring operations		2,020.3	3.8%	1,947.3	1,888.6
Net income from discontinued operations	12	411.3	ns	(365.1)	(143.2)
Total net income		2,431.6	53.7%	1,582.1	1,745.4
of which Net income - Group share		2,268.5	58.0%	1,436.0	1,591.2
of which Net income from recurring operations - Group share		1,856.9	3.3%	1,797.6	1,733.1
of which Net income from discontinued operations - Group share		411.7	ns	(361.6)	(141.9)
of which Net income - minority share		163.4	9.2%	149.6	154.2
(in euros)		31/12/2006	% Var.	31/12/2005	31/12/2004
Earnings per share from recurring operations (before dilution)		2.64	2.5%	2.57	2.49
Earnings per share from recurring operations (after dilution)		2.63	2.4%	2.57	2.49

ASSETS

(in millions of euros)	Notes	31/12/2006	31/12/2005	31/12/2004*
Goodwill	14	10,852	10,235	9,329
Other intangible assets	14	1,038	862	730
Tangible fixed assets	15	13,736	13,401	12,617
Financial assets	16	1,111	1,175	1,141
Investments in companies accounted for by the equity method	16	417	467	247
Deferred tax on assets	17	922	1,029	1,066
Investment properties	18	455	463	481
Consumer credit from financial companies		1,656	1,398	1,594
Non-current assets		30,187	29,030	27,205
Inventories	19	6,051	6,110	5,621
Commercial receivables	20	3,620	3,451	3,147
Consumer credit from financial companies short term		2,586	2,357	1,627
Tax receivables		553	598	423
Other assets	21	815	813	900
Cash and cash equivalents	22	3,697	3,733	3,203
Assets classified as held for sale ⁽¹⁾		23	158	
Current assets		17,346	17,220	14,921
Total assets		47,533	46,250	42,126

LIABILITIES

(in millions of euros)	Notes	31/12/2006	31/12/2005	31/12/2004*
Shareholders' equity, Group share		9,486	8,385	6,947
Shareholders' equity, minority interest		1,017	1,001	929
Shareholders' equity		10,503	9,386	7,876
Borrowings	25	7,532	7,628	7,340
Provisions	23	2,256	2,325	1,954
Deferred tax liabilities		280	226	353
Consumer credit refinancing		516	264	255
Non-current liabilities		21,087	19,830	17,778
Borrowing - under 1 year	25	2,474	2,895	2,632
Trade payables		16,449	16,025	14,721
Consumer credit refinancing short term		3,427	3,199	2,654
Tax payables		1,172	1,241	1,388
Other liabilities	24	2,910	3,022	2,952
Liabilities classified as held for sale ⁽¹⁾		13	38	
Current liabilities		26,446	26,420	24,347
Total liabilities and shareholders' equity		47,533	46,250	42,126

* IAS standards 32 and 39 pertaining to financial instruments were applied as of 1 January 2005. Only the financial statements as of 31 December 2005 and 31 December 2006 are impacted by the application of these standards.

(1) In 2005, the assets and liabilities held for sale correspond to the assets and liabilities of Cash & Carry operations in Spain, the Czech Republic and Slovakia. In 2006, the assets and liabilities held for sale correspond to the assets and liabilities of operations in Slovakia.

CONSOLIDATED CASH FLOW STATEMENT

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Income before tax ⁽¹⁾	2,795	2,682	2,555
Operating activities			
Tax	(783)	(752)	(827)
Provision for amortization	1,666	1,514	1,887
Capital gains and losses on sales of assets	(129)	(160)	(58)
Changes in provisions and impairment	63	302	(157)
Dividends on companies accounted for by the equity method	8	6	(47)
Impact of discontinued activities	(34)	(10)	78
Cash flow from operations	3,586	3,582	3,432
Change in working capital	101	41	861
Impact of discontinued activities	(227)	153	14
Change in cash flow from operating activities (excluding financial companies)	(126)	194	4,307
Change in consumer credit commitments	10	(27)	(5)
Net cash from operating activities	3,469	3,749	4,302
Investing activities			
Acquisitions of tangible and intangible fixed assets	(3,368)	(2,899)	(2,463)
Acquisitions of financial assets	(65)	(51)	(123)
Acquisitions of subsidiaries	(529)	(751)	(315)
Disposals of subsidiaries	1,345	565	19
Disposals of fixed assets	688	686	544
Disposals of investments	45	26	375
Subtotal Investments net of Disposals	(1,885)	(2,425)	(1,963)
Other uses	(14)	(85)	(74)
Impact of discontinued activities	(135)	(107)	(110)
Net cash from investing activities	(2,033)	(2,617)	(2,148)
Financing activities			
Proceeds on issue of shares	6	88	(368)
Dividends paid by Carrefour (parent company)	(705)	(656)	(525)
Dividends paid by consolidated companies to minority interests	(109)	(102)	(152)
Change in shareholders' equity and other instruments	(92)		0
Change in borrowings	(799)	125	(1,641)
Impact of discontinued activities	214	3	45
Net cash from financing activities	(1,485)	(542)	(2,641)
Net change in cash and cash equivalent before currency impact	(50)	590	(487)
Impact of currency fluctuations	14	(59)	(27)
Net change in cash and cash equivalent after currency impact	(36)	531	(514)
Cash and equivalents at beginning of year	3,733	3,202	3,717
Cash and equivalents at end of year	3,697	3,733	3,202

(1) Including financial interest for 568 million euros at 31 December 2006 and 569 million euros at 31 December 2005.

VARIATION IN CONSOLIDATED SHAREHOLDERS' EQUITY BEFORE ALLOCATION OF INCOME

(in millions of euros)	Capital	Reserves relating to variations in shareholders' equity	Currency translation adjustment, Group share	Reserves for fair value variation in financial instruments	Other reserves and income	Shareholders' equity, Group share	Minority interests	Total shareholders's equity
Shareholders' equity at 01/01/2004 before allocation	1,790	0	0	0	4,408	6,198	1,036	7,234
Foreign currency translation adjustment			66			66	1	67
Income and expenses recorded directly as shareholders' equity at 31/12/2004		0	66	0	0	66	1	67
Income 2004					1,591	1,591	154	1,745
Total income and expenses recorded for the period 2004	0	66	0	1,591	1,657	155	1,812	
Dividends 2003					(525)	(525)	(103)	(628)
Adjustment to capital and premiums ⁽¹⁾	(28)				(353)	(381)	8	(373)
Effects of changes in consolidation scope and other movements ⁽²⁾					(3)	(3)	(167)	(170)
Shareholders' equity at 31/12/2004 before allocation	1,762	0	66	0	5,118	6,947	929	7,876
Impact of IAS 32/29		(257)		(48)		(305)	(79)	(384)
Shareholders' equity at 01/01/2005 after impact of IAS 32/29	1,762	(257)	66	(48)	5,118	6,642	850	7,492
Foreign currency translation adjustment			697			697	60	757
Adjustment to the fair value of financial instruments		221		41		262	(3)	259
Income and expenses recorded directly as shareholders' equity at 31/12/2005	221	697	41			959	57	1,016
Income 2005					1,436	1,436	146	1,582
Total income and expenses recorded for 2005	221	697	41	1,436	2,395	203	2,598	
Dividends 2004					(656)	(656)	(101)	(758)
Change in capital and premiums					31	31	75	106
Impact of changes in consolidation scope and other movements					(27)	(27)	(26)	(52)
Shareholders' equity at 31/12/2005 before allocation	1,762	(36)	763	(7)	5,902	8,385	1,001	9,386
Foreign currency translation adjustment			(393)			(393)	(43)	(436)
Adjustment to the fair value of financial instruments					(5)	(5)	3	(2)
Income and expenses recorded directly as shareholders' equity at 31/12/2006	0	(393)	0	(5)	(398)	(40)	(439)	
Income 2006					2,269	2,269	163	2,432
Total income and expenses recorded for 2006	0	(393)	0	2,264	1,870	123	1,993	
Dividends 2005					(706)	(706)	(106)	(812)
Change in capital and premiums							7	7
Impact of changes in consolidation scope and other movements					(64)	(64)	(8)	(72)
Shareholders' equity at 31/12/2006 before allocation	1,762	(36)	370	(7)	7,396	9,486	1,017	10,503

(1) The change in capital and premiums in 2004 was due to the cancellation of treasury stock. The difference between shareholders' equity in the statutory financial statements and the consolidated financial statements can be explained by 216,000 shares classified as shares for cancellation in the statutory financial statements and cancelled in the consolidated financial statements.

(2) The reduction in consolidated reserves in 2004 arose from the redemption of certain minority shares, mainly in Spain, Brazil and France.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ACCOUNTING PRINCIPLES

The Carrefour group's consolidated financial statements for fiscal year 2006 were drawn up in euros, the company's functional currency, in accordance with International Financial Reporting Standards (IFRS), applicable since 1 January 2005, as approved by the European Union.

The consolidated financial statements as of 31 December 2006 were adopted by the Management Board on 27 February 2007.

The consolidated financial statements were drawn up on the basis of historic cost, with the exception of certain assets and liabilities stated in accordance with IAS standards 32 and 39, pertaining to financial instruments. The asset and liability categories concerned are described, where applicable, in the corresponding notes below.

Non-current assets and groups of assets held for sale are valued at their book value or fair value minus sale costs, whichever is lower.

The preparation of the consolidated financial statements involves the consideration of estimates and assumptions made by the Group's management, which may affect the book value of certain asset and liability items, income and expenses, as well as information provided in the notes to the financial statements. The Group's management reviews its estimates and assumptions regularly, in order to ensure their relevance to past experience and to the current economic situation. Depending on the changes in these assumptions, items appearing in future financial statements may be different from current estimates.

The main estimates made by management when preparing the financial statements concern the valuations and useful lives of intangible (Note 14) and tangible (Note 15) operating assets and goodwill (Note 14), the amount of provisions for risks and other provisions relating to the business (Note 23), as well as assumptions made for the calculation of pension commitments (Note 23) or deferred taxes (Note 17).

Details of the main assumptions made by the Group are provided in each of the paragraphs in the Appendix devoted to the financial statements.

The only assumption made by Management which has or may have a significant impact on the financial statements concerns the accounting position adopted while waiting for the IASB's final position on the treatment of commitments for the buy-out of minority interests described in the section on "Financial debt and derivatives" in Note 1.

IAS standards 32 and 39 pertaining to financial instruments were applied as of 1 January 2005.

IFRS 5 pertaining to non-current assets held for sale and discontinued operations was applied early, as of 1 January 2004.

NEW STANDARDS AND INTERPRETATIONS APPLICABLE IN 2006

- In accordance with IFRIC Interpretation 4, an analysis was conducted on contracts not having the legal status of a lease contract, but which could be characterized as such. This analysis did not result in any impact on the financial statements.
- The amendment to IAS 19 (Employee benefits) introduced the option of including in shareholders' equity the actuarial gains and losses relating to defined pension plans and specifies the additional information to be supplied. The Group decided not to take advantage of this option.
- The amendment to IAS 21 (Effects of changes in foreign currency exchange rates) pertaining to net investments in foreign operations specifies that the exchange rate differentials generated by monetary factors as part of a net investment in a foreign operation, regardless of whether they are denominated in a currency other than the functional currency of the entity or the currency of the foreign operation, are reclassified under equity. This amendment did not have an effect on the financial data presented.
- The amendments to IAS 39 have no effect on the consolidated financial statements.

- The amendment to IAS 39 (Financial instruments: Recognition and Measurement - cash flow hedges of forecast intragroup transactions), specifies that it is now possible to qualify as an item hedged against exchange risk in a cash flow hedge, a future intra-group forecast transaction which is highly probable, provided that this transaction is denominated in a currency other than the entity's functional currency and provided that it has an effect on the income statement.
- The amendment to IAS 39 (Fair value option) limits the fair value option to financial instruments that fulfil certain conditions and stipulates that this designation is irrevocable and must be made at the time of the initial posting.
- The amendment to IAS 39 and IFRS 4 relating to Financial Guarantee Contracts specifies that financial guarantee contracts are included in the scope of application of IAS 39. The interpretation of IFRIC 4 (Determining whether an Arrangement contains a Lease) explains the circumstances under which contracts that do not have the legal status of a lease contract must nonetheless be booked as such, in accordance with IAS 17. This interpretation did not have an effect on the Group's financial statements.
- The Group's electrical equipment distribution activities are not directly concerned by IFRIC interpretation 6 (Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment). The European Union's Directive on Waste Electrical and Electronic Equipment (WEEE) stipulates that the cost of waste management for equipment that has been sold to private households before 13 August 2005 should be borne by producers of that type of equipment that are in the market during the period specified in the applicable legislation of the individual member state. This interpretation did not have any significant effect on the Group's financial statements.

NEW STANDARDS AND INTERPRETATIONS FOR SUBSEQUENT APPLICATION APPROVED BY THE EUROPEAN UNION

The standards, amendments and interpretations existing as of 31 December 2006 and applicable by the Group as of 1 January 2007 were not applied in advance by the Group.

The Group is currently conducting studies in order to measure the possible effect of their application on the financial statements.

■ IFRS 7 (Financial instruments: disclosures) and the amendment to IAS 1 (Presentation of financial statements - Capital disclosures), require the disclosure of information pertaining to the extent of the use of financial instruments in view of the financial situation and performance of the entity, as well as qualitative and quantitative information on the nature and the extent of the risks arising from financial instruments to which the entity is exposed. Additional information pertaining to financial instruments and capital will be presented in the Group's 2007 financial statements, as per IFRS 7 and the amendment to IAS 1.

- IFRIC Interpretation 7 (Applying the restatement approach under IAS 29: Financial reporting in hyperinflationary economies), specifies how IAS 29 should be applied when an economy becomes hyperinflationary, particularly with regard to the reassessment of non-monetary elements and the reporting of deferred tax that results therefrom. Application of IFRIC 7 is mandatory in the 2007 consolidated financial statements.
- IFRIC Interpretation 8 (Scope of IFRS 2 - Share-based payment) requires that IFRS 2 be applied to all transactions as a part of which an entity makes share-based payments when the consideration given appears to be less than the fair value of the equity instruments granted. The application of IFRIC 8 is mandatory in the 2007 consolidated financial statements.
- IFRIC Interpretation 9 (Reassessment of embedded derivatives) requires an entity, when it first becomes a party to a contract or when a change in the terms of the contract significantly modifies the cash flows that otherwise would be required under the contract, to assess whether any embedded derivatives are contained in the contract and whether they must be accounted for according to IAS 39. Application of IFRIC 9 is mandatory in the 2007 consolidated financial statements.
- IFRIC Interpretation 10 (Interim financial reporting and impairment) prohibits the reversal of an impairment loss recognised at the balance sheet date of a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. IFRIC Interpretation 10 is applicable prospectively as of the date of the first application of IAS 36 (concerning the impairment of goodwill) and the first application of IAS 39 (concerning impairment losses on investments in equity instruments or financial assets carried at cost), which is on 1 January 2004.

The accounting methods presented below were applied continuously to all periods presented in the consolidated financial statements and uniformly by the Group's entities.

CHANGE IN ESTIMATE

In 2005, the Group decided to make a change in estimate as to the duration of the depreciation of its buildings, increasing it from 20 to 40 years.

The change in estimate, reflected in a prospective change in the duration of depreciation as of 1 January 2005, can be justified by the fact that the contribution values of the stores, as determined by expert assessors as part of plans to create the European property company, Carrefour Property, demonstrated in 2005 that the buildings still have significant market value after 20 years. Following the creation of Carrefour Property, the Group decided to engage in an overall review of the useful economic life of its assets. AFREXIM (an association of property experts) thus conducted a sectoral study of the economic life span of a building. The property expert's report concluded in 2005 that the economic life span of a building within the Group is 40 years.

SCOPE – METHOD OF CONSOLIDATION

The companies over which Carrefour exercises exclusive control, either directly or indirectly, are fully consolidated. Control exists when the Group has the power to direct the financial and operational policies of the entity directly or indirectly, in order to obtain advantages from its operations. To assess the degree of control, the potential voting rights that can currently be exercised or converted are taken into account. Furthermore, the companies in which the Group exercises significant influence or joint control are consolidated by the equity method. The consolidated financial statements include the Group share in the total amount of profits and losses recorded by the companies consolidated by the equity method, after making adjustments to bring their accounting methods into conformity with those of the Group, as of the date on which a significant influence was exercised up through the date on which the significant influence ceased.

When Carrefour has no significant influence over the operational or financial decisions of the companies in which the Group owns securities, these are held as financial assets. These securities may, where appropriate, be subject to a provision for amortization. The method of amortization is presented in the section on "Financial Assets".

The Group does not have any "ad hoc" entities.

SEGMENT-BASED INFORMATION

The Carrefour Group is organized by geographic region (France, Europe excluding France, Asia and Latin America) as the first level of segment-based information, and then by the following store formats: Hypermarkets, Supermarkets, Hard Discount stores and Other formats (Convenience, Cash & Carry, Financial companies, etc.), constituting the second level of segment-based information.

The accounting principles used for segment-based information are identical to those used for preparing the consolidated financial statements.

BUSINESS COMBINATIONS

The Group has chosen the option offered by IFRS 1, which does not restate business combinations prior to 1 January 2004 in accordance with IFRS 3.

As from 1 January 2004, all business combinations are entered in the accounts by applying the purchase method. The difference between the purchase cost, which includes expenses directly attributable to the acquisition, and the fair value of the assets acquired, net of liabilities and any liabilities assumed within the framework of the grouping, is shown as goodwill.

Negative goodwill resulting from the acquisition is immediately recognized in the income statement.

For companies acquired during the course of the fiscal year and increases in equity interests, only the income for the period after the acquisition date is shown in the consolidated income statement. For companies disposed of during the course of the fiscal year and dilutions, only the income for the period prior to the disposal date is shown in the consolidated income statement.

CONVERSION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

For companies operating in countries with high inflation rates (e.g., Turkey in 2005, but none during fiscal year 2006):

- fixed assets, equity investments, shareholders' equity and other non-monetary items are revalued based on the reduction in the general purchasing power of the local currency during the fiscal year; these items are restated by means of a relevant price index as of the balance sheet date;
- all balance sheet items, with the exception of the Group's share of shareholders' equity, are then converted into euros on the basis of the exchange rates in effect at the end of the fiscal year;
- with respect to the Group's share of shareholders' equity, the opening balance is carried forward at the value in euros at the end of the previous fiscal year; other movements are converted at current foreign currency exchange rates. The difference thus created between the assets and liabilities in the balance sheet is recorded in a foreign currency translation adjustment account included as shareholders' equity – Group share;
- the income statement in local currency is adjusted for the effects of inflation between the date of the transactions and the end of the fiscal year. All items are then converted based on the exchange rates in effect at the year end.

For other companies:

- balance sheet items are converted on the basis of the closing rate;
- income statement items are converted at the average rate for the year when this is not materially different from the rate in effect on the date of the transactions.

CONVERSION RATE ADJUSTMENT FOR FOREIGN COMPANIES

In accordance with the option offered under IFRS 1, the Group has chosen to restate the translation adjustments accumulated at 1 January 2004 under "consolidated reserves". This option has no impact on the Group's total shareholders' equity; it involves a reclassification within shareholders' equity from the entry "Translation adjustments" to the entry "Other reserves", totalling 3,236 million euros.

FIXED ASSETS

1) Goodwill

In accordance with IFRS 3, goodwill has not been amortized since 1 January 2004. Instead, goodwill is subject to an impairment test during the second half of each year.

The methods of depreciation are described in the paragraph entitled "Impairment tests".

2) Intangible fixed assets

Other intangible fixed assets basically correspond to software programs that are depreciated over a period ranging from one to five years.

3) Tangible fixed assets

In accordance with IAS 16, "Tangible fixed assets", land, buildings and equipment, fixtures and fittings are evaluated at their cost price at acquisition or at production cost, less depreciation and loss in value.

The cost of borrowing is not included in the acquisition price of fixed assets.

Tangible fixed assets in progress are posted at cost less any identified loss in value.

Depreciation of these assets begins when the assets are ready for use.

Tangible fixed assets are depreciated on a straight line basis according to the following average useful lives:

- Construction:

Buildings	40 years
Grounds	10 years
Car parks	6 2/3 years

- Equipment, fixtures and fittings

6 2/3 years to 8 years

- Other fixed assets

4 to 10 years

Depreciation methods, useful life values and residual values are revised at the close of each fiscal year.

Acquisitions of fixed assets made through a financial lease agreement, i.e., a contract whose impact is to transfer to a substantial extent the risks and advantages inherent in the ownership of an asset to the lessee, are recorded as follows:

- the assets are capitalized at the fair value of the leased asset or, if it is lower, at the discounted value of the minimum leasing instalments. These assets are depreciated over the same durations as tangible fixed assets owned by the Group or over the duration of the contract if this is shorter than the useful life of the asset;
- the corresponding debt is recorded in the balance sheet as a liability;
- the lease instalments paid are allocated between the financial expense and amortization of the balance of the debt.

4) Impairment tests

In accordance with IAS 36, "Impairment of assets", when events or changes in the market environment indicate the risk of a loss in value of tangible and intangible assets, these are the subject of a detailed review in order to determine whether the net book value is lower than their recoverable value, defined as their fair value (minus disposal cost) or their useful value, whichever is higher. The useful value is determined by discounting future cash flows expected from the use of the asset.

If the recoverable amount is lower than the net book value, the loss in value is recorded as the difference between these two amounts. Losses in the value of tangible and intangible assets with a defined useful life may be reversed at a later date if the recoverable value becomes higher than the net book value (within the limits of the initially recorded depreciation) and of the amortization that would have been recorded if no loss of value had been observed.

These impairment tests are performed for all fixed assets on an annual basis.

a) Impairment of goodwill

IAS 36 (Impairment of assets) stipulates that an impairment test must be performed, either for each Cash-Generating Unit (CGU) to which goodwill has been allocated or for each group of CGUs within a sector of activity or geographical segment for which the return on investment of the acquisitions is appraised.

The level of analysis at which Carrefour appraises the present value of goodwill generally corresponds to countries or to operations per country.

As stipulated in IAS 36, goodwill must be allocated to each CGU or to each group of CGUs that may benefit from the synergies of the combined companies. Each unit or group of units to which goodwill is allocated must represent the lowest level within the entity at which the goodwill is monitored for internal management purposes, and must not be larger than a segment based on either the entity's primary or secondary reporting format determined in accordance with IAS 14, Segment Reporting (activity or geographic region).

The useful value is estimated by discounting future cash flows over a period of four years with determination of a final value calculated by discounting the fourth-year figures at the perpetual rate of growth to infinity and the use of a discount rate specific to each country.

The specific discount rate for each country takes into consideration a country's specific risk.

These discounting rates are validated by the Group's Management Board and ranged between 7.7% and 10.85% for the fiscal year 2006, depending on the country. They break down as follows:

- Europe: between 7.7% and 9.55%
- Latin America: between 8.55% and 10.85%
- Asia: between 7.7% and 9.7%

b) Impairment of tangible fixed assets

In accordance with IAS 36, fixed assets that show identifiable signs of a loss in value (or negative activity contribution) are the subject of a detailed review to determine whether their net book value is lower than their recoverable value, this being their market value or useful value, whichever is higher.

The useful value is estimated by discounting future cash flows over a period of ten years plus a residual value, and the market value is evaluated with regard to recent transactions or professional practices.

The discount rates used are the same as for impairment testing of goodwill.

FINANCIAL ASSETS

In accordance with IAS 39, financial assets are classified on the basis of the five categories below:

- financial assets measured at fair value through the income statement;
- derivatives;
- loans and receivables;
- assets held to maturity;
- assets available for sale.

The classification determines the accounting treatment of these instruments. It is determined by the Group on the date on which it is initially recorded, on the basis of the purpose for which these assets were acquired. Sales and acquisitions of financial assets are recorded on the transaction date, i.e., the date on which the Group bought or sold the asset.

1) Financial assets reported at fair value in the income statement

These are financial assets held by the Group in order to make a short-term profit on the sale, or financial assets voluntarily classified in this category.

These assets are valued at their fair value with variations in value recognized in the income statement.

Classified as current assets in the cash flow equivalents, these financial instruments include, in particular, UCITS cash shares.

2) Loans and receivables

Loans and receivables are financial assets whose payment is fixed or can be determined, which are not listed on an active market and which are neither held for transaction purposes nor available for sale.

These assets are initially valued at fair value and then at their amortized cost on the basis of the effective rate of interest method. For short term receivables without a declared rate of interest, the fair value will be the same as the amount on the original invoice, unless the effective interest rate has a significant impact.

These assets are subject to impairment testing when there is evidence that they have diminished in value. An impairment loss is recognized if the book value is higher than the estimated recoverable value.

Debts pertaining to equity interests, other debts and receivables and commercial receivables are included in this category. They appear as financial assets and commercial receivables.

3) Assets held to maturity

Assets held until maturity are financial assets, other than loans and receivables, with a fixed maturity date, whose payments are determined or can be determined and which the Group has the intention and capacity of holding until this maturity date. These assets are initially booked at fair value and then at their amortized cost on the basis of the effective rate of interest method.

These assets are subject to impairment testing when there is evidence that they have diminished in value. An impairment loss is recognized if the book value is higher than the estimated recoverable value.

Assets held to maturity are recognized as financial assets.

4) Assets available for sale

Assets held for sale are financial assets that are not part of the aforementioned categories. They are valued at fair value. Unrealized capital gains or losses are recorded as shareholders' equity until they are sold. When, however, there is an objective indication of the impairment of an asset available for sale, the accumulated loss is recognized in the income statement. Impairment losses recorded on variable income securities cannot be reversed at a later balance sheet date.

For listed securities, the fair value corresponds to the market price. For non-listed securities, it is determined by reference to recent transactions or by valuation techniques that are based on reliable and observable market data. When, however, it is impossible to reasonably estimate the fair value of a security, it is valued at its historic cost. These assets are then subject to impairment testing in order to evaluate the extent to which they are recoverable.

This category contains primarily non-consolidated equity securities and marketable securities that do not comply with other definitions of financial assets. They are shown as financial assets.

INVESTMENT PROPERTIES

With regard to IAS 40, investment properties are tangible asset items (buildings or land) owned for leasing or capital valuation. As for the criteria that apply to this standard, those assets not used for operational purposes are generally shopping malls within the Group. The Group considers that shopping malls (i.e., all the businesses and services established behind the stores' cash registers) in full ownership or co-ownership are investment properties.

Investment properties are posted at their historic value and depreciated over the same period as tangible fixed assets of the same nature.

An assessment of the fair value of investment properties is performed on an annual basis. This assessment is performed by applying a multiple that is a function of the calculated profitability of each shopping mall and a capitalization rate based on the country to the annualized gross rents generated by each investment property.

The fair value is presented in Note 18.

INVENTORIES

Inventories are valued at the most recent purchase price plus any additional costs, a method that is well suited to rapid inventory turn-around and does not generate a significant difference with the FIFO method. The cost price includes all costs that constitute the purchase cost of the goods sold (with the exception of foreign currency losses and gains) and also takes into consideration all the conditions obtained at the time of purchase and from supplier services.

In accordance with IAS 2 (Inventories), inventories are valued at their production cost or their net present value, whichever is lower.

The net present value is the estimated sales price less additional costs necessary for the sale.

OPERATING RECEIVABLES

Operating receivables generally include trade receivables, franchisee receivables and rents receivable from shopping malls. Where appropriate, they are subject to depreciation, which takes into account the debtor's capacity to honour its debt and the collection period of the receivable.

OUTSTANDING CUSTOMER RECEIVABLES / REFINANCING TO FINANCIAL SERVICE COMPANIES

Customer receivables due to financial service companies refer primarily to consumer credit granted to customers of companies within the Group's scope of consolidation. These loans, together with the amounts outstanding from refinancing that back them, are considered to be assets and liabilities held until their maturity date and are classified on the basis of their maturity date as current or non-current assets and liabilities.

CASH AND CASH EQUIVALENTS

Cash equivalents are short-term investments that are highly liquid, can easily be converted into a known cash amount and are subject only to a negligible risk of a change in value.

Cash refers to cash in hand and demand deposits.

PROVISIONS

In accordance with IAS 37 (Provisions, Contingent liabilities and Contingent assets), provisions are posted when, at year end, the Group has a present, legal or implicit obligation arising from a past event, the amount of which can be reliably estimated and the settlement of which is expected to result in an outflow of resources representative of economic advantages. This obligation may be of a legal, regulatory or contractual nature. These provisions are estimated on the basis of their type, in view of the most likely assumptions. The amounts are discounted when the impact of the passage of time is significant.

EMPLOYEE BENEFITS

The Group's employees enjoy short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (long-service medals, seniority bonuses, etc.) and post-employment benefits with defined contributions and benefits (retirement bonuses and benefits, etc.).

a) Defined contribution schemes

Defined contribution schemes are schemes whereby the Company makes periodic fixed contributions to external benefit agencies that provide administrative and financial management. These schemes free the employer from any further obligation, with the agency taking responsibility for payment to employees of the amounts owed to them (basic Social Security pension scheme, complementary pension scheme, pension fund with fixed contributions).

These contributions are recognized as expenses when they are due.

b) Defined benefit schemes and long-term benefits

The Carrefour Group makes provision for the various defined benefit schemes dependent on the accumulated years of service within the Group that are not totally pre-financed.

This commitment is calculated annually on the basis of the method of projected units of credit, on an actuarial basis, taking into consideration factors such as salary increases, retirement age, mortality, personnel rotation and discount rates.

The discount rate is equal to the interest rate, at the balance sheet date, of top-rated bonds with a due date close to the due date of the Group's commitments. The calculations are made by a qualified actuary using the projected unit method.

The Group has decided to apply the "corridor" method, whereby the effect of variations in actuarial terms is not recognized on the income statement, as long as the former remain within a range of 10%. Thus, actuarial differences exceeding 10% between the value of the commitment and the value of the hedging assets – whichever is higher – on the income statement are spread over the expected average working life of employees benefiting from this scheme.

In accordance with the option offered by IFRS 1, the Group has elected to recognize its actuarial gains and losses on its pension commitments that have not yet been recognized in the French financial statements at 31 December 2003, directly by offsetting shareholder's equity at 1 January 2004.

c) Share-based compensation

In accordance with the option offered by IFRS 1, the Group has elected to limit the application of IFRS 2 to stock option plans paid in shares, allocated after 7 November 2002, the rights to which had not yet been acquired at 1 January 2004. This application had no effect on total shareholders' equity at 1 January 2004.

The plans granted between 2003 and 2006 fall within the scope of IFRS 2 (Share-based compensation). These are subscription or purchase options reserved for employees with no special acquisition conditions, aside from effective presence at the end of the vesting period.

The benefits granted that are remunerated by these schemes are posted as expenses, offsetting a capital increase over the vesting period. The expense recognized for each period corresponds to the fair value of the assets and services received on the basis of the Black-Scholes formula on the date on which these were granted and spread over the vesting period.

The free share allocation plans granted by the Group also give rise to the recognition of an expense spread over the vesting period. The plans granted in 2004 and 2005 are dependent on the achievement of non-market objectives; since, however, it is thought to be unlikely that these objectives will be achieved, no expense has been recognized for these plans.

The plans granted in 2006 are conditional, in part, on the effective presence of the beneficiary at the end of the vesting period and in part on the achievement of qualitative objectives. The 2006 plans gave rise to the recognition of an expense during the fiscal year.

In view of the size and non-recurrence of plans granted in 2006 (number of beneficiaries, vesting period, introduction of free shares), the expenses related to share-based compensation was kept in "non-current expenses" at 31 December 2006.

Details of share allocation plans are provided in the management report.

INCOME TAX

Deferred taxes are calculated at the tax rate in effect at the beginning of the following fiscal year, on the basis of the carry-forward method. Deferred taxes are reviewed annually when the accounts are closed.

Tax expense for the fiscal year includes tax payable and deferred tax.

Deferred tax is calculated according to the balance sheet method of tax effect accounting on the basis of temporary differences between the book value entered in the consolidated financial statements and the tax bases of assets and liabilities. Deferred taxes are accounted for based on the way in which the Group expects to realize or settle the book value of assets and liabilities, using tax rates that have been enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified in the balance sheet as non-current assets and liabilities.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

FINANCIAL DEBT AND FINANCIAL INSTRUMENTS

Financial debt includes:

- bonds;
- outstanding accrued interest;
- outstanding amounts relating to financial lease agreements;
- bank loans and facilities;
- subordinated loans of unspecified duration (PSDI);
- securitized debt for which the group incurs credit risk;
- minority share buyback commitments.

a) Accounting principle

Financial debts are recorded on the basis of the principle of amortized cost. Initially, they were recorded at market value, net of transaction costs and premiums directly attributable to their issue.

Derivative instruments intended to cover exposure to interest rate risk are entered at market value and used as fair value or cash flow hedges.

Cash flow hedge: Derivatives intended to hedge the floating rate of borrowing are considered to be financial cash flow hedges. The gain or loss relating to variations in fair value deemed to be effective is stated as equity until the hedged transaction is itself recognized in the Group's financial statements. The portion considered to be ineffective is directly recorded as financial income/expense.

Fair value hedge: Issue swaps backed by fixed-rate bonds are considered to be fair value hedge instruments. Financial liabilities hedged by these swaps are revalued at the fair value of the borrowing on the basis of interest rate changes. Fair value changes are recorded in the income statement and are offset by corresponding variations in rate swaps for the effective portion.

Other derivatives: They are recorded at market value and fair value variations are recorded as profit or loss.

b) Fair value

The market values of exchange rate and interest rate instruments are determined on the basis of valuation models that are recognized on the market or by the use of rates established by external financial institutions.

The values estimated by valuation models are based on the discounting of expected future cash flows. These models use criteria based on market data (interest rate and exchange rate curves) obtained from Reuters.

The fair value of long-term debt is estimated based on the market value of bonds or of all future flows discounted on the basis of market interest rates for a similar instrument (in terms of currency, maturity, type of interest and other factors).

c) Subordinated loans of unspecified duration

PSDIs contracted by the Group in 1992 fulfil the function of derivatives under IAS 39 to the extent that the three following characteristics are simultaneously fulfilled:

- the value of the PSDI varies, depending on interest rate trends;
- the amount of initial net investment is low in comparison with the debt issue;
- settlement occurs at a future date.

As a result, in accordance with IAS 39, PSDIs issued by Carrefour are classified as derivatives and valued at their fair value. Variations in value are posted in the income statement for the period.

d) Derecognition of financial assets

In December 2002, the Group contracted into a programme for securitizing receivables. This programme only partially transfers the risks and advantages of the variation in value discounted by future cash flows from receivables. Consequently, part of these securitized receivables have been recognized as financial debt.

e) Commitments for the buyback of minority shares

The Group has undertaken to buy back the shares of minority shareholders in some of its fully consolidated subsidiaries. For the Group, these buyback commitments correspond to option commitments (sales of put options). The exercise price of these transactions may be fixed or determined by a pre-defined calculation formula; furthermore, these transactions can be exercised at any time or at a predetermined date.

While waiting for IFRIC to come to a final decision, we have chosen the following accounting treatment:

- in accordance with the provisions of IAS 32, the Group has recorded the put options granted to minority shareholders in the subsidiaries concerned as financial liabilities;
- initially, the liability is recorded at the current exercise price value and then, in later closings, on the basis of the fair value of potentially purchased shares, if the exercise price is based on the fair value;
- the counterpart of this liability is recorded less minority interests, with the balance recorded as goodwill. For the sake of consistency, the obligation to record a liability when the put option has not been exercised suggests that we continue to treat these transactions in the same way as we do the increase in the percentage of shares in controlled companies;
- the later change in commitment value is recorded by adjusting the goodwill amount (excluding the discounting effect);
- the group share figure is calculated on the basis of the percentage holding in the subsidiary, without taking into consideration the percentage of interest attached to sales of put options.

The accounting principles described above may be revised on the basis of the conclusions of the studies currently being conducted by the IFRIC.

FOREIGN EXCHANGE RATE HEDGING INSTRUMENTS

The Group uses foreign exchange rate hedging instruments (mainly forward currency contracts) to manage and reduce its exposure to fluctuations in currency rates. These financial instruments are valued at their fair value and variations in fair value are treated as follows:

- when the instrument is classified as a hedging instrument for future cash flows, the variations in fair value corresponding to the effective portion are directly recorded as shareholders' equity, while the variations corresponding to the ineffective portion are recorded on the income statement;
- when the instrument is classified as a fair value hedging instrument, variations in fair value are recorded in the income statement, where they offset the variations in fair value of the underlying instrument for the effective portion.

TREASURY STOCK

Treasury stock are deducted from consolidated shareholders' equity. Any income from the sale of treasury stock (together with the corresponding tax effects) is directly charged to shareholders' equity and does not contribute to net income for the fiscal year.

ASSETS AND GROUPS OF ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that the entity has sold or is being held with a view to sale and:

- which represents a line of activity or a primary and distinct geographic region;
- is part of a unique and coordinated plan to dispose of a line of activity or a distinct geographic region; or
- is a subsidiary acquired solely in order to be sold.

It is classified as a discontinued operation at the time of its disposal or at a prior date when the operation satisfies the criteria for classification as an asset held for sale. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the activity had satisfied the criteria for classification as a discontinued operation as of the opening of the comparative period.

A group of assets is classified as "non-current assets held for sale" if its book value is defined primarily through a sale transaction that is highly probable.

NET SALES

Net sales include only store and warehouse sales.

OTHER INCOME

Other income (financial and travel services, rental income, franchise fees, etc.) are recorded on a separate line called "Other income" and recorded under the "Net sales" line in the income statement.

Certain expenses, such as the cost of payments made by customers in several instalments and of loyalty schemes not funded by suppliers, are recorded net of other revenues.

This entry includes fees received by finance companies from debit cards, traditional credit applications or revolving credit applications. Fees are spread across the duration of the contract.

INCOME PER SHARE

The Group presents basic and diluted income per share for its ordinary shares.

Basic income per share is calculated by dividing the income attributable to the bearers of the company's ordinary shares by the weighted average number of ordinary shares in circulation during the period.

Diluted income per share is determined by adjusting the income attributable to bearers of ordinary shares and the average weighted number of ordinary shares in circulation for the effects of all potential ordinary dilutive shares, which include convertible bonds and share subscription options allocated to members of the workforce.

NOTE 2: HIGHLIGHTS FOR THE YEAR

ACQUISITIONS IN THE YEAR

- **Hyparla:** The members of the Arlaud family having decided to exit Hofidis II early, the Group presented a takeover bid to Hyparla's shareholders on its own, at the price of 39.22 a share. Upon completion of the simplified takeover bid, on 10 March 2006 Carrefour held 93.89% of the capital stock. On 21 July 2006, Carrefour acquired 4.4% of the securities. Since Carrefour did not manage the company until 31 December 2005, the Group's ownership interests were consolidated by the equity method. In view of the developments during the fiscal year, Hyparla's operations in France and Romania were fully consolidated in March 2006. On the acquisition date, Hyparla operated five hypermarkets in Romania and 12 in France (in the Rhône-Alpes region). The net income – Group share earned between the acquisition date and the closing date was €17 million. As of the acquisition date, fixed assets represented €212 million.
- **Acquisition of Caprabo:** On 30 January 2006, Carrefour Spain announced the acquisition of two hypermarkets, three mini-hypermarkets and two service stations from Caprabo. Since the conditions precedent were satisfied on 18 July 2006, this acquisition was fully consolidated as of that date.
- **Acquisition of Dinosol:** On 23 October 2006, Carrefour Spain acquired a company comprising two hypermarkets from Dinosol, which was fully consolidated.
- **Acquisition of Ahold Polska:** On 1 December 2006, Carrefour signed a memorandum of agreement concerning the acquisition of Ahold Polska. This transaction remains subject to approval by the relevant authorities, which will likely address the matter during the summer of 2007. Ahold Polska operates 194 stores, including 15 Hypernova hypermarkets (six of which are fully owned, while nine are leased), as well as the Albert supermarkets. This acquisition had no impact on the financial statements at 31 December 2006 inasmuch as this acquisition will only become effective subsequent to the consent of the competition authorities. The purchase commitment for Ahold securities appears under off-balance sheet commitments.

DISPOSALS AND DISCONTINUED OPERATIONS IN THE YEAR

- **Withdrawal from South Korea:** On 26 September 2006, the Group sold its subsidiary in South Korea to E-Land for the sum of 1.5 billion euros. Income from the sale was reported in "Net income from discontinued operations" in accordance with IFRS 5.
- **Sale of Puntocash:** On 21 May 2006, following the consent of the anti-trust authorities, the Group sold its Cash & Carry subsidiary in Spain to the Miquel Alimentacio group. Income from the sale was reported in "Net income from discontinued operations" in accordance with IFRS 5.
- **Discontinuation of supermarket operations in Spain:** Earlier, in 2005, the Group decided to restructure all of its supermarkets. The costs related to this restructuring, as well as income from supermarkets sold to third parties or closed, were reclassified under "Income from discontinued operations" in accordance with IFRS 5.
- **Discontinuation of supermarket operations in China:** In 2006, the Group decided to discontinue its supermarket operations in China. The 2006 income as well as the costs of the closings were reclassified under "Income from discontinued operations" in accordance with IFRS 5.
- **Discontinuation of supermarket operations in Brazil:** In 2005 the Group decided to restructure all of its supermarkets. The costs related to this restructuring, as well as income from supermarkets sold to third parties or closed, were reclassified under "Income from discontinued operations" in accordance with IFRS 5.
- **Withdrawal from the Czech Republic:** On 30 September 2005, Carrefour announced its intent to acquire Tesco Taiwan and to transfer its operations in the Czech Republic and Slovakia to Tesco. Carrefour wished to sell its 11 hypermarkets in the Czech Republic and its four hypermarkets in Slovakia to Tesco. On 21 January 2006, the European Union approved the transaction in the Czech Republic, but referred the decision on Slovakia to the Slovak authorities. On 31 May 2006, Carrefour and Tesco closed the transaction concerning its withdrawal from the Czech Republic and the acquisition of Tesco's business in Taiwan. In accordance with IFRS 5, as of 31 December 2006, income from disposals in the Czech Republic was reclassified under "Income from discontinued operations".
- **Withdrawal from Slovakia:** On 29 December 2006, the Slovakian authorities announced their opposition to the sale for reasons of competition. The Group is currently studying various withdrawal scenarios for fiscal year 2007.

NOTE 3: SECTORAL INFORMATION

SECTORAL INFORMATION BY REGION

■ Investments

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	1,095	1,029	1,201
Europe (excluding France)	1,529	1,267	761
Latin America	436	332	166
Asia	309	272	237
Total	3,368	2,899	2,365

■ Net sales

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
France	37,212	35,577	4.6%	35,167
Europe (excluding France)	29,850	28,102	6.2%	26,404
Latin America	5,928	5,075	16.8%	3,938
Asia	4,911	4,306	14.0%	3,603
Total	77,901	73,060	6.6%	69,113

■ Other income

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
France	274	338	(18.9%)	430
Europe (excluding France)	271	314	(13.7%)	335
Latin America	332	201	65.4%	101
Asia	165	137	20.8%	115
Total	1,043	989	5.4%	980

■ Activity contribution, before depreciation, amortization and provisions

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
France	2,347	2,269	3.4%	2,576
Europe (excluding France)	1,851	1,758	5.3%	1,613
Latin America	318	262	21.5%	213
Asia	329	294	12.1%	286
Total	4,845	4,582	5.7%	4,688

■ Depreciation and provisions

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
France	629	556	13.1%	612
Europe (excluding France)	643	613	4.9%	645
Latin America	157	129	21.2%	125
Asia	158	131	20.4%	117
Total	1,587	1,430	11.0%	1,498

■ Activity contribution

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
France	1,718	1,713	0.3%	1,964
Europe (excluding France)	1,208	1,145	5.5%	968
Latin America	161	133	21.8%	88
Asia	171	162	5.4%	170
Total	3,258	3,152	3.4%	3,190

■ Non-current income and expenses

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	(78)	(124)	(7)
Europe (excluding France)	113	109	57
Latin America	(1)	2	(97)
Asia	(18)	(8)	(7)
Total	16	(21)	(54)

■ Income from companies consolidated by the equity method

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	17	48	26
Europe (excluding France)	20	5	16
Latin America	(1)	(2)	(1)
Asia			
Total	36	51	41

■ Net intangible fixed assets

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	4,387	3,910	3,553
Europe (excluding France)	6,722	6,447	5,902
Latin America	682	690	570
Asia	99	50	34
Total	11,890	11,097	10,059

■ Net tangible fixed assets

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	4,463	3,979	3,591
Europe (excluding France)	6,378	6,002	5,822
Latin America	1,695	1,531	1,451
Asia	1,199	1,888	1,753
Total	13,736	13,401	12,617

■ Net investment properties

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	77	18	25
Europe (excluding France)	282	272	343
Latin America	21	20	26
Asia	75	154	86
Total	455	463	481

■ Foreign currency translation - Group share

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France			
Europe (excluding France)	108	182	98
Latin America	270	355	(25)
Asia	(8)	227	(6)
Total	370	763	66

In accordance with the option offered under IFRS 1, the Group elected to restate translation adjustments accumulated at 1 January 2004 under "Consolidated reserves". This option had no effect on the Group's shareholders' equity; it involved a reclassification at 1 January 2004, under shareholders' equity, from the entry "Translation adjustments" to the entry "Other reserves" in the amount of 3.236 million euros.

■ Provisions

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	727	697	614
Europe (excluding France)	1,110	1,123	980
Latin America	410	465	324
Asia	10	40	37
Total	2,256	2,325	1,954

■ Trade payables

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	6,378	6,105	5,616
Europe (excluding France)	7,953	7,759	7,360
Latin America	1,128	1,039	899
Asia	989	1,122	846
Total	16,449	16,025	14,721

■ Other liabilities

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	1,507	1,534	1,678
Europe (excluding France)	995	1,015	888
Latin America	224	243	209
Asia	184	229	177
Total	2,910	3,022	2,952

■ Total balance sheet

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	26,307	17,545	16,574
Europe (excluding France)	19,928	20,806	18,961
Latin America	(243)	4,394	3,740
Asia	1,541	3,505	2,851
Total	47,533	46,250	42,126

SEGMENT INFORMATION BY FORMAT

■ Investments

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Hypermarkets	1,718	1,327	1,102
Supermarkets	595	563	654
Hard Discount stores	415	317	251
Other activities	641	692	358
Total	3,368	2,899	2,365

■ Net sales

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
Hypermarkets	45,890	42,375	8,3,%	40,788
Supermarkets	13,563	13,229	2,5,%	12,260
Hard Discount stores	7,085	6,441	10,0,%	5,813
Other activities	11,363	11,015	3,2,%	10,253
Total	77,901	73,060	6,6,%	69,113

■ Net tangible and intangible fixed assets

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Hypermarkets	12,165	14,310	13,169
Supermarkets	6,138	7,290	6,994
Hard Discount stores	1,989	1,749	1,412
Other activities	5,334	1,149	1,100
Total	25,626	24,498	22,675

■ Total balance sheet

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Hypermarkets	21,906	20,238	17,471
Supermarkets	4,323	4,398	4,115
Hard Discount stores	2,598	2,629	2,278
Other activities	18,705	18,985	18,261
Total	47,532	46,250	42,126

"Other activities" is mainly composed of convenience stores, cash & carry and holding companies.

NOTE 4: NET SALES

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
Net sales	77,901	73,060	6.6%	69,113

At constant exchange rates, net sales would have been 77,753 million euros.

The impact of exchange rate fluctuations represented 148 million euros at 31 December 2006, including (90) million euros in Argentina, 334 million euros in Brazil and (171) million euros in Turkey.

■ Net sales by country

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
France	37,212	35,577	35,167
Europe (excl. France)	29,850	28,102	26,404
Spain	12,354	11,945	11,419
Italy	6,285	6,008	5,878
Belgium	4,340	4,262	4,250
Greece	2,251	2,039	1,828
Portugal	1,195	1,130	1,092
Poland	1,189	1,027	750
Switzerland	485	488	484
Turkey	1,301	1,203	702
Romania	451	0	0
Latin America	5,928	5,075	3,938
Brazil	3,839	3,248	2,453
Argentina	1,356	1,231	1,063
Colombia	734	596	422
Asia	4,911	4,306	3,603
Taiwan	1,326	1,295	1,123
China	2,136	1,765	1,387
Thailand	473	456	421
Malaysia	251	226	204
Indonesia	627	472	382
Singapore	98	92	86

NOTE 5: OTHER INCOME BY KIND

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
Rental income	262	246	6.3%	212
Sub-leasing income	103	85	21.8%	69
Sundry income	678	658	2.9%	699
Total	1,043	989	5.4%	980

"Sundry income" refers essentially to the cost of coupons not financed by suppliers, as well as related products, franchise fees and income from finance companies.

NOTE 6: COST OF SALES

Other than inventory purchases and variations, the cost of goods sold includes other costs that mainly consist of the costs of products sold by financial companies, income from discounts and exchange rate differences generated by goods purchases.

NOTE 7: SALES, GENERAL AND ADMINISTRATIVE EXPENSES

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
Labour costs	7,515	7,008	7.2%	6,496
Property rentals	871	765	14.0%	647
Maintenance and repairs	736	663	11.0%	616
Fees	626	482	29.7%	571
Advertising	1,063	1,070	(0.7%)	1,037
Taxes	499	512	(2.4%)	453
Consumables	597	521	14.6%	479
Other general expenses	988	966	2.3%	842
Total	12,895	11,986	7.6%	11,140

Labour costs remained stable, representing 9.6% of net sales in 2006, as in 2005.

The proportion of "Sales, general and administrative expenses" in net sales remained relatively stable, at 16.5% in 2006 as against 16.4% in 2005.

NOTE 8: DEPRECIATION, AMORTIZATION AND PROVISIONS

In 2005, the Group decided to change its estimate of the duration of the depreciation of its buildings, increasing it from 20 to 40 years.

The depreciation allowances shown in the tables below for 2004 are still presented over 20 years.

(in millions of euros)	31/12/2006	31/12/2005	% Var.	31/12/2004
Depreciation of tangible fixed assets	1,371	1,240	10.6%	1,247
Amortization of intangible fixed assets	170	154	10.8%	157
Amortization of financial lease agreements	29	28	7.1%	49
Depreciation of investment properties	17	14	18.3%	25
Allocations and reversals of provisions	(1)	(6)	(82.0%)	21
Total	1,587	1,430	11.0%	1,498

NOTE 9: NON-CURRENT INCOME AND EXPENSES

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Depreciation of assets	(26)	0	(79)
Share-based payments	(69)	(31)	(31)
Restructuring costs	(98)	(227)	(100)
Other non-current income and expenses	208	237	155
Total	16	(21)	(55)

Items of an unusual type due to their nature and frequency are accounted for under non-current income and non-current expenses.

Other non-current income and expenses are primarily composed of capital gains on disposals.

NOTE 10: INTEREST INCOME

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Other financial expenses and income	(55.5)	(51.5)	(69.9)
Debt expense	(424.1)	(398.3)	(410.8)
Income from cash and cash equivalents	42.5	34.2	33.0
Interest expenses	(431.3)	(401.2)	(419.1)
Interest expenses for financial leasing operations	(35.3)	(31.4)	(24.7)
Total	(479.6)	(449.9)	(480.7)

Other financial expenses and income include the cost of discounting provisions for retirement pensions, which was 31 million euros at 31 December 2006, 32.6 million euros at 31 December 2005 and 34.7 million euros at 31 December 2004.

The breakdown of the Group's debt is shown in Note 25 on borrowings.

NOTE 11: INCOME TAX

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Income tax	759	786	809
Deferred tax	51	(1)	(2)
Total tax	810	785	807
Actual tax rate	29.0%	29.3%	30.4%

(in millions of euros)	31/12/2006
Current income before tax	2,795
Standard rate	33.3%
Surplus tax	1.1%
Theoretical tax	962
Effects of permanent differences on tax	(92)
Tax effects: income not taxed or taxed at a different rate	(87)
Other	27
Total tax	810
Effective tax rate	29.0%

NOTE 12: NET INCOME FROM DISCONTINUED OPERATIONS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Discontinued operations, Group share	412	(362)	(142)
Discontinued operations, minority share	(0)	(4)	(1)
Total	411	(365)	(143)

In December 2006, net income from discontinued operations was accounted for by:

- the impact over the year of the withdrawal from South Korea in the amount of 430 million euros;
- the impact of the operating losses from supermarkets in China in the amount of (9) million euros;
- capital gains from the disposal of cash & carry operations in Spain (Puntocash) for 24 million euros and operating losses of (7) million euros, resulting in net income of 17 million euros;
- losses related to the restructuring of supermarkets in Spain for (7) million euros;
- operating losses from Brazilian supermarkets for (4) million euros and additional costs, amounting to a net loss of (6) million euros;
- operating losses in Slovakia in the amount of (8) million euros and additional costs of (7) million euros, amounting to a net loss of (15) million euros;
- an adjustment to the sale price of the Prodires operations of 1 million euros.

Net sales in South Korea at the disposal date would have been 1,017 million euros. Cash flows at 31 December 2006 were respectively (86) million euros from operating activities, (132) million euros from investment activities and 214 million euros from financing activities. As of the disposal date, total fixed assets stood at €1,262 million.

For China, cash flows at 31 December 2006 were (5) million euros arising from operating activities.

For Puntocash and supermarkets in Spain, cash flows at 31 December 2006 were respectively (11) million euros arising from operating activities and (8) million euros from investment activities.

For supermarkets in Brazil, cash flows at 31 December 2006 were (6) million euros arising from operating activities.

For Slovakia, cash flows at 31 December 2006 were (4) million euros arising from operating activities.

In December 2005, net income from discontinued operations arose from:

- the impact of the closing of Brazilian supermarkets in the amount of (196) million euros;
- the impact of the closing of Spanish supermarkets in the amount of (63) million euros;

- income/expense from the period and net income from the disposal of Catering and Food Service operations in France in the amount of (22) million euros;
- the impact of the withdrawal from Mexico in the amount of (29) million euros, corresponding primarily to a capital loss, since net income during the period was insignificant;
- losses for the year in the Czech Republic and Slovakia amounting to (63) million euros;
- losses for the year of cash & carry operations in Spain (Puntocash) amounting to (2) million euros;
- the impact of the withdrawal from Japan amounting to 1 million euros, subsequent to the establishment of a reserve for depreciation of 90 million euros at 31 December 2004;
- operating gains for the period in South Korea amounting to 13 million euros;
- operating losses for the period of supermarkets in China amounting to (4) million euros.

In December 2004, net income from discontinued operations arose from:

- an unrealized capital gain in Japan amounting to (90) million euros;
- capital gains from the sale of shares (Modelo Continente, Optical activities in the Czech Republic) amounting to 11 million euros;
- losses for the year in the Czech Republic and Slovakia amounting to (23) million euros;
- income for the period in Mexico amounting to 25 million euros;
- losses for the period in Japan amounting to (30) million euros;
- net income for the period from Catering and Food Service operations in France amounting to 11 million euros;
- operating losses of Brazilian supermarkets amounting to (16) million euros;
- operating losses of Spanish supermarkets amounting to (22) million euros;
- losses for the year of cash & carry operations in Spain (Puntocash) amounting to (6) million euros;
- operating losses of supermarkets in China amounting to (2) million euros;
- operating income in South Korea amounting to 5 million euros;
- other items amounting to a net expense of (5) million euros.

NOTE 13: NET INCOME PER SHARE

Net income per share before dilution	31/12/2006	31/12/2005	31/12/2004
Net income from recurring operations, Group share (in millions of euros)	1,856.9	1,797.7	1,733.1
Net income from discontinued operations, Group share (in millions of euros)	411.7	(361.7)	(141.9)
Net income, Group share	2,268.5	1,436.0	1,591.2
Average weighted number of shares	704,624,922	699,470,384	697,160,633
Net income from recurring operations per share (in euros)	2.64	2.57	2.49
Net income from discontinued operations per share (in euros)	0.58	(0.52)	(0.20)
Net income from Group share per share (in euros)	3.22	2.05	2.28

Net income per share after dilution	31/12/2006	31/12/2005	31/12/2004
Net income from recurring operations, Group share (in millions of euros)	1,856.9	1,797.7	1,733.1
Net income from discontinued operations, Group share (in millions of euros)	411.7	(361.7)	(141.9)
Net income, Group share	2,268.5	1,436.0	1,591.2
Average weighted number of shares	704,624,922	699,470,384	697,160,633
Dilutive shares	245,864		
Number of shares restated	704,870,786	699,470,384	697,160,633
Net income from recurring operations per share (in euros)	2.63	2.57	2.49
Net income from discontinued operations per share (in euros)	0.58	(0.52)	(0.20)
Net income from Group share per share after dilution (in euros)	3.22	2.05	2.28

In October 2005, the Group completed a repurchase of its own shares (7,075,240 shares).

According to IFRS, treasury stock are not taken into account for the calculation of income per share.

The reduction in the number of shares in circulation in December 2005 compared with December 2006 explains why net income from recurring operations per share increased less rapidly than net income from recurring operations – Group share.

Restated in view of this transaction, income per share would have increased in line with net income – Group share (by 3.3%).

NOTE 14: INTANGIBLE FIXED ASSETS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Net goodwill	10,852	10,235	9,329
Other gross intangible fixed assets	2,030	1,774	1,581
Amortization of other intangible fixed assets	(1,056)	(953)	(814)
Impairment of other intangible assets	(167)	(163)	(144)
Other net intangible fixed assets	807	657	623
Intangible fixed assets in progress	232	205	106
Net intangible fixed assets	11,890	11,097	10,059

■ Change to goodwill

(in millions of euros)	Net goodwill end 2004	Acquisitions 2005	Disposals 2005	Impairments 2005	Foreign currency translation adjustments 2005	Net goodwill end 2005	Acquisitions 2006	Disposals 2006	Impairments 2006	Foreign currency translation adjustments 2006	Net goodwill end 2006
France	3,340	281				3,621	438				4,059
Italy	2,971	140				3,111	21				3,132
Belgium	925	3				928	26				954
Spain	1,213	9		(4)		1,218	13				1,231
Brazil	273	53		(92)	85	319				(6)	313
Argentina	184				25	209				(24)	185
Other countries	423	390			17	830	182	(1)		(33)	978
Total	9,329	876	0	(96)	127	10,235	680	(1)	0	(63)	10,852

At 31 December 2006, goodwill in France consisted mainly of Comptoirs Modernes, Euromarché and Hyparlor; in Italy, of GS; in Belgium, of GB; in Spain, of Continente and the buyback of the shares of minority shareholders in Centros Comerciales Carrefour; in Brazil, of the RDC stores; and in Argentina, of Norte.

The main acquisitions during the year were Hyparlor and Hamon in France and Tesco in Taiwan.

■ Change to intangible fixed assets

(in millions of euros)	Gross	Depreciation	Net
At January 1, 2005	13,719	(3,660)	10,059
Acquisitions	428	(251)	177
Disposals	(21)		(21)
Foreign currency adjustments	103	51	154
Changes in consolidation scope and transfer	867	(140)	727
At December 31, 2005	15,097	(4,000)	11,097
Acquisitions	1,047		1,047
Disposals	(17)		(17)
Foreign currency adjustments	(192)	129	(63)
Depreciation		(170)	(170)
Impairment		(9)	(9)
Changes in consolidation scope and transfer	6		6
At December 31, 2006	15,941	(4,050)	11,890

NOTE 15: TANGIBLE FIXED ASSETS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Land	2,897	3,110	3,117
Buildings	8,560	8,031	7,330
Equipment, fixtures & fittings and installations	12,348	12,064	10,987
Other fixed assets	1,086	1,108	1,077
Fixed assets in progress	1,051	1,055	844
Leased land	152	144	145
Leased buildings	1,372	1,268	1,217
Leased equipment, fixtures & fittings and installations	137	134	99
Other leased fixed assets	20	32	1
Gross tangible fixed assets	27,624	26,947	24,816
Depreciation	(12,674)	(12,319)	(11,132)
Depreciation of leased fixed assets	(1,002)	(944)	(843)
Write-down	(213)	(283)	(223)
Net tangible fixed assets	13,736	13,401	12,617

■ Leased fixed assets

The Carrefour Group has carried out a review of all its property leasing agreements. Agreements considered to be financial leasing agreements were capitalized, whereas other agreements were considered simple operating leases.

Financial leasing agreements (in millions of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Minimum rents to be paid	699	57	200	442
Discounted value	416	51	152	213
Total sub-leasing income receivable	16	n/a	n/a	n/a
Minimum rents paid during the year	178	n/a	n/a	n/a
Conditional rents	1	n/a	n/a	n/a
Sub-leasing income	12	n/a	n/a	n/a

Simple leasing agreements (in millions of euros)	Total	Less than 1 year	1 to 5 years	More than 5 years
Minimum rents to be paid	5,396	788	1,905	2,704
Total minimum income to be received from sub-leasing	82	n/a	n/a	n/a
Minimum rents paid during the year	891	n/a	n/a	n/a
Conditional rents	32	n/a	n/a	n/a

■ Change to tangible fixed assets

(in millions of euros)	Gross	Depreciation and provisions	Net
At 1 January 2005	24 816	(12 198)	12 618
Acquisitions	2,562		2,562
Disposals	(796)	345	(451)
Amortization		(1,313)	(1,313)
Foreign currency adjustments	871	(362)	509
Changes in consolidation scope and transfer	(506)	(18)	(524)
At 31 December 2005	26,947	(13,546)	13,401
Acquisitions	2,807		2,807
Disposals	(466)		(466)
Amortization		(1,399)	(1,399)
Depreciation		(10)	(10)
Foreign currency adjustments		(198)	(198)
Changes in consolidation scope and transfer	(1,664)	1,265,	(399)
At 31 December 2006	27,624	(13,888)	13,736

NOTE 16: FINANCIAL ASSETS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Investments in companies accounted for by the equity method ⁽¹⁾	417	467	247
Investments ⁽²⁾	269	283	538
Loans at more than 1 year	5	6	12
Others ⁽³⁾	837	886	590
Total	1,528	1,642	1,388

(1) This item corresponds primarily to securities held in Italy (Finiper).

Net income from companies consolidated by the equity method amounted to 35.8 million euros at 31 December 2006, with goodwill amounting to 15 million euros and cumulative reserves of (20.8) million euros.

(2) In 2004, this item corresponded primarily to Finiper (Italy) securities, now consolidated by the equity method.

(3) This item refers primarily to guarantees and deposits and other capitalized receivables.

NOTE 17: DEFERRED TAX

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Deferred tax assets	922	1,029	1,066
Deferred tax liabilities	(280)	(226)	(353)
Total	642	803	714

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

■ Deferred tax bridge table

(in millions of euros)	31/12/2004	Foreign cur- rency effect	Allocations / reversals	Other*	31/12/2005	Foreign cur- rency effect	Allocations / reversals	Other*	31/12/2006
Net deferred tax	714	64	3	22	803	(27)	(51)	(83)	642

* Essentially, changes in consolidation perimeter.

■ Non-capitalized deferred tax assets

(in millions of euros)	31/12/2006	31/12/2005
Deferred tax on temporary differences	201	303
Deferred tax on deficits that can be carried forward	629	634
Deferred tax on unrecognized assets	830	937

The amount of deferred tax assets not recorded at 31 December 2006 amounted to 830 million euros. This corresponds principally to tax liabilities that can be carried forward and which were not capitalized because their recovery was considered unlikely.

NOTE 18: INVESTMENT PROPERTIES

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Investment properties at gross value	534	561	628
Depreciation	(79)	(98)	(147)
Total	455	463	481

■ Change in investment properties

The changes are presented as follows:

Opening balance (01/01/2005)	481
Allowances for depreciation and amortization for the period	(18)
Foreign currency effect	55
Investments in the period	38
Disposals in the period	(155)
Other movements	63
Closing balance (31/12/2005)	463
Allowances for depreciation and amortization for the period	(17)
Foreign currency effect	(18)
Investments in the period	40
Disposals in the period	(85)
Changes in consolidation perimeter	(81)
Other movements	153
Closing balance (31/12/2006)	455

Other movements correspond to investment properties put into service (reclassification from fixed assets in progress to investment property).

Rental income generated by these investment properties and recorded on the income statement in 2006 amounted to 62.4 million euros.

Their fair value at 31 December 2006 was estimated at 550 million euros.

NOTE 19: INVENTORIES

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Inventories at gross value	6,274	6,365	5,947
Depreciation	(223)	(255)	(326)
Inventories at net value	6,051	6,110	5,621

NOTE 20: COMMERCIAL RECEIVABLES

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Trade receivables	1,111	1,246	1,286
Depreciation on bad debts	(156)	(143)	(150)
Net receivables from customers	955	1,103	1,137
Supplier receivables	2,665	2,348	2,011
Total	3,620	3,451	3,147

Trade receivables are primarily those due from Group franchisees.

Supplier receivables correspond to rebates and commercial incentives receivable from the Group's suppliers.

NOTE 21: OTHER ASSETS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Receivables from employees	20	16	15
Loans at less than 1 year	17	8	20
Receivables from the disposal of intangible, tangible and financial assets	27	30	128
Prepaid expenses	202	192	149
Other net operating receivables	549	567	588
Total	815	813	900

NOTE 22: CASH AND CASH EQUIVALENTS

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Cash equivalents	1,773	1,976	2,101
Cash	1,924	1,756	1,102
Total	3,697	3,733	3,203

NOTE 23: PROVISIONS

(in millions of euros)	31/12/2004	Cur- rency impact	Allow- ances	Depre- ciation	Unused rever- sals of pro- visions	Used rever- sals of pro- visions	31/12/ 2005	Changes in conso- lidation perim- eter	Cur- rency impact	Allow- ances	Depre- ciation	Unused rever- sals of pro- visions	Used rever- sals of pro- visions	Other	31/12/ 2006
Provisions for retirement benefits	732	3	68	31	(40)	(61)	734		(2)	77	30	(76)	(58)		707
Legal risk	704	92	211		(60)	(58)	887	(7)	(14)	189		(63)	(43)	12	961
Restructuring	143	4	241		(2)	(149)	236		(2)	77		(62)	(83)	8	174
After-sales service	66		28		(25)		70	1		30			(33)		68
Other	309	13	179		(47)	(59)	398	(7)	(2)	86		(17)	(40)	(72)	346
Total	1,954	112	727	31	(174)	(327)	2 325	(13)	(20)	459	30	(218)	(257)	(52)	2,256

The cost of retirement indemnities is determined at the end of each fiscal year on the basis of employee seniority and the probability of their continued employment by the company at retirement. The calculation is based on an actuarial method that incorporates assumptions as to salary increases and retirement age. The commitment of the Group is entirely covered by provisions and by payments to external agencies.

Other provisions are composed of risks directly related to the company's operations (land-related risks, etc.).

In the normal course of business, the Group's companies are involved in a certain number of legal proceedings or litigation, including disputes with tax and social security authorities. A provision for contingency and loss has been established for expenses that can be estimated with sufficient reliability and are deemed probable by the companies and their expert assessors.

Summary of the financial situation of defined benefit schemes in the Group's three main countries (France, Italy and Belgium):

Breakdown of charges to 2006 income statement (in millions of euros)	Total
Service costs	10
Financial cost	35
Expected return on financial assets	(14)
Other	1
Total	32

Balance sheet movements (in millions of euros)	Total
Provision at 31/12/2005	656
Impact on income statement	33
Changes in the consolidation perimeter	8
Benefits paid	(45)
Other	(10)
Provision at 31/12/2006	641

Change in fair value of hedging assets (in millions of euros)	Total
Fair value at 31/12/2005	290
Changes in the consolidation perimeter	1
Expected return	14
Benefits paid by the fund	(6)
Actuarial losses	(5)
Other	13
Fair value at 31/12/2006	308

Net obligation (in millions of euros)	Total
Provision	641
Fair value of hedging assets	308
Defined Benefits Obligations (DBO)	950
Unrecognized actuarial adjustments	25
Net obligation at 31/12/2006	975

The criteria are as follows:

Age of retirement	60-65 years
Increases in salaries	1.4% to 3.2%
Salary expense rate	7% to 35%
Discount rate	3.9% to 4.25%

NOTE 24: OTHER LIABILITIES

Long-term liabilities (with the exception of provisions) are not discounted, as the effect of discounting on the financial statements would be insignificant.

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Trade payables for fixed assets	890	749	623
Payables to employees	1,552	1,519	1,417
Prepaid income	86	103	61
Other liabilities	382	651	851
Total	2,910	3,022	2,952

NOTE 25: BORROWINGS

■ Breakdown of net debt:

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Bonds	7,839	7,737	7,280
Derivatives - liabilities	489	320	
Other borrowings	657	1,329	1,459
Other long-term debts	79	162	186
Commercial paper	460	520	577
Leasing	481	455	470
Total borrowings	10,006	10,523	9,972
Total restatement of borrowings*	9,939	10,497	9,972
Marketable securities	1,707	1,950	2,101
Derivatives - assets	66	26	
Cash	1,924	1,756	1,102
Total investments	3,697	3,733	3,203
Net debt	6,309	6,790	6,770

* Amount of borrowing restated to include the derivatives shown as assets in the balance sheet.

IAS standards 32 and 39 pertaining to financial instruments were applied as of 1 January 2005. Only the financial statements at 31 December 2004 are not impacted by the application of these standards, which explains why the fair value of derivatives in the balance sheet is nil at 31 December 2004.

Based on equivalent accounting principles (by applying IAS 32 and 39 to the 2004 accounts), the Group's net debt would have been 7,546 million euros at the end of 2004.

■ Breakdown of borrowings by interest rate type

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Fixed rate debt	8,212	7,677	5,877
Floating rate debt	1,727	2,820	4,095
Total	9,939	10,497	9,972

Floating-rate debt was either issued as such or swapped to floating-rate debt from fixed-rate debt on issuance.

■ Breakdown of borrowings by currency

Borrowings are shown in their currency after the impact of hedging.

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
Euro	9,352	10,041	8,317
Japanese yen	0	0	170
US dollar	1	8	
Brazilian real	92	7	1
Chinese yuan	50	32	10
Turkish lira	3	48	7
Taiwanese dollar	112	35	16
Malaysian ringgit	2	2	10
Argentine peso	18	43	145
Pound sterling	0	0	796
Swiss franc	97	114	362
Colombian peso	150	21	11
Thai baht	4	12	
Polish zloty	8	8	1
Cypriot pound	50	0	
Korean won	0	125	120
Other	0	0	5
Total	9,939	10,497	9,972

The debt in euros represented 83.4% of the total in December 2006, as against 85.5% in December 2005.

After swaps, the debt in euros represented 94% of total debt in December 2006.

■ Breakdown of bonds

(in millions of euros)	Maturity date	Amount
Bonds		7,839
Public issues		6,313
Bond Euro MTN, GBP, 10 years, 5.375%	2012	796
Bond Euro MTN, EUR, 8 years, 4.375%	2011	1,100
Bond Euro MTN, EUR, 2.5 years, 6.125%	2010	1,000
Bond, FRF, 10 years, 4.500%	2009	1,000
Bond, FRF, 10 years, 5.300%	2008	305
Bond Euro MTN, EUR, 4 years, 3.265%	2008	500
Bond Euro MTN, CHF, 8 years, 3.500%	2007	162
Bond Euro MTN, EUR, 8 years, 3.625%	2013	750
Bond Euro MTN, EUR, 10 years, 3.825%	2015	50
Bond Euro MTN, EUR, 10 years, 3.850%	2015	50
Bond Euro MTN, EUR, 10 years, 4.375%	2016	600
Private issues		1,527

The fair values, both assets and liabilities, of the derivatives have been incorporated into bonds (66 million in the case of derivative assets and 489 million in the case of derivative liabilities).

■ **Breakdown of borrowings by maturity date**

(in millions of euros)	31/12/2006	31/12/2005	31/12/2004
1 year	2,408	2,895	2,632
2 years	1,007	1,008	1,071
3 to 5 years	3,462	3,191	2,787
Over 5 years	2,571	3,130	3,221
Unspecified	492	273	261
Total	9,939	10,497	9,972

■ **Bank covenants**

At 31 December 2006, the Group had no bank covenants.

NOTE 26: FINANCIAL INSTRUMENTS

The principle used to define fair value is indicated in Note 1.

■ **Market value of financial assets and liabilities**

	31/12/2006			31/12/2005			31/12/2004		
	Nominal value	Net book value	Fair value	Nominal value	Net book value	Fair value	Nominal value	Net book value	Fair value
Investments	296	296	296	283	283	283	538	538	538
Other long-term financial assets (mainly deposits and guarantees)	841	841	841	892	892	892	603	603	603
Consumer credit from financial companies	4,242	4,242	4,242	3,755	3,755	3,755	3,221	3,221	3,221
Operating receivables	5,012	5,012	5,012	5,021	5,021	5,021	4,471	4,471	4,471
Cash and marketable securities	3,697	3,697	3,697	3,733	3,733	3,733	3,203	3,203	3,203
Currency derivatives					14	14		(20)	(20)
Borrowings	9,939	10,068	10,100	10,497	10,596	11,329	9,661	9,972	10,221
Including:									
Debt hedged for fair value	1,031	1,107	1,107	1,031	1,082	1,082	1,344	1,466	1,466
Debt hedged for cash flow	425	425	425	825	825	825	1,455	1,455	1,455
Unhedged debt	8,484	8,484	8,515	8,642	8,642	9,374	6,862	6,862	7,111
Interest rate derivatives		53	53		48	48		189	189

■ Market value of derivatives

	31/12/2006		31/12/2005		31/12/2004	
	Fair value	Notional	Fair value	Notional	Fair value	Notional
Cash flow hedge instruments						
Interest rate risk						
Swaps	5	400	2	550	(3)	1,730
Options						
Currency instruments						
Currency swaps						
Forward contracts	2	116	(4)	156	(11)	94
Options						
Other						
Fair value hedge instruments						
Interest rate risk						
Swaps	(76)	1,031	(51)	1,531	(131)	2,664
Options						
Currency instruments						
Currency swaps						
Forward contracts	4	5	(9)	59	(10)	79
Options						
Other						
Instruments held for transaction purposes						
Currency derivatives						
Interest rate derivatives	19	11,649	2	13,742	(55)	10,449
Other						

NOTE 27: EVENTS POST YEAR-END

No significant event has occurred since the date of the closing of the accounts that could alter the relevance of the information presented above.

NOTE 28: CONTINGENT LIABILITIES

In the context of the everyday management of its activities, the Group is subject to litigation or disputes that it believes will not give rise to any significant expenses or have a significant impact on its financial situation, its business and/or its results.

NOTE 29: OFF-BALANCE SHEET COMMITMENTS

The commitments made and received by the Group that have not been recorded on the balance sheet correspond to contractual obligations that have not yet been executed and are dependent on the fulfilment of conditions or operations subsequent to the year in progress. These commitments are of three sorts: relating to cash flow, relating to the operation of sales outlets and relating to securities acquisitions. Furthermore, the Group has rental contracts (mainly for rents payable on leased sales outlets and rents receivable from its shopping mall stores) that also represent future commitments, either given or received.

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

- lines of credit that can be brought into play, representing confirmed lines of credit made available to the Group and not yet used at the date of closing of the accounts;
- collateral and mortgages given or received mainly within the context of the Group's real estate operations;
- credit commitments given by the Group's financial service companies to their customers as part of their operating activities, as well as bank commitments received.

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

- commitments to purchase plots of land under the Group's expansion programme;
- various undertakings arising from commercial contracts;
- undertakings made for carrying out construction work as part of the Group's expansion programme;
- rental guarantees and guarantees on shopping mall operators;
- guarantees for receivables;
- as well as other commitments given or received.

3. Commitments related to the acquisition of securities consist of:

- firm commitments received to purchase or sell securities mainly in France, with regard to the Group's franchising activity;
- plus options to purchase securities and liability guarantees. Liability guarantees received are not disclosed.

■ Commitments given

(in millions of euros)	December 2006	Breakdown by maturity		
		- 1 year	1 to 5 years	+ 5 years
Relating to funds	6,388	2,130	3,357	901
relating to financial companies	4,132	1,660	2,452	20
relating to other companies	2,256	469	905	881
Relating to operation/property/expansion	1,004	310	565	129
Relating to acquisitions of securities	2,540	670	1,708	162
Relating to lease agreements	6,090	842	2,102	3,146
Total	16,022	3,952	7,732	4,339

■ Commitments received

(in millions of euros)	December 2006	Breakdown by maturity		
		- 1 year	1 to 5 years	+ 5 years
Relating to funds	7,235	2,666	2,862	1,707
relating to financial companies	1,439	533	876	30
relating to other companies	5,796	2,133	1,986	1,677
Relating to operation/property/expansion	782	168	470	143
Relating to acquisitions of securities	178	2	28	148
Relating to lease agreements	288	128	113	47
Total	8,483	2,964	3,473	2,046

4. Commitments related to leasing agreements

At the end of December 2006, the Group fully owned 556 hypermarkets out of 963 consolidated hypermarkets, 622 supermarkets out of 1,479 consolidated supermarkets and 405 hard discount stores out of 4,574 consolidated hard discount stores.

Stores not fully owned are rented under leasing agreements that represented an expense of 871 million euros over the year 2006 (see Note 7).

Of these contracts, 15% expire in less than one year, 36% in 1 to 5 years and 50% in more than 5 years. The gross amount of future rental payments, determined on the basis of the maximum future commitment made by the Group, both in terms of duration and amount, for each of the property leasing agreements existing to date, amounts to 6,090 million euros. The discounted future rental flow corresponds to a commitment of 4,621 million euros.

The Group also owns shopping malls, mainly anchored by its hypermarkets and supermarkets, that are rented out and that, in 2006, represented an income of 215 million euros. The gross amount of future rental payments receivable, dependent on the future commitment made by lessees, both in terms of the duration and amount of each property rental lease agreement existing to date, amounts to 288 million euros. The discounted future rental flow corresponds to a commitment received of 268 million euros.

NOTE 30: EMPLOYEES

	31/12/2006	31/12/2005	31/12/2004
Average number of Group employees	434,205	417,258	409,964
Group employees at year end	456,295	440,479	430,695

* Excluding Prodirest.

NOTE 31: AFFILIATED PARTIES

The remuneration for the year 2006 paid to members of the Group's Management Committee (excluding the Management Board) amounted to 7,957,548 euros.

Information on the remuneration of corporate officers is provided in the management report of the Management Board.

Transactions between the parent company and equity affiliates are summarized below:

(in millions of euros)	Transaction amounts			Receivables from affiliated companies			Payables to affiliated companies			Off-balance sheet commitments		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Nature of transaction												
Sale of goods	2	365	354	1	50	54				1,049	1,379	
Commitments given: Firm commitments to purchase securities												
Commitments received: Firm commitments to purchase securities										84	87	
Other	(38)	36	27		9	11	(7)	2	1		96	116

At 31 December 2005, the Hyparla company was consolidated by the equity method. It is now fully consolidated, which explains the decrease in transactions of affiliates in 2006.

■ Companies consolidated by full integration at 31 december 2006

	Percentage interests used in consolidation	Commercial Business Register number
France		
ACTIS	100.0	345 274 310
ALFROY	100.0	398 260 950
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
ANIFLORE	100.0	418 453 007
ANNONAY DISTRIBUTION	100.0	310 380 621
ARDAN	100.0	408 857 142
ARLCO2	98.3	478 975 220
AUCEMA	99.9	398 656 660
AUREJAN	100.0	409 581 154
BCG	100.0	347 514 895
BDD	100.0	380 060 210
BEARBULL	98.3	423 143 718
BIGOUDANE DE DISTRIBUTION	100.0	334 570 298
BOEDIM	100.0	379 874 571
BREAL DISTRIBUTION	100.0	432 807 550
BRIMONT	100.0	423 291 731
BRUMAT	100.0	337 730 683
CADS	100.0	353 110 554
CAMARSYL	100.0	443 499 041
CARAUTORUTES	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
CARMA	50.0	330 598 616
CARMA VIE	50.0	428 798 136
CARMIN	100.0	392 312 898
CARREFOUR ADMINISTRATIF FRANCE	100.0	428 240 352
CARREFOUR ASSISTANCE À DOMICILE	100.0	487 596 173
CARREFOUR AUTOROUTES (EX COVICAR 6)	100.0	451 321 194
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	100.0	451 321 335
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 SYSTEMES D'INFORMATIONS FRANCE	100.0	433 929 114
CARREFOUR VACANCES	100.0	379 601 974
CARTAILLAN	100.0	447 729 815
CASCH	100.0	444 531 180
CASFIM	100.0	444 531 388
CDA	100.0	342 416 005
CDM	100.0	379 959 257
CHAMNORD	63.6	303 543 128
CHAMPION HYpermarchés FRANCE (C.S.F)	100.0	440 283 752
CHRISTHALIE	100.0	344 389 820
CHRISTING	100.0	330 305 558
CLAIREFONTAINE	100.0	326 964 715
CLEMADIS	100.0	439 872 979
CLERGIDIS	100.0	422 909 937
CM HYpermarchés SUD-EST CMSSE	100.0	421 063 256
COJADIS	100.0	445 018 633
COMIDIS	100.0	333 903 789

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	Percentage interests used in consolidation	Commercial Business Register number
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
COSG	100.0	440 091 114
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
CUBZADIS	100.0	353 125 255
DALCINE	100.0	384 776 902
DARTAGNAN	99.9	339 211 450
DAUPHINOISE DE PARTICIPATIONS	100.0	337 748 552
DAVARD	100.0	333 940 120
DDAPS	100.0	383 946 795
DÉFENSE ORLÉANAISE	50.0	085 580 728
DES BIOURDES	100.0	428 082 218
DIONYESIENNE DE SUPERMARCHÉS	100.0	397 728 122
DISANIS	100.0	418 544 516
DISTRABAUD	100.0	402 068 456
DISTRAL	100.0	331 057 075
DISTRAL AYZAC	100.0	381 342 831
DISTRIVAL	100.0	383 257 938
DOP 4	100.0	345 130 520
DTH DISTRIBUTION	100.0	418 818 985
DU MOULIN	100.0	379 967 136
DUO CONTI	98.3	433 805 124
ED FRANCHISE SAS	100.0	434 193 454
ED SAS	100.0	381 548 791
ERTECO	100.0	303 477 038
ESCALA	100.0	419 671 979
ESQUIEZIENNE DE SUPERMARCHÉS (S.E.S)	100.0	332 136 050
ETADIS	100.0	440 274 355
ETS CATTEAU	100.0	576 280 101
EUROMARCHÉ	100.0	780 060 414
FINARLO	100.0	408 371 649
FINIFAC	100.0	409 468 857
FORMADIS	98.3	391 490 133
FORUM DÉVELOPPEMENT	100.0	381 485 176
GEDEL	100.0	395 104 243
GEFIDIS	100.0	345 180 632
GENEDIS	100.0	345 130 512
GILVER	100.0	382 944 684
GML - GRANDS MAGASINS LABRUYERE	50.0	314 832 387
GML FRANCE	50.0	397 894 296
GOUDY	100.0	353 898 125
GUALEX	100.0	398 334 649
GUIROVI	100.0	381 618 461
HALLDIS	100.0	391 982 980
HAMON	100.0	622 007 821
HAMON INVEST	100.0	431 586 502
HAUTS DE ROYA	100.0	428 470 900
HERVAU	100.0	353 869 662
HOFIDIS II	100.0	423 143 718
HONDIS	100.0	437 939 952
HYPARLO FRANCE	100.0	439 916 677
HYPARLO SA	98.3	779 636 74
IMMOBILIÈRE CARREFOUR	100.0	323 439 786
IMMOBILIÈRE ERTECO SNC	100.0	389 526 617

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	Percentage interests used in consolidation	Commercial Business Register number
IMMODIS (HYPARLO)	98.3	334 440 849
IMMODIS	100.0	950 340 927
INTERDIS	100.0	421 437 591
JAPIERRE	100.0	325 774 338
JBM HOLDING	100.0	401 634 852
JORI	100.0	350 832 267
JULIEME	100.0	392 746 194
KERISPER	100.0	323 635 367
KERRIS	100.0	340 382 548
LA BURRIÈRE	100.0	433 511 045
LA CIOTAT DISTRIBUTION SNC	100.0	451 625 354
LA LAUFA	100.0	347 465 528
LA VOULTE DISTRIBUTION	100.0	391 571 312
LALAUDIS	99.0	339 176 885
LAMBIN	100.0	341 092 609
LAPALUS & FILS (ETABS)	100.0	795 920 172
LE RELAIS DE CARIMAI	100.0	420 047 938
LEDAYE	99.9	333 585 354
LES REMPARTS	100.0	389 347 063
LOGIDIS	100.0	303 010 789
LOGIDIS COMPTOIRS MODERNES	100.0	428 240 287
LORDIS	100.0	430 160 010
LUDIS	100.0	345 316 855
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
MIBILCO	100.0	347 737 157
MONDEVILLE 1	100.0	422 382 051
MONTEL DISTRIBUTION	100.0	398 834 226
MONTEL HOLDING	100.0	007 050 107
MONTELIMAR DISTRIBUTION	100.0	487 596 165
MONTVERT	100.0	379 843 139
NEUVILLE DISTRIBUTION	100.0	439 525 148
NEUVYDIS	100.0	351 715 537
NOISY DISTRIBUTION	100.0	350 498 416
OGALIM	100.0	348 302 613
OOSHOP	95.0	420 153 538
PR.M.	100.0	352 442 826
PARADICE	100.0	349 246 280
PARFIDIS	98.3	398 160 234
PARIDIS 75	100.0	451 321 376
PERPIGNAN DISTRIBUTION SNC	100.0	451603070
PHILEVE	100.0	347 970 592
PLOUHADIS	100.0	385 254 370
POLE	100.0	341 455 855
PONTORSON DISTRIBUTION	100.0	352 725 808
PRINTANIA	100.0	321 276 065
PRODIM	100.0	345 130 488
PROFIDIS	100.0	323 514 406
PROFIDIS & CIE	99.0	327 753 372
PROGHI	100.0	434 272 845
PROPO	100.0	410 690 101
PROVIDANGE	100.0	352 367 239
PYRENNENNE DE SUPERMARCHÉS (S.P.S)	100.0	331 140 707
RIOMOISE DE DISTRIBUTION SA	100.0	318 623 790
ROCHEDIS	100.0	352 057 046
S 2M I	100.0	440 272 789
S.D.O	100.0	487 280 307
S.L.M. DISTRIBUTION	100.0	453 585 101
S.T.D.	100.0	417 597 549
S2P - SOCIÉTÉ DES PAIEMENTS PASS	60.0	313 811 515

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	Percentage interests used in consolidation	Commercial Business Register number
SAB	100.0	419 278 270
SACIR	100.0	775 598 394
SADAP	100.0	351 546 734
SAINT ROMAIN DISTRIBUTION	100.0	403 730 112
SAPER	100.0	348 841 305
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 MERIGNAC	50.0	307 048 975
SDAG	100.0	006 150 163
SEGODIS	100.0	311 510 432
SELIMA	100.0	411 495 369
SET	100.0	433 964 202
SHF	100.0	387 520 711
SIFO	100.0	401 321 344
SIGER	100.0	377 649 421
SISP	100.0	349 146 878
SMSM	100.0	329 275 978
SNC ED EST	100.0	402 628 283
SNE & CIE - SOCIÉTÉ NOUVELLE D'EXPLOITATION	100.0	388 182 388
SOBEDIS	100.0	308 250 240
SOCAMAG	100.0	423 938 042
SOCIÉTÉ DE DISTRIBUTION PLOUECOISE - SODIP	100.0	325 517 464
SOCIÉTÉ DES HYPERMARCHÉS DE LA VEZERE	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 DES MAGASINS ED	100.0	352 730 816
SOCIÉTÉ NOUVELLE SOGARA	50.0	441 037 405
SODIALP	100.0	324 766 047
SODICO	100.0	338 008 162
SODIGIR	100.0	389 504 291
SODILOC	100.0	382 005 916
SODISCAF	100.0	398 008 565
SODISOR	100.0	788 358 588
SODITA	100.0	482 053 352
SOECUDIS	100.0	389 551 508
SOFEDIS	100.0	317 516 441
SOFIDIM	100.0	673 820 601
SOFIDIS	100.0	388 586 505
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
SOGIPIC	100.0	400 881 058
SOGRIN	100.0	325 663 771
SOJUDIS	100.0	316 701 309
SOLADIS	100.0	345 027 171
SOPLANDI	100.0	392 435 905
SOVAL	100.0	847 250 503
STEMA	100.0	440 068 625
STOC SUD-EST - STOC S.E.	100.0	398 155 606
STROFI	100.0	421 892 134
SUESCUN	100.0	340 023 936
SUPER ALBA	100.0	325 183 655
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
VEZERE DISTRIBUTION	100.0	478 502 651
VLS DISTRIBUTION (SUPERMARCHÉ SCHALLER)	100.0	340 468 321

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	Percentage interests used in con- solidation	Percentage interests used in con- solidation
Argentina		
BANCO CETELEM ARGENTINA SA	40.0	
BANCO DE SERVICIOS FINANCIEROS SA	60.0	
CARREFOUR AMERICAS	100.0	
CARREFOUR ARGENTINA SA	100.0	
DIA ARGENTINA SA	100.0	
SUPERMERCADOS NORTE	100.0	
TIGA S.A.	100.0	
Belgium		
ALL IN FOOD	100.0	
ANDIS	100.0	
BIGG'S - CONTINENT NOORD SA	100.0	
BIGG'S SA	100.0	
CARGOVIL (EX OUTEX)	100.0	
CARREFOUR BELGIUM	100.0	
CARUM	100.0	
CENTRE DE COORDINATION CARREFOUR	100.0	
CUSTOMER LOYALTY PROGRAM BELGIUM - CLPB	97.1	
DAVO	100.0	
DE NETELAAR	100.0	
DIKON	100.0	
DIZO	100.0	
ECLAIR	100.0	
EXTENSION BEL-TEX	100.0	
FIFO	100.0	
FILMAR	100.0	
FILUNIC	100.0	
FIMASER	60.0	
FOMAR	100.0	
FOURCAR BELGIUM SA	100.0	
FRESHFOOD	100.0	
FRESHMAR	100.0	
GB RETAIL ASSOCIATES SA	100.0	
GIB MANAGEMENT SERVICES	100.0	
GMR	100.0	
GROSFUIT	100.0	
MABE	100.0	
MULTI STORE	100.0	
NORTHSORE PARTICIPATION	100.0	
PLUSMARKT	100.0	
R&D FOOD	100.0	
ROB	100.0	
ROTHIDI	100.0	
RULUK	100.0	
SAMDIS	78.8	
SCHILCO	100.0	
SERCAR	100.0	
SINDIS	100.0	
SIVVO	100.0	
SOCIÉTÉ RELAIS	100.0	
SOUTH MED INVESTMENTS	100.0	
STIGAM	100.0	
TECHNICAL MAINTENANCE SERVICE - TMS	100.0	
VERSMARKT	100.0	
VEVO	100.0	
VOMARKT	100.0	
WAPRO	100.0	
Brazil		
AUTO POSTO PIMPOLHO LTDA	100.0	
BREPA COMERCIO PARTICIPACAO LTDA	100.0	
CARREFOUR ADMINISTRADORA DE CARTOES DE CREDITO, COMERCIO E PARTICIPACOES LTDA	60.0	
CARREFOUR AMERICAS LTDA	100.0	
CARREFOUR COMERCIO E INDUSTRIA LTDA	100.0	
CARREFOUR GALERIAS COMERCIAIS LTDA	100.0	
CARREFOUR PARTICIPACOES SA	100.0	
CARREFOUR REVENDEDORA DE COMBUSTIVEIS LTDA.	100.0	
CARREFOUR VIAGENS E TURISMO LTDA.	100.0	
CONSENSUS COMÉRCIO VAREJISTA DE PRODUTOS ALIMENTÍCIOS LTDA.	100.0	
DIA BRASIL	100.0	
ELDORADO	100.0	
IMOPAR PARTICIPCOES E ADMINISTRACAO		
IMOBILIARIA LTDA	100.0	
LOJIPART PARTICIPACOES SA	100.0	
MAUA PARTICIPACOES	100.0	
NOVA GAULE COMERCIO E PARTICIPACOES S.A.	100.0	
NTC TRADING S/A	100.0	
POSTO DE COMBUSTÍVEL ZONA NORTE	100.0	
POSTO DE SERVIÇOS NAOMIS LTDA	100.0	
RDC FACCOR FACTORING FOMENTO COMERCIAL LTDA.	100.0	
Bulgaria		
CARREFOUR BULGARIA AD	100.0	
China		
BEIJING CARREFOUR COMMERCIAL CO., LTD.	55.0	
BEIJING CHAMPION SHOULIAN COMMUNITY CHAIN STORES CO LTD	100.0	
BEIJING CHUANGYIJIA CARREFOUR COMMERCIAL	100.0	
BEIJING DIA-SHOULIAN COMMERCIAL RETAIL CO. LTD	87.4	
BEIJING REPRESENTATIVE OFFICE OF CARREFOUR S.A.	100.0	
CARREFOUR (CHINA) FOUNDATION	100.0	
CARREFOUR (CHINA) MANAGEMENT & CONSULTING SERVICES CO.	100.0	
CHANGSHA CARREFOUR HYPERMARKET	100.0	
CHENGDU CARREFOUR HYPERMARKET CO LTD	92.5	
CHENGDU YUSHENG INDUSTRIAL DEVELOPMENT CO LTD	100.0	
CHONGQING CARREFOUR COMMERCIAL CO LTD	55.0	
DALIAN CARREFOUR COMMERCIAL CO., LTD.	65.0	
DIA TIANTIAN (SHANGHAI) MANAGEMENT CONSULTING SERVICE CO. LTD	100.0	
DONGGUAN CARREFOUR COMMERCIAL CO., LTD	100.0	
DONGGUAN DONESHENG SUPERMARKET CO	100.0	
FUZHOU CARREFOUR COMMERCIAL CO LTD	65.0	
GUANGZHOU JIAGUANG SUPERMARKET CO	55.0	
HAIKOU CARREFOUR COMMERCIAL	100.0	
HANGZHOU CARREFOUR HYPERMARKET CO., LTD	65.0	
HARBIN CARREFOUR HYPERMARKET CO., LTD	65.0	
HEFEI YUEJIA COMMERCIAL CO., LTD.	60.0	
JINAN CARREFOUR COMMERCIAL CO., LTD	100.0	
KUNMING CARREFOUR HYPERMARKET CO., LTD	100.0	
NANJING YUEJIA SUPERMARKET CO LTD	65.0	
NINGBO CARREFOUR COMMERCIAL	60.0	
NINGBO LEFU INDUSTRIAL DEVELOPMENT CO. LTD	100.0	
QINGDAO CARREFOUR COMMERCIAL	97.7	
SHANGAI CARHUA SUPERMARKET LTD	55.0	

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	Percentage interests used in con- solidation	Percentage interests used in con- solidation
China (continued)		
SHANGHAI DIA-LIAN HUA RETAIL CO. LTD	55.0	
SHENYANG CARREFOUR COMMERCIAL CO LTD	65.0	
SHENZHEN CARREFOUR COMMERCIAL	100.0	
SHENZHEN LERONG SUPERMARKET CO LTD	100.0	
SUZHOU YUEJIA SUPERMARKET CO., LTD	55.0	
TIANJIN FUYE COMMERCIAL CO., LTD.	55.0	
TIANJIN QUANYE CARREFOUR HYPERMARKET CO., LTD	65.0	
WUHAN HANFU CHAIN SUPERMARKET CO LTD	100.0	
WUXI YUEFU COMMERCIAL CO., LTD.	60.0	
XIAMEN CARREFOUR COMMERCIAL CO LTD	100.0	
XIAN CARREFOUR HYPERMARKET CO LTD	100.0	
XINJIANG CARREFOUR HYPERMARKET	100.0	
XUZHOU YUEJIA COMMERCIAL CO LTD	60.0	
ZHENGZHOU YUEJIA COMMERCIAL CO., LTD.	60.0	
ZHUHAI LETIN SUPERMARKET CO., LTD.	100.0	
Colombia		
GSC SA - GRANDES SUPERFICIES DE COLOMBIA	100.0	
Czech republic		
ALFA SHOPPING CENTER	100.0	
SHOPPING CENTRE KRALOVO POLE	100.0	
USTI NAD LABEM SHOPPING CENTER	100.0	
Germany		
ERTECO DEUTSCHLAND GMBH	100.0	
PROMOHYPERMARKT AG & CO. KG	100.0	
Greece		
CARREFOUR MARINOPoulos	50.0	
DIA HELLAS	80.0	
GUEDO Holding Ltd.	25.1	
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	
Ireland		
CARREFOUR INSURANCE	100.0	
Italy		
CARREFOUR DISTRIBUZIONE SRL (EX CONSORZIO CARREFOUR)	99.8	
CARREFOUR ITALIA	100.0	
CARREFOUR ITALIA IMMOBILIARE	99.8	
CARREFOUR SERVIZI FINANZIARI SPA	60.0	
DEMETER ITALIA SPA (EX HYPERMARKET HOLDING)	99.8	
DI PER DI SRL	99.8	
ERTECO ITALIA SRL	99.8	
ETNASTORE SPA	59.9	
FINMAR SPA	99.8	
GS SpA (EX ATENA)	99.8	
LOGIDIS ITALIA SRL	99.8	
MIRTO 92	99.8	
NUOVA CV	99.8	
NUOVA DM	99.8	
Italy (continued)		
NUOVA DP	99.8	
NUOVA DSL	99.8	
NUOVA SD	99.8	
S.L.I.D.I. SRL	99.8	
SOCIETA SVILUPPO COMMERCIALE	99.8	
SVILUPPO ALIMENTARE SRL	99.8	
TREDI' ESPANSIONE SRL	99.8	
Malaysia		
CARREFOUR MALAYSIA SDN BHD	100.0	
MAGNIFICENT DIAGRAPH SDN-BHD	100.0	
Poland		
CARREFOUR POLSKA	100.0	
CARREFOUR POLSKA PROPER	100.0	
CARREFOUR POLSKA WAW	100.0	
Portugal		
CARREFOUR (PORTUGAL)	99.9	
DIA PORTUGAL SUPERMERCADOS	100.0	
Roumania		
HIPROMA	98.3	
Singapore		
CARREFOUR SINGAPOUR PTE LTD	100.0	
CARREFOUR SOUTH EAST ASIA	100.0	
Slovakia		
ATERAITA	100.0	
CARREFOUR SLOVENSKO	100.0	
Spain		
CARREFOUR CANARIAS, S.A.	95.9	
CARREFOUR ESPANA PROPERTIES, S.L.	95.9	
CARREFOUR NAVARRA, S.L.	95.9	
CARREFOUR NORTE, S.L.	95.9	
CARREFOURONLINE S.L (SUBMARINO HISPANIA)	95.9	
CENTROS COMERCIALES CARREFOUR, S.A.	95.9	
CORREDURIA DE SEGUROS CARREFOUR	71.9	
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION (DIASA)	100.0	
FINANDIA E.F.C.	100.0	
GROUP SUPECO MAXOR	95.9	
IMMOBILARIA CARREFOUR	67.1	
INVERSIONES PRYCA, S.A.	100.0	
NORFIN HOLDER S.L	100.0	
SERVICIOS FINANCIEROS CARREFOUR E.F.C. (FINANCIERA PRYCA)	57.7	
SIDAMSA CONTINENTE HIPERMERCADOS, S.A.	100.0	
SOCIEDAD DE COMPRAS MODERNAS, S.A. (SOCOMO)	95.9	
SUPERMERCADOS CHAMPION, S.A.	95.9	
VIAJES CARREFOUR, S.L.UNIPERSONAL	95.9	
Switzerland		
ALPIROSA	100.0	
CARREFOUR SUISSE	100.0	
CARREFOUR WORLD TRADE	100.0	
DISTRIBUTIS SA	50.0	
HYPERDEMA (PHS)	100.0	
PROMOHYPERMARKT AG (PHS)	100.0	

■ Companies consolidated by full integration at 31 december 2006

	Percentage interests used in consolidation	Percentage interests used in consolidation
Taiwan		
CARREFOUR FINANCIAL CONSULTING	60.0	
CARREFOUR STORES TAIWAN CO	60.0	
CHARNG YANG DEVELOPMENT CO	30.0	
PRESICARRE	60.0	
Thailand		
CENCAR LTD	100.0	
NAVA NAKARINTR LTD	100.0	
SSCP THAILAND LTD	100.0	
The Netherlands		
ALCYON BV	95.9	
CADAM BV	100.0	
CARREFOUR CHINA HOLDINGS BV	100.0	
CARREFOUR INTERNATIONAL SERVICES BV (HYPER GERMANY HOLDING BV)	100.0	
CARREFOUR NEDERLAND BV	100.0	
CARRETSTRAAT BV	100.0	
The Netherlands (continued)		
EUROPE TRADING COMPANY (ETC)	100.0	
FOURCAR BV	100.0	
FOURET BV	100.0	
FRANCOFIN BV	100.0	
HOFIDIS INVESTMENT AND FINANCE INTERNATIONAL (HIFI)	100.0	
HYPER GERMANY BV	100.0	
HYPER INVEST BV	100.0	
INTERCROSSROADS BV	100.0	
KRUISDAM BV	100.0	
MILDEW BV	100.0	
ONESIA BV	100.0	
SOCA BV	100.0	
Turkey		
CARREFOUR SABANCI TICARET MERKEZI AS		
CARREFOURSA	58.2	
DIA SABANCI SUPERMARKETLERİ TICARET ANONIM SIRKETI	60.0	

■ Companies consolidated by equity method at 31 december 2006

	Percentage interests used in consolidation	Commercial Business Register number
France		
ALTIS	50.0	310 710 223
DISTRIMAG	50.0	301 970 471
HYPERMARCHÉS DES 2 MERS - H2M	50.0	393 248 554
PROVENCIA SA	50.0	326 521 002
SA BLADIS	33.3	401 298 583
SCI LATOUR	60.0	333 337 053
SOCIÉTÉ RESEAU FRANCE BILLET	45.0	414 948 638
SOCIÉTÉ SUPERMARCHE DU BASSIN - SSB	50.0	324 754 894
	Percentage interests used in consolidation	Percentage interests used in consolidation
Argentina		
HIPERBROKER	65.0	
Brazil		
AGROPECUARIA LABRUNIER LTDA	100.0	
AGROPECUARIA ORGANICA DO VALE	82.5	
AGROPECUARIA VALE DAS UVAS SARL	100.0	
FAZENDA SAO MARCELO SA	100.0	
Italy		
CARREFOUR ITALIA MOBILE SRL	50.0	
FINIPER SPA	20.0	
IL BOSCO SRL	39.9	
IPER ORIO SPA	49.9	
IPER PESCARA SPA	49.9	
PEGASO SPA	48.9	
Spain		
COSTASOL DE HIPERMERCADOS, S.L.	32.6	
DIAGONAL PARKING, S.C.	55.1	
FEU VERT IBÉRICA, S.A.	47.9	
GLORIAS PARKING S.A.	47.9	
ILITURGITANA DE HIPERMERCADOS, S.L.	32.6	
INTERING SA	47.9	
SICIONE, S.A.	33.1	
Switzerland		
DISTRIBUTIS MONCOR SA	25.0	

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2006

To the Shareholders,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Carrefour S.A. for the year ended 31 December 2006.

The consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as at 31 December 2006 and of the results of its operations for the year then ended in accordance with IFRS as adopted in the European Union.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters: at each consolidated balance sheet date, the Company systematically performs a goodwill impairment test, in accordance with the method described in Note 1 of the Notes to the consolidated financial statements. We have examined the methodology of implementation of this impairment test, as well as the cash flow forecasts and the assumptions used and we have verified that Note 1 of the Notes to the consolidated financial statements provides appropriate information.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements..

Paris-La Défense and Neuilly-sur-Seine, 4 April 2007

The Statutory Auditors,

KPMG AUDIT
A division of KPMG S.A.

Jean-Luc Decornoy
Partner

Deloitte and Associés

Jean-Paul Picard

Frédéric Moulin

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and 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 should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

LSF REPORT – 2006

REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD CONCERNING CORPORATE GOVERNANCE AND INTERNAL CONTROL PROCEDURES

Pursuant to the provisions of Article L225-68 of the French Commercial Code, the present report states the conditions for the preparation and organization of the work of the Supervisory Board during the course of 2006, together with the internal control procedures put in place by the Carrefour Group.

1. CORPORATE GOVERNANCE

By decision of the shareholders' meeting of 20 April 2005, the Company has adopted the form of a public limited company with a Management Board and a Supervisory Board. The present report was communicated to the latter at its meeting of 7 March 2007.

1.1. THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

■ 1.1.1. The Management Board

The Company is run by a Management Board comprising at least two members, and at the most seven members, all individuals, who can be selected from outside the shareholders. No serving member of the Supervisory Board may be a member of the Management Board. The maximum age for occupying a position as a member of the Management Board is set at sixty-five years. The Management Board is appointed for two years; its members are appointed or reappointed by the Supervisory Board. Membership in the Management Board may be revoked by the Supervisory Board or by the shareholders' meeting. The Supervisory Board determines the method and amount of remuneration for each member of the Management Board. It also determines the number and price of subscription or purchase options for Company shares conferred on members of the Management Board and, where applicable, the number of Company shares that may be allocated to them free of charge and establishes the conditions for the allocation of such shares.

The Management Board meets as often as is required in the interests of the Company, in cases provided for by law and in order to examine all operations requiring prior authorization from the Supervisory Board. Every three months, the Management Board presents the Supervisory Board with a report summarizing the main actions or events that have occurred in the management of the Company. It must contain all the information needed to inform said Board of the progress of business. The Management Board may, at any time, present the Supervisory Board with a special report on any exceptional operations, their exceptional nature being assessed by the Management Board under responsibility.

A meeting of the Management Board is called by its Chairman or, failing this, by any other member of the Management Board. It meets at the place indicated in the convocation. In order for the deliberations of the Management Board to be valid, at least half the members in office, including the Chairman, must be present.

All the decisions must be taken by a majority of the members present and represented. In the event of a tie, the Chairman will have the deciding vote.

The Management Board has full powers to act in the name of the Company in all circumstances; it exercises these powers within the limits of the company's objectives, under the control of the Supervisory Board and subject to the powers expressly assigned to shareholders' meetings and to the Supervisory Board by law or by the Articles of Association. The Supervisory Board confers on one of the members of the Management Board the position of Chairman of the Management Board for the duration of his term of office. The Chairman of the Management Board represents the Company in its relations with third parties.

Under the terms of the discussions of the Supervisory Board meeting on 20 April 2005, the following were appointed as Members of the Management Board: Mr José Luis Duran (Chairman of the Management Board), Mr Jacques Beauchet, Mr Javier Campo, Mr José María Folache and Mr Guy Yraeta. Their terms of office were renewed for a period of two years with effect from 20 April 2007.

During the course of the 2006 fiscal year, the Management Board met 20 times, with an average rate of attendance of 99%:

- the first meeting was devoted to an examination of fourth quarter 2005 results, the preparation of the financial announcement, the study of acquisition transactions and operational plans.
- the second meeting was focused on defining an organizational chart for the delegation of authority and responsibilities, an analysis of consumer services development projects and the study of operations for tactical acquisitions or for restructuring of the business portfolio, hereinafter called "M&A operations".
- the following meeting was devoted to the adoption of the financial statements for fiscal year 2005 and the finalization of the documents presented to the Shareholders' Meeting.
- during the fourth meeting, the new organizational structure of the Group's management was adopted (in which the Executive Committee was replaced by the Corporate Management Committee), and the session was also devoted to the study of M&A operations.
- the two following meetings were devoted to the study of M&A operations, the definition of stock option plans and plans for the allocation of free shares, as well as to an analysis of first quarter sales and preparation for the Shareholders' Meeting.
- the purpose of the seventh and eighth meetings were to study M&A operations, adopt the new classification for management executives and develop an information systems strategy.
- the two following meetings were devoted to an examination of second quarter results and to the preparation of the 2Q06 financial announcement as well as to a study of M&A operations.
- the eleventh meeting was focused on the examination of the interim financial statements, as of 30 June, and the accompanying financial announcement.
- the three following meetings were devoted to the approval of the organizational principles for human resources, the definition of a free shares allocation plan and to the study of M&A operations.
- the purpose of the fifteenth meeting was to examine third quarter sales and prepare the accompanying financial announcement, and to study M&A operations.
- the purpose of the sixteenth meeting was to implement the authorization granted by the Shareholders' Meeting to the Management Board regarding the buyback of shares.
- the governance of subsidiaries and sustainable development were the focus of the Management Board's deliberations during the seventeenth meeting.
- the three final meetings centred on the study of M&A operations and the definition of a strategic plan at country level and for the Group.

■ 1.1.2. The Supervisory Board

During fiscal year 2006, the Supervisory Board was composed of seven members: Mr Luc Vandeveld (Chairman), Mr Amaury de Sèze (Vice-Chairman), Mrs Anne-Claire Taittinger, Mr René Abate, Mr René Brillet, Mr Jose Luis Leal Maldonado and the company COMET BV (represented by Mr Robert Halley).

The Board took care to assess the independence of each member of the Board, as regards the general management performed by the Management Board. As regards the criteria recommended by the Bouton report on the corporate governance of listed companies and the recommendation of the European Commission, the Supervisory Board believes that of its members, five can be considered independent members who have no relationship of any kind whatsoever with the Company, its Group or its management that could compromise the exercise of their freedom of judgment.

Thus, Mrs Anne-Claire Taittinger and Messrs René Abate, José Luis Leal Maldonado and Amaury de Sèze are independent members. The fact that Mr René Brillet was a former employee does not prevent him from being considered an independent member, in that Mr Brillet, now retired, no longer has any relationship with Carrefour that could lead to a conflict of interests and affect his judgment.

Each member of the Supervisory Board must hold a minimum of one thousand shares during the duration of his or her term of office. The term of office is four years.

During the course of the 2006 fiscal year, the Supervisory Board met 11 times, with an average rate of attendance of 85%:

- the first meeting was devoted to the examination of the fourth quarter 2005 results and the accompanying financial announcement, and to the presentation of the conclusions of the Audit Committee's work;
- during the second meeting, the consolidated and corporate financial statements were examined, the Audit Committee and the Statutory Auditors presented a summary of their respective assignments, the report by the Chairman of the Supervisory Board concerning corporate governance and internal control procedures was examined, the budget and business trends were presented, M&A operations were examined, the Committee for Remuneration, Appointments and Corporate Governance presented a summary of its work and the documents submitted to the Shareholders' Meeting were approved;
- the following meeting was devoted to the examination of the first quarter 2006 results and the accompanying financial announcement, the study of M&A operations as well as a presentation of the objectives assigned to the members of the Management Board and the approval of the clause governing the conditions of departure of the latter, where applicable;
- the purpose of the two following meetings was to study M&A operations;
- the sixth meeting, held in the form of a three-day seminar in China with the Management Board, was devoted to a presentation by the latter of the Company's operations as well as to an analysis of the strategic plan;
- the seventh meeting was focused on the examination of the second quarter results and the financial announcement, after which the Supervisory Board Committee Chairmen presented a summary of work performed by each of the Committees;
- the half-yearly accounts were examined during the eighth meeting, during which the conclusions of the Audit Committee and a summary of the work of the Statutory Auditors were also presented;
- third quarter results and the accompanying financial announcement were examined during the ninth meeting, followed by an analysis of M&A operations, the implementation of the authorization granted during the Shareholders' Meeting to the Management Board for the buyback of shares and the proposals of the Committee for Remuneration, Appointments and Corporate Governance concerning remuneration of the members of the Management Board;
- the two final meetings were devoted to the examination of business trends, the study of M&A operations and the presentation of the strategic plan for the years 2007 and 2008.

1.2. THE SUPERVISORY BOARD COMMITTEES

The Group has two specialized Committees. They were created in 2005 by the Supervisory Board and their members were chosen from amongst its members. The purpose of these committees is to examine certain specific questions in greater detail and to make recommendations to the Supervisory Board.

■ 1.2.1. The Audit Committee

1.2.1.1. The Committee's remit

The prerogatives of the Audit Committee include:

- Annual and half-year financial statements, 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 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 auditing information ensure that the aforementioned 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 monitors the quality of the procedures and information relating to stock market regulation (reference document).
- The internal and external auditing of the Company and of its main subsidiaries, for which:
 - it evaluates proposals for the appointment or re-appointment of the company's Statutory Auditors and their compensation;
 - it evaluates, with those responsible for internal control, the Group's internal control systems.
- Risk assessment: it regularly examines risks of a financial, strategic or operational nature with the Management Board.

The committee can make use of the information available from the Group's Finance and Management Director. Once annually, it can hear the Statutory Auditors under conditions stipulated by the Committee.

1.2.1.2. Members of the Committee

The Committee is composed of three members designated by the Supervisory Board from amongst its members, with a majority of independent members. The Chairman of the Committee is designated by the Supervisory Board.

Since March 2006, the membership of the Committee has been as follows:

Chairman: Robert Halley (the permanent representative of Comet BV)

Members: René Brillet (independent member)
Amaury de Sèze (independent member)

The Committee meets at least three times per year. Two meetings are scheduled before the presentation of the annual and half-year financial statements. For its deliberations to be valid, at least half its members must be present. A member of the Committee may not be represented by a proxy.

During the course of the fiscal year 2006, the Committee (which met four times) proceeded, amongst other things, to examine the 2005 financial statements, the methods of consolidation and the Group's balance sheet, key events and principal options, summaries of the income statement and balance sheet, the cash flow statement and financing, and the year-end accounts for 2006.

At each of its meetings, the Audit Committee analyzed the summary of the work performed by the internal auditors. The Committee oversees the independence of the internal auditors and ensures that the resources allocated to internal auditing are adequate for the accomplishment of the assignment.

■ 1.2.2. The Committee for Remuneration, Appointments and Corporate Governance

1.2.2.1. The Committee's remit

The Committee intervenes in the following areas:

- proposals to the Supervisory Board for the appointment of its members and the members of the Management Board;
- proposals for the remuneration of corporate officers and the allocation of director's fees;
- assessment of the overall stock-option package and the allocation of free shares;
- information on the appointment and remuneration of members of the Corporate Management Committee;
- verification of the quality of the circulation of information between the Management Board and the Supervisory Board.

1.2.2.2. Members of the Committee

The Committee is composed of three members appointed by the Supervisory Board from amongst its members, the majority of whom are independent members. The Chairman of the Committee is designated by the Supervisory Board.

Since March 2006, the membership of the Committee has been as follows:

Chairman: José Luis Leal Maldonado
(Independent member)

Members: Anne-Claire Taittinger
(Independent member)
René Abate (Independent member)

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. For its deliberations to be valid, at least half its members must be present. A member of the Committee may not be represented by a proxy.

During the course of the fiscal year 2006, the Committee (which met seven times) defined and proposed to the Supervisory Board the terms under which a share purchase option plan and "performance share" plans (free shares) could be granted. It determined the amount of remuneration of company representatives, as well as the variable part of said remuneration, proposed to the Supervisory Board the financial conditions applicable to departing members of the Management Board, if such were the case, and established the basis for a remuneration policy that could apply across the Group in the years to come. The Committee also conducted an assessment of the functioning of the Supervisory Board.

On 7 March 2007, Comet BV designated Mr Bernard Bontoux as its permanent representative on the Supervisory Board effective immediately. During its meeting of 7 March 2007, the Supervisory Board took note of the resignation of Mr Luc Vandevelde from his position as Chairman of the Board, and co-opted Mr Robert Halley in his capacity as member of the Supervisory Board and appointed him Chairman.

2. INTERNAL CONTROL

2.1. INTRODUCTION

The internal control procedures implemented in the Carrefour Group, which were formalized when the French Financial Security Law came into force, are based on the international COSO Report.

Internal control is defined as a process conducted by general management under the control of the Management Board. It is implemented by executive management and company personnel and is intended to provide reasonable assurance that the following objectives are met within each business unit:

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

One of the objectives of internal control procedures is to prevent and monitor the risks resulting from the company's operations and the risks of misstatements or fraud, especially in the accounting and financial fields. As is the case for any system of control, however, it cannot provide an absolute guarantee that these risks will be totally eliminated.

The part of the report that follows describes the Group's internal control procedure, in particular measures relating to the preparation and processing of accounting and financial information. The scope of the Group covered by the report extends to all subsidiaries consolidated using the full integration method, that is, the companies in which the Group exercises a decisive influence, whether directly or indirectly.

2.2. THE INTERNAL CONTROL ENVIRONMENT

■ 2.2.1. The organization of the Group

The Group is organized geographically in order to take into account the specific local characteristics of the markets in which the Group operates. The countries (excluding France) are grouped together into regions and are represented on the Group's Management Committee. France is represented on the Committee by each of its business units. The Hard Discount store activity, with a vertical organization that is more suited to its operations, is also represented on the Management Committee. Finally, the support departments participating directly in the Management Committee include human resources, merchandise, organization and information systems and finance and administration. The five members of the Management Board, the Group's executive management body, specifically supervise several members of the Management Committee and their areas of operation.

The Management Board defines the strategy and provides guidance. It defines priorities with country objectives and the major support projects. It develops worldwide synergies, perspectives and the expertise of the future.

The Group is decentralized to the extent that each country directly controls the operational aspects associated with its activity. The activities are divided into business units that are made up of all stores in a given format (e.g., hypermarkets, supermarkets, 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.

Delegation of authority

The Group's executives at all levels exercise their responsibilities within the limitations of their defined functions. Each manager is free to determine the action that he or she must take to reach agreed objectives while adapting to circumstances. The freedom of initiative underlying this concept of responsibility requires the observation of rules for the delegation of authority, particularly concerning commitments with regard to third parties. These lines of authority are now in place for the main operational and functional managers. They are defined via a formalized system of sub-lines of authority in most of the Group's entities.

The Group favours the operational hierarchical line, which is fully responsible for the profitable development of its business units. The operational line managers are also responsible for defining the extent of support services required.

The support services guarantee and promote progress. Their task consists in designing and implementing tools and reports ready for use by operational staff, and in identifying synergies and proposing innovations. They play a role as guarantor and whistleblower with respect to methods and practices. When they identify risks, they suggest an action plan to the line manager with a view to controlling them. They are organized in functional networks (or "lines"); in other words, within a given support department the countries appoint contacts to operate in a network with other countries or, at Group level, work on projects, exchange best practices or promote activities in their field of expertise.

The monitoring of operations and projects is ensured by monthly performance reviews that are conducted systematically for both the operational and support lines.

■ 2.2.2. The system of values

In order to develop a shared culture, Carrefour has defined a framework allowing each employee to fulfil his or her tasks and to contribute to the long-term viability and development of the Group. This framework, which serves as a foundation for individual and collective action, includes values, a mission statement and guidelines.

The values are: freedom, responsibility, sharing, respect, integrity, solidarity and progress. The mission defines objectives with regard to the various stakeholders in the activities of the company. The guidelines define the conditions for implementing strategy and provide rules of behaviour and operational management. They serve as a point of reference for decentralized decisions.

The dissemination of this framework and its implementation is achieved in the first instance by training, but also by its integration into the company's structures. For example, the values have been integrated into the system for evaluating top management performance. The framework defines a working environment that is also used as a framework for internal control activity. For example, the two-level decision rule aims to ensure that unusual actions are subject to approval by line management.

■ 2.2.3. Human resources policy

The human resources policy contributes to the enrichment of the internal control environment, in particular through the existence of job descriptions, a system for assessing employee performance and investment in training.

The main business units all have job descriptions for employees, managers and operational and support staff. These job descriptions refer to the controls needed for supervision of the activity and serve as a framework for the individual assessment system.

Training schemes outlined in the annual plan aim to ensure progressive mastery of an activity, combining specific know-how and management skills. Training is provided when an employee moves into a position to ensure individual development.

2.3. RISK MANAGEMENT

The main financial and legal risks are described in the reference document. Prevention policies, risk management and insurance are also described in that document.

■ 2.3.1. Risk mapping

Risks have been mapped at the Group level. Mapping is aimed at identifying potential internal and external risks and measuring their relative importance and the probability of their occurrence. The assessment of these risks by Country and Corporate Directors, and of their impact on the financial statements, facilitates the identification of priority procedures for the review of internal controls on the basis of a self-assessment questionnaire. Risk mapping serves as a foundation for defining internal audit initiatives to be included in the half-yearly Audit Plan.

■ 2.3.2. Risk control

In practice, the monitoring and control of decentralized risk exposure assumes that those responsible are aware of the risks associated with the activities which they exercise or supervise. The managers of the Group's business units contribute to the formulation of the Internal Audit Plan and endeavour to monitor the major processes identified via the mapping of risks.

2.4. CONTROL ACTIVITIES

The establishment of a corporate model as part of the mapping procedure has made it possible to segment the Group's activities into major processes of a strategic, operational and support nature.

Since 2004, self-assessment questionnaires on internal controls, derived from best practices in controlling risks, have been sent to those responsible for selected processes, within a geographic area representative, on a spot basis, of the main spheres of the Group's activities. These questionnaires have provided a means of measuring the existence and proper application of internal controls on a self-assessment basis. Wherever controls have not been formalized or when they are judged ineffective, a remediation plan is put into action, whereby recommendations are sent to each manager involved so that he or she can rectify any deficiencies in the internal control system.

As of the end of 2006, all of the Group's business unit managers have at their disposal complete documentation on internal control procedures resulting from these questionnaires, since all of the Group's key processes were covered during the 2003-06 period. This documentation indicates the key points of control or the best practices that should be implemented to effectively cover risks. It also draws attention to the malfunctions that are likely to occur when controls are not effective, thus boosting the concerned manager's accountability. This documentation of process control points has given rise to the establishment of a shared repository of best practices for internal control procedures for use by all of the Group's countries and functions.

This work has contributed to the standardization of the level of internal control throughout the Group and enables each activity to benefit from best practices.

In 2006, 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 18 business units in 10 countries. A remediation plan was implemented to formalize controls where they were inadequate and to supplement the internal control system. The actions included in remediation plans were also monitored in 2006.

2.5. INTERNAL CONTROL PROCEDURES FOR ACCOUNTING AND FINANCIAL PURPOSES

■ 2.5.1. Organization of the accounting and management reporting function

The accounting function is provided by centralised teams in each country. A single accounting system worldwide for hypermarkets has been implemented in recent years. This accounting system has also been extended to the supermarket activity. In particular, it has led to the implementation of an organizational model including the establishment of shared service centres (for the processing and payment of invoices for merchandise, fixed assets, general expenses and payroll), thereby standardizing and documenting the procedures in various countries and ensuring an appropriate separation of tasks. The operating instructions for this single accounting system are available via an online help function, which provides support and assistance to each user.

The management reporting function guarantees the reliability of financial management data.

■ 2.5.2. Identical scope of accounting and management data

The gross data drawn from the countries' statutory accounts are adjusted monthly to integrate the impact of any consolidation adjustments. This data constitutes the management reporting data of the business units.

This management reporting data is sent to the Group monthly by the countries. They concern commercial activity (sales, customer flows, average purchase amounts, sales area, store openings, etc.) and financial activity (income statement, balance sheet, cash flow table, etc.).

The scope of this reporting (companies, methods of consolidation, percentage of interest, etc.) is identical to that applied to the Group's consolidated financial statements.

In this way the Group uses the same management reporting information for decision-making as that obtained from accounting. The same figures are used for financial communication at the time the half-yearly financial statements are produced.

The accounting data is reconciled with management data each time the financial statements are drawn up.

■ 2.5.3. Half-yearly and annual financial statements: consolidation, documentation of estimates and accounting options

Consolidation takes place on a half-yearly basis. The subsidiaries adjust their statutory accounts, prepare the consolidated financial statements for their region and convert these reports into euros. The financial directors in the countries have a formal list of controls to be carried out on these consolidated financial statements. These control lists are reviewed by financial teams in headquarters.

The main options and accounting estimates are subject to systematic review by the Group and the country financial directors, in conjunction with the local internal and external auditors.

Two different situations may arise, depending on whether the option or estimate concerns a country individually or the Group as a whole.

In the first case, the figures and accounting treatment are initially submitted by the financial director of the country concerned, and reviewed and validated by the local external auditors before being presented to the Group. The Group finance department assesses the proposal and has it approved by the Group auditors and, depending on the degree of significance, the Audit Committee. Once the decision has been made, the country is informed and the point is subject to specific review when the accounts are closed.

In the second situation, the proposal is made by the Group finance department to Carrefour's auditors and to the Audit Committee, which will, as necessary, approve the accounting treatment and the final figures. The information is then relayed to the countries concerned and to the local external auditors, whose task it is to control the correct application of the point in the countries' accounts. The financial impacts are then measured precisely. These points are systematically subject to individual reviews and a summary is presented to the Audit Committee, and, where applicable, to the Management Board and the Supervisory Board when the accounts are closed.

In both of these situations, detailed documentation is prepared and retained in the countries and within the Group finance department.

■ 2.5.4. Control over financial communication

2.5.4.1. Role and mission of financial communication

The essential aim of financial communication is to promote the financial reputation of the company to all existing or potential shareholders, to all players in the financial market and, more generally, to the public.

Its objective is to inform:

- on a continuous basis: the regularity and continuity of the information flows must be ongoing. They are fundamental to the credibility of the company and guarantee the loyalty of its shareholders;
- by sending a clear and coherent message: communications must allow investors to acquire a precise and accurate understanding of the value of the company and the capacity of its management to develop it. Investors need to be properly informed in order to make decisions;
- by respecting the principle of the equality of shareholders with regard to information: by ensuring that any information of a financial nature that may have an impact on its market price is made public through a single, centralized source at Group level.

2.5.4.2. Organization of financial communication

Financial announcements are addressed to a diverse public, primarily comprised 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 Chairman of the Management Board are the sole contacts for analysts and institutional investors;
- the Human Resources Department manages information intended for employees;
- the Communications Department manages relations with the press.

In practice, the financial message is prepared in close collaboration between the Finance Department and the Communications Department.

It is delivered as required by law (via an annual shareholders' meeting) and the regulations of the French Financial Markets Authority (periodic publications, press releases). Furthermore, beyond its legal obligations, Carrefour employs a wide array of media for its financial communications. The Group chooses between the press, direct telephone contact, individual meetings or special meetings in response to events of an exceptional nature, depending on the importance of the event.

2.5.4.3. Procedures for controlling financial communication

The Finance Department is the exclusive purveyor of financial information.

Internal control over the financial communication process essentially rests on adhering to the principle of equality among shareholders. Any press release or important announcement is prepared by mutual agreement between the Financial Communications Department, which is part of the Finance Department, and the Group Communications Department.

The segregation of roles and responsibilities allows for strict independence between the Management Board, the departments concerned (e.g., the Mergers and Acquisitions Department) and the Financial Communications Department.

2.6. INFORMATION AND COMMUNICATIONS

In order to allow everyone in the Group to assess the materiality of his or her contribution and the importance of his or her responsibility in terms of internal controls, the Group relies on a unique and uniform process for setting objectives and analysing performance.

Objectives are set annually within the framework of the budgetary process on the basis of a multi-year strategic plan. This process is organized around the gathering of budget data from the appropriate levels of responsibility (i.e., the department level in hypermarkets and supermarkets and the store level for Hard Discount stores). The information gathering process is accompanied by various stages of approval, one of the main stages being at business unit level (see Section 2.2.1 above). Giving all managers (that is, all those responsible for overseeing an income statement for an activity or for leading teams) responsibility for agreed and approved budget objectives is an essential component of the effectiveness of management control.

The budget is updated to take into account the final results for the previous year and broken down on a monthly basis so that everyone, at each level, can monitor his or her performance throughout the year. It contains commercial and financial data and specific performance indicators. During the year the capital expenditures planned for in the budget are subject to updated profitability studies and specific authorizations. Each month, actual performance is compared to the budgeted performance and that of the previous year.

A summary of the performance of the Group and of each country is presented to the Management Board. The Supervisory Board receives a summary of sales trends and performance indicators each month.

The financial control team is available to help managers draw up and control budgets, participate in validation phases, propose action plans made necessary by discrepancies found in their implementation and, broadly speaking, help ensure the reliability of the entire process and of the financial data collected thereby.

2.7. MONITORING OF INTERNAL CONTROL

■ 2.7.1. Managerial control

The monitoring of internal controls by management is carried out daily on a continuous basis, insofar as commercial operations require attention at all times, particularly on store sales floors. Employees and their managers each have job and task descriptions as well as a list of control points allowing them to ensure an internal control level compatible with each banner's commitments. These standards, drawn up for each position, are available on-line to any authorized person.

Moreover, specific activity experts contribute to the guidance of operational teams by making recommendations on matters of merchandising, organization and compliance with product mix. These specialists provide technical support to operational staff in stores by demonstrating best practices, deploying projects, checking control points and undertaking periodic audits with diagnoses and action plans.

■ 2.7.2. Internal audit

The Internal Audit Department independently assesses the quality of the internal control systems put in place by management in the various processes throughout the Group, within the framework of the audit plan. This assessment is carried out in accordance with a standardized control model and examines both the effectiveness of operational procedures and the accuracy of the various reports, as well as the integrity of the information systems. These assignments are carried out in accordance with the standards defined by professional internal auditing practices. In addition to this primary task, the Internal Audit Department provides counsel and alerts management to sensitive and strategic issues with the objective of improving the Group's efficiency.

2.7.2.1. Organization

The internal audit function is performed in the countries, regions and headquarters by dedicated, full-time auditors whose professionalism is ensured by appropriate training and experience.

Auditors are assigned to countries as soon as their size and risk profile justify doing so. Countries without auditors are audited by the audit teams of nearby countries.

The audit managers in each country report to the Group Audit Director, who reports to the Chairman of the Management Board and the Audit Committee. Audit managers at the local level are placed under the functional responsibility of the executive director for the country.

This organization is intended to guarantee the independence of the auditors by facilitating their access to information and to enhance country management's ability to react when malfunctions are detected.

In effect, an organization structure of this kind means that the Group Audit department determines the size of the audit teams and is responsible for their hiring and performance assessment, after consultation with the local managers concerned. The assignments to be performed are defined jointly in the Audit Plan. The Audit Department's budget as a whole is charged to the Group.

The department also includes a team of corporate auditors, whose task it is to carry out specific assignments at the request of general management, to provide support for country audit teams, to perform assignments in countries where there is no auditor and, lastly, to develop standardized tools, including the overall approach to auditing, implementation programs and ad hoc databases.

2.7.2.2. Assignments

The assignments given to internal auditors encompass the full scope of activities controlled by the Group and are of four types:

- recurring assignments;
- closing assignments;
- follow-up assignments;
- other assignments.

The goal of recurring assignments is to assess internal control of company processes, whether they be of an operational or financial nature, concerning stores, warehouses or head offices, distribution or services (e.g., financial services, insurance, etc.).

Closing assignments encompass all activities conducted at the time of the closing of annual or interim accounts.

Follow-up assignments encompass internal audit operations designed to ensure that previous recommendations have indeed been implemented. These follow-up assignments deal in priority with major areas of risk.

2.7.2.3. The Internal Audit Plan

The internal audit plan is a forecast of activity that involves budgeting resources and corresponding costs. Based on a risk assessment approach, the audit plans for each country are determined by the countries themselves, taking into account the requirements of general and regional managers and their own needs. Once the audit plan has been finalized, it is approved by the Audit Committee.

The countries' audit plans represent a commitment to general management, and the cancellation of a scheduled assignment must first be approved by the Audit Director. Unplanned audits can be performed at the request of either countries or general management.

2.7.2.4. Reports and summaries

At the end of each assignment, the auditor communicates his or her findings and recommendations to the managers of the areas being audited. The agreement or disagreement of the auditees with the recommendations proposed are included in the final report, which, in the event of agreement, specifies an action plan, responsibilities and implementation deadlines.

The implementation of recommendations is the responsibility of the operational managers concerned. The auditors are responsible for ensuring that they have been implemented.

This is achieved through specific follow-up audits or through audits concerning the same subject for which the recommendation was issued. An exhaustive, customized follow-up is also carried out, using databases in which the auditees indicate the progress made in implementing the action plan.

Summaries, including an overview of compliance with the audit plan, important observations for the quarter and follow-up on earlier recommendations, are issued quarterly and presented to the executive director in the country in question. The Group Audit Director also prepares a summary statement which is presented to the Management Board and to the Audit Committee on a quarterly basis.

At the end of December 2006, the Carrefour group had 71 auditors who completed 13,800 audit days during the year, including 7% for recurring assignments on strategic processes, 49% for recurring assignments on operational processes, 34% for recurring assignments on support processes and 10% for other assignments.

The monitoring of internal controls by management is carried out daily on a continuous basis, insofar as commercial operations require attention at all times, particularly on store sales floors. Employees and their managers each have job and task descriptions as well as a list of control points allowing them to ensure an internal control level compatible with each banner's commitments. These standards, drawn up for each position, are available on-line to any authorized person.

Moreover, specific activity experts contribute to the guidance of operational teams by making recommendations on matters of merchandising, organization and compliance with product mix. These specialists provide technical support to operational staff in stores by demonstrating best practices, deploying projects, checking control points and undertaking periodic audits with diagnoses and action plans.

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF CARREFOUR S.A., ON THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Year ended 31 December 2006

To the Shareholders,

In our capacity as statutory auditors of Carrefour S.A., and in accordance with article L.225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of the Supervisory Board of your company in accordance with article L.225-68 of the Commercial code for the year ended 31 December 2006.

It is for the Chairman of the Supervisory Board to give an account, in his report, notably of the conditions in which the tasks of the Supervisory Board are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information and set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the report of Chairman of the Supervisory Board, prepared in accordance with article L.225-68 of the Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, 4 April 2007

The Statutory Auditors,

KPMG AUDIT
A division of KPMG S.A.

Jean-Luc Decornoy
Partner

Deloitte and Associés

Jean-Paul Picard
Partner

Frédéric Moulin
Partner

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Consolidated store network

FRANCE	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hypermarkets	117	117	179	179	175	178	178	179	179	192
Supermarkets		398	530	539	534	547	566	588	595	615
Hard Discount stores	367	384	418	424	459	487	578	630	782	811
Other formats	321	357	576	584	127	126	126	129	108	101
Total	805	1,256	1,703	1,726	1,295	1,338	1,448	1,526	1,664	1,719

EUROPE (excl. France)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hypermarkets	68	73	142	187	253	268	281	288	321	365
Supermarkets		181	480	548	650	651	690	765	746	
Hard Discount stores		1,965	2,099	2,210	2,325	2,464	2,606	2,789	2,969	
Other formats		76	263	173	130	210	240	223	241	
Total	68	73	2,364	3,029	3,184	3,373	3,606	3,824	4,098	4,321

BELGIUM

Hypermarkets		57	57	56	56	56	56	56	56
Supermarkets		72	73	73	77	77	79	79	79
Other formats		1	1	1	1	1	1	1	1
Total		130	131	130	134	135	135	135	135

CZECH REPUBLIC

Hypermarkets	3	6	7	8	9	10		-
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GREECE

Hypermarkets		4	11	11	13	13	16	19	25
Supermarkets		85	82	142	101	120	148	164	
Hard Discount stores		142	181	199	212	221	251	267	295
Other formats		46	46		47	60	52	51	
Total		146	323	338	367	382	447	486	535

ITALY

Hypermarkets	6	6	6	31	34	34	39	38	50	55
Supermarkets			192	173	203	205	226	238	247	
Other formats		46	190	98	98	130	147	171	190	
Total	6	6	52	413	305	335	374	411	459	492

POLAND

Hypermarkets	1	3	7	8	9	13	15	17	32	42
Supermarkets		6	15	51	55	67	70	71	71	83
Total	1	3	13	23	60	68	82	87	103	125

PORTUGAL

Hypermarkets	3	4	5	5	5	6	7	7	7	10
Hard Discount stores			273	272	276	281	283	286	292	320
Total	3	4	278	277	281	287	290	293	299	330

ROMANIA

Hypermarkets										7
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EUROPE (excl. France) (continued)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
SLOVAKIA										
Hypermarkets				2	4	4	4	4		-
SPAIN										
Hypermarkets	56	58	112	116	108	115	119	121	136	148
Supermarkets			175	187	167	174	200	190	143	82
Hard Discount stores			1,541	1,609	1,649	1,700	1,778	1,836	1,891	1,961
Other formats			30	27	28	31	32	32		
Total	56	58	1,858	1,939	1,952	2,020	2,129	2,179	2,170	2,191
SWITZERLAND										
Hypermarkets				8	8	8	8	9		9
TURKEY										
Hypermarkets	2	2	5	8	10	10	11	11	12	13
Supermarkets			1	3	3	5	7	86		91
Hard Discount stores			9	37	86	132	182	233	339	393
Total	2	2	14	46	99	145	198	251	437	497
LATIN AMERICA										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hypermarkets	84	101	112	120	124	135	147	157	148	204
Supermarkets			83	253	263	249	254	211	149	118
Hard Discount stores			106	201	263	313	413	488	520	539
Total	84	101	301	574	650	697	814	856	817	861
ARGENTINA										
Hypermarkets	18	21	22	22	22	23	24	28	28	30
Supermarkets				138	132	141	141	114	114	118
Hard Discount stores			106	201	246	246	285	310	319	325
Total	18	21	128	361	400	410	450	452	461	473
BRAZIL										
Hypermarkets	49	59	69	74	74	79	85	85	99	143
Supermarkets			83	115	131	108	113	97	35	
Hard Discount stores				17	67	128	178	201		214
Total	49	59	152	189	222	254	326	360	335	357
CHILE										
Hypermarkets		1	2	3	4	4				
COLOMBIA										
Hypermarkets		1	2	3	5	8	11	15	21	31
MEXICO										
Hypermarkets	17	19	17	18	19	21	27	29		-

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
ASIA										
Hypermarkets	39	59	80	94	105	123	144	170	191	202
Supermarkets							6	8		
Hard Discount stores							55	164	225	255
Total	39	59	80	94	105	123	199	340	424	457
CHINA										
Hypermarkets	7	14	20	24	24	32	40	56	70	90
Supermarkets							6	8		
Hard Discount stores							55	164	225	255
Total	7	14	20	24	24	32	95	226	303	345
HONG KONG										
Hypermarkets	2	4	4							-
INDONESIA										
Hypermarkets	1	5	7	8	10	11	11	15	20	29
JAPAN										
Hypermarkets				1	3	4	7	8		-
MALAYSIA										
Hypermarkets	3	5	6	6	6	6	7	8	8	10
SINGAPORE										
Hypermarkets	1	1	1	1	1	1	2	2	2	2
SOUTH KOREA										
Hypermarkets	3	6	12	20	22	25	27	27	31	-
TAIWAN										
Hypermarkets	17	21	23	24	26	28	31	34	37	47
THAILAND										
Hypermarkets	6	7	9	11	15	17	19	20	23	24
GROUP	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hypermarkets	308	350	513	580	657	704	750	794	839	963
Supermarkets		398	794	1,272	1,345	1,446	1,471	1,495	1,517	1,479
Hard Discount stores	367	384	2,489	2,724	2,932	3,125	3,510	3,888	4,316	4,574
Other formats	321	357	652	847	300	256	336	369	331	342
Total	996	1,489	4,448	5,423	5,234	5,531	6,067	6,546	7,003	7,358

SALES AREA PER FORMAT (CONSOLIDATED STORES)

(in millions of sq.m)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hypermarkets	3,075	3,489	4,580	5,256	5,674	6,180	6,510	6,885	7,087	7,620
Supermarkets			1,195	1,968	2,117	2,132	2,277	2,321	2,319	2,283
Hard Discount stores	232	794	906	997	1,093	1,255	1,466	1,674	1,850	

SALES AREA PER COUNTRY (CONSOLIDATED STORES)

(in millions of sq.m)	Hypermarkets	Supermarkets	Hard Discount stores	Total ⁽¹⁾
France	1,845	1,105	493	3,444
Europe (excl. France)	2,850	981	1,134	4,964
Spain	1,328	137	837	2,302
Italy	395	298		692
Belgium	351	142		493
Greece	150	188	95	434
Poland	313	106		418
Turkey	117	110	93	319
Portugal	83		108	191
Romania	61			61
Switzerland	54			54
Latin America	1,346	197	163	1,706
Argentina	252	197	94	544
Brazil	890		68	959
Colombia	204			204
Asia	1,577		61	1,638
China	723		61	784
Indonesia	200			200
Malaysia	92			92
Singapore	15			15
Thailand	209			209
Taiwan	339			339
Group	7,620	2,283	1,850	11,753

(1) The total does not include the sales areas of other Group formats, such as convenience stores.

Commercial statistics

CONSOLIDATED HYPERMARKET DATA

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales per sq.m (annual net sales in euros)	7,930	7,410	7,410	8,110	7,214	6,594	6,319	6,109	6,201	6,023
Sales per store (annual net sales in millions of euros)	79	74	66	67	65	58	55	53	52	48
Annual number of customers going through check-outs (in millions)	733	818	974	1,115	1,206	1,264	1,355	1,466	1,487	1,563

ANNUAL NUMBER OF CUSTOMERS GOING THROUGH CHECK-OUTS IN CONSOLIDATED HYPERMARKETS BY REGION AT 31 DECEMBER 2006

(in millions)	2006
France	370
Europe	478
Latin America	243
Asia	472
Group	1,563

GROSS SALES BY REGION AND FORMAT AT 31 DECEMBER 2006

(in millions of euros)	Hypermarkets	Supermarkets	Hard Discount stores	Other formats	Total
France	22,271	8,849	2,733	7,822	41,675
Europe	18,718	5,580	4,307	4,616	33,221
Latin America	5,806	664	593	45	7,109
Asia	5,320	0	97	0	5,417
Group	52,115	15,093	7,731	12,483	87,422

INFORMATION ON BRANDED STORE NETWORK

All formats	France	Europe	Latin America	Asia	Group
Total commercial sales incl. tax (in millions of euros)	45,725	38,722	7,129	5,664	97,240
2005/2006 change (in %)	2.8	6.2	16.3	13.3	5.6
% of total commercial sales incl. tax	47.0	39.8	7.3	5.8	100.0
Number of stores	3,879	7,249	954	465	12,547
Surface area (in sq.m)	5,151,863	6,671,989	1,731,065	1,713,699	15,268,616
Hypermarkets					
Total commercial sales incl. tax (in millions of euros)	24,061	21,658	5,806	5,567	57,093
2005/2006 change (in %)	1.7	6.8	21.0	13.0	6.4
% of total commercial sales incl. tax	24.7	22.3	6.0	5.7	58.7
Number of stores	218	408	204	210	1,040
Surface area (in sq.m)	1,997,032	3,176,328	1,346,456	1,652,641	8,172,458
Total commercial sales incl. tax/sq.m (in euros)	12,049	6,819	4,312	3,369	6,986
Supermarkets					
Total commercial sales incl. tax (in millions of euros)	13,744	8,764	664		23,172
2005/2006 change (in %)	2.8	3.4	-20.9		2.2
% of total commercial sales incl. tax	14.1	9.0	0.7		23.8
Number of stores	1,025	1,282	118		2,425
Surface area (in sq.m)	1,762,627	1,555,983	197,280		3,515,890
Total commercial sales incl. tax/sq.m (in euros)	7,797	5,633	3,366		6,591
Hard Discount stores					
Total commercial sales incl. tax (in millions of euros)	2,850	5,594	658	97	9,199
2005/2006 change (in %)	15.2	6.6	33.8	37.7	11.0
% of total commercial sales incl. tax	2.9	5.8	0.7	0.1	9.5
Number of stores	848	4,063	632	255	5,798
Surface area (in sq.m)	522,345	1,419,294	187,329	61,058	2,190,026
Total commercial sales incl. tax/sq.m (in euros)	5,457	3,941	3,511	1,593	4,200
Others					
Total commercial sales incl. tax (in millions of euros)	5,069	2,705			7,776
2005/2006 change (in %)	2.3	9.4			4.7
% of total commercial sales incl. tax	5.2	2.8			8.0
Number of stores	1,788	1,496			3,284

Adresses of principal subsidiaries

GROUP

Carrefour group
 Head Office
 26, quai Michelet
 TSA 20016
 92695 Levallois-Perret Cedex – France
 Tel: 00 (33) 1 55 63 39 00
 Fax: 00 (33) 1 55 63 39 01

EUROPE

Carrefour Europe
 26, quai Michelet
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 Tel: 00 (33) 1 58 63 30 00
 Fax: 00 (33) 1 58 63 67 50

FRANCE

Carrefour France
 Direction Actifs Hypermarchés
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 1, rue Jean Mermoz
 Courcouronnes - BP 75
 91002 Evry Cedex
 Tel: 00 (33) 1 60 91 37 37
 Fax: 00 (33) 1 60 79 44 98

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Carrefour Belgium
 20, avenue des Olympiades
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 Fax: 00 (32 2) 729 14 96

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 28022 Madrid
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 Fax: 00 (34 91) 333 18 36

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 Fax: 00 (34 91) 555 77 41

ITALY

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 20153 Milano
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 Fax: 00 (39) 02 48 20 23 25

GREECE

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OTHER ASIAN COUNTRIES

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