



“CARREFOUR 2022”: A NEW AMBITION FOR THE GROUP

Carrefour Group is presenting today its transformation plan, "Carrefour 2022", and adapting its model and organization to be the world leader of the food transition for all.

Carrefour has set itself a universal ambition: To enable its customers to consume better by becoming the world leader in the food transition for all. To redynamize its growth, the Group is undertaking a profound transformation by launching the "Carrefour 2022" plan, which is based on four pillars:

1) Deploy a simplified and open organization

To make the most of its strengths - multi-country, multi-format and multi-channel - the Group is simplifying its organization and becoming more open to partnerships, growth levers and innovation:

- Rationalization of the Group's headquarters in the Île-de-France region;
- Voluntary departure plan in France for 2,400 people;
- Development of new partnerships, along the lines of recent agreements with Fnac-Darty, Showroomprivé and the announcement today of the partnership with Tencent in China.

2) Achieve productivity and competitiveness gains

In order to invest in growth and improve its price competitiveness, Carrefour is reinforcing its selectivity in the allocation of its resources and its financial discipline:

- Overall investments of €2bn per year;
- Invest in commercial competitiveness and the development of Carrefour-branded products;
- Cost savings of €2bn by 2020 on a full-year basis;
- Plan to reduce the number of ex-DIA stores by 273.

3) Create an omnichannel universe of reference

The Group aims to become the omnichannel universe of reference by investing in its growth formats, becoming the leader in food e-commerce and leveraging the power of its brand:

- Opening of 2,000 convenience stores in the next 5 years in major cities;
- Acceleration of the Cash & Carry format with 20 new Atacadão per year in Brazil, the conversion of 16 hypermarkets to Maxi in Argentina, and the expansion of Promocash in France;
- Massive investments in digital of €2.8bn by 2022;
- Launch in 2018 of a single platform in France, Carrefour.fr;
- Target of €5bn in turnover in food e-commerce by 2022.

4) Overhaul the offer to promote food quality

Carrefour's ambition is to offer to all consumers, every day, quality food that is reliable, accessible everywhere and at a reasonable price:

- 1 million additional consumers for fresh food in France by 2022;
- Fresh food sales growth three times higher than that of FMGC by 2022;
- Target of €5bn in organic sales in 2022;
- One third of the turnover through Carrefour-branded products by 2022.

Alexandre Bompard, Carrefour's Chairman and Chief Executive Officer, declared:

"I have a great ambition for Carrefour: To become the leader of the food transition by offering our customers, every day and everywhere, quality and trustworthy food at a reasonable price. To do this and return to a conquering dynamic, we must revamp our model, by simplifying our organization, opening ourselves up to partnerships, improving our operational efficiency, investing in our growth formats, building an efficient omnichannel model and developing our fresh and organic products offer, notably under the Carrefour brand. This is the meaning of the "Carrefour 2022" transformation plan that we are unveiling today, and that the Group and its employees will implement with ambition and determination."

A strong ambition: Be the pioneer of the food transition

Intensive production methods have reached their limits. Consumers have never been so concerned about what they eat. They rightly want more information, quality and transparency across the entire food chain.

Carrefour, a historical player of the mass consumption movement, now wants to lead a new battle: that of the food transition for all.

This ambition rests on strong commitments: To guarantee to our customers accessible and affordable products, to act for the democratization of organic products, to strengthen our fight against food waste, to improve the sustainability of packaging and above all, to ensure food safety. Recent events have demonstrated the need to put our organizations in marching order to address the crucial issue of food safety.

It also relies on strengthened governance, which takes full measure of this challenge and the priority it represents for the Group, with the appointment of an *advisory food committee* to accompany the Group in the food transition.

A transformation plan based on 4 pillars

1. Deploy a simplified and open organization

To capitalize on its strengths, the organization of the Carrefour Group must be simplified and become more open.

A simplified organization, by reducing the weight and complexity of headquarters

In order to improve the operational efficiency of the teams and increase responsiveness, Carrefour is **rationalizing its headquarters in all of its countries.**

In the Ile-de-France region, headquarters will be regrouped, which involves the closure of the corporate headquarters in Boulogne and the abandonment of the project to build a new 30,000 m² headquarter in the Essonne department. A strictly voluntary redundancy plan will be offered to 2,400 employees at head office in France, out of a total workforce of 10,500.

More open to its clients and outside partners

"Carrefour 2022" will adopt a customer-centric organization to better reflect the needs and expectations of its customers: all the measures of the plan contribute to it.

Carrefour wishes to structure itself more around **partnerships** in order to:

- Take advantage of innovations and best practices;
- Benefit from the experience of innovative start-ups and the power of sector leaders, such as the agreement signed with **Fnac Darty** in consumer electronics and the partnership with **Showroomprivé** for online private sales.

The potential acquisition of a stake in Carrefour China by Tencent, the global technology leader, and Yonghui, a retailer specialized in fresh food and small formats in China, and the signature of a strategic partnership with Tencent pave the way for great opportunities for Carrefour in the country, notably in food e-commerce.

2. Achieve productivity and competitiveness gains

Carrefour needs to regain headroom to improve its efficiency and competitiveness at the service of its customers. This implies a significant reduction in its cost base and a more effective investment policy focused on its growth drivers.

A powerful cost reduction plan of € 2 billion on a full-year basis by 2020

The cost reduction plan will focus on four main areas:

- The optimization of **direct purchasing**: Revamp of product offering by reducing assortments by more than 10%, negotiations at an international level to take advantage of the Group's presence in more than 30 countries;
- The rationalization of **indirect purchasing**: Strict management of expenditure and specifications and policy of systematic renegotiation of historical contracts by dedicated teams at Group level;
- The reduction of **logistics costs**: Greater focus on the operational efficiency of the *Supply Chain*;
- The reduction of **structural costs**: Simplification of headquarters organizations.

The first three areas will represent the vast majority of the achievement of the €2bn annual savings target.

Plan to reduce the number of ex-DIA stores by 273

Certain ex-Dia stores are experiencing great difficulties because they are not adapted to their catchment area since their conversion to Carrefour banners. The Group plans to divest 273 ex-DIA stores:

- A **search for buyers** will be launched store by store;
- In the absence of buyers, these stores will be closed;
- The company will systematically give preference to **alternative job offers** within the Group.

More efficient and targeted investments

The "Carrefour 2022" plan provides for annual investments of **€2bn as of 2018**. These investments are rightsized to:

- Maintain the Group's assets;
- Implement its transformation ambitions.

Investment projects will be chosen with greater selectivity and implemented with efficient processes. Investments dedicated to the Group's growth levers will increase significantly, with:

- A **significant increase in IT and digital investments**;
- An **increase in supply-chain investments** aimed at creating an omnichannel offer in food through automating order preparation platforms.

In terms of real estate strategy, Carrefour will dispose of €500m of non-strategic assets over the next three years.

Efficiency at the service of price competitiveness

This strict cost control and resource allocation discipline, which will be maintained over the long-term, aims to provide leeway in order to invest notably in commercial competitiveness, a priority for the Group. The development of Carrefour-labeled products will contribute to the price attractiveness of the Group's product offering.

3. Create an omnichannel universe of reference

Carrefour must meet the expectations of its customers by creating a unique Carrefour universe, online and in physical stores, taking advantage of its store network to guarantee at any time and in any place the best offer for a recognized and loyal client.

Invest in the attractiveness and efficiency of hypermarkets

The hypermarket format is a strength for the Group and must be perfectly operated. To improve the efficiency of this format, the company will:

- **Adapt the sales area of hypermarkets** to their catchment area; hypermarkets in France will have their sales area reduced, when necessary, by a total of at least 100,000 m² by 2020;
- **Seek purchasing and selling alliances** to improve the non-food offer when it is not relevant;
- **Strengthen the operational efficiency of stores**, by adopting best practices in merchandise flows, inventory management and shrinkage;
- **Adapt the hypermarket network** when it is strictly necessary, switching five hypermarkets to lease management contracts; no closure is planned in France.

Accelerate investments in growth formats

Supermarkets and convenience stores are growth formats for the Group. Carrefour will be on the offensive in this segment and will open at least 2,000 convenience stores in the next five years, with a growing presence in major European cities.

Each of these formats will be active participants in the deployment of the Group's omnichannel universe by acting as a preparation or delivery center and a pick-up and return point for customers.

The Group also wants to accelerate the deployment of the **cash & carry** format:

- Carrefour will open 20 Atacadão stores per year in **Brazil** as of 2018, including 5 hypermarket conversions this year;
- In **Argentina**, Carrefour announces it is investing in the Maxi banner, launching the conversion of 16 hypermarkets in 2018;
- The adaptation of these formats in **Europe** will be continued, with an acceleration of the roll-out of Promocash in **France** and continued experimentation in other countries.

Massive investments in digital

The Group will invest €2.8 billion over five years, or six times more than current investments, to gain a new dimension in digital and omnichannel (total of operating and capital expenditures).

A target of €5bn in sales in food e-commerce by 2022

Carrefour's ambition is to become a key player in food e-commerce, with €5bn in sales for the Group and market share of at least 20% in food e-commerce market in France by 2022.

- Strengthening and widening the offer of services:

Carrefour will rely on its physical network to offer to its customers a reliable and extensive omnichannel service:

- **Home delivery:** All the delivery solutions offered by Carrefour will see their reliability enhanced and be generalized. In France, home delivery will be extended to 26 cities by 2018, and 1-hour express delivery will be deployed in 15 cities in 2018;

- **Drive:** Carrefour must improve the quality of service and extend its Drive offer. As of 2018, 170 new Drive will be opened in France and the overall quality of service will be improved, notably thanks to the deployment of automated logistics means (partly-automated warehouse);
- **Click & Collect:** Click & Collect will be expanded to more than half of the stores by 2019.

Handling of the last mile for deliveries will be considerably enhanced and accelerated through the partnership Carrefour is announcing today with *Stuart*, a subsidiary of the *La Poste* group.

- A single e-commerce website – Carrefour.fr for France

The power of the Carrefour brand must be fully exploited to serve the ambition of an omnichannel food offer of reference in the 33 countries in which the Group is present. In France, to strengthen its digital identity, the Group will launch in 2018 a single website, Carrefour.fr, which will include all its generalist shopping offering. This single website approach will be rolled out in all geographies.

To successfully implement the transformation of its e-commerce offer, Carrefour announces it has entered into a partnership with *Sapient*, a leading technology player of the Publicis Group.

4. Overhaul the offer to promote food quality

Carrefour has the ambition to offer to all consumers, every day, quality and trustworthy food, everywhere and at a reasonable price. To become the leader in food quality for all, Carrefour will act proactively in three main areas.

1 million additional fresh food consumers in France by 2022

Carrefour is setting an ambitious target for fresh food in France: Sales growth three times that of FMCG by 2022 and one million additional consumers by 2022.

To achieve this target, Carrefour is implementing a support plan for the upstream part of the agri-business sector, for the benefit of the consumer, including:

- **Carrefour Quality Lines to represent 20% of sourcing** by 2020 in France;
- **The launch of an agroecology plan** as of 2018;
- **Promotion of local products**, by ensuring their predominance in certain areas;
- **Financial and sustainable support for the conversion by farmers to organic farming: Carrefour announces today a partnership with WWF** to finance the conversion to organic, with the creation of specific WWF labeling;
- **The mobilization of the Carrefour Foundation** to finance organic farming projects;
- **Multiply by two the number of employees trained** on fresh food in France in 2018;
- **Generalization of Blockchain technology** to improve product traceability beginning this year.

Reach €5bn in organic sales in 2022

Carrefour is positioning itself as the leader in the democratization of organic products and aims to increase its sales in this segment to €5bn in 2022 from €1.3bn currently.

To increase the accessibility of organic products, Carrefour will:

- **Expand sales areas dedicated** to organic products in stores;
- **Increase its range** of organic products.

The Group is also strengthening its online organic offering by accelerating the development of its specialized Greenweez brand.

Carrefour will use its pricing, promotion and loyalty policies in favor of the democratization of organic products. In order to improve customers' level of information, the Group is launching an awareness campaign in its stores and on its websites.

Achieve one-third of its sales via Carrefour-branded products by 2022

Carrefour-branded products will play a key role in achieving the Group's ambition in terms of food quality, in particular through a wider range and greater price attractiveness. This is one of the priorities of the company's strategy, which justifies the redoubling of initiatives to create original and very qualitative Carrefour-branded products, covering both ingredients and recipes.

Carrefour is thus making a profound change by launching a new quality policy that notably involves the massification of controls and the rapid elimination of controversial substances. The Group will also reduce private label packaging by 5% by 2020.

Co-construction with customers is a strong development pillar of the company's private labels, as is strengthened traceability of the products that compose them.

Financial policy

With "Carrefour 2022", the Group is launching a profound transformation plan aiming at profitable and sustainable growth. Carrefour's growth will be fuelled by its leadership in the food sector, as well as the development of a leading and price-competitive omnichannel offering.

As of 2018, the Group is launching a powerful efficiency plan aimed at generating €2bn in full-year cost savings by 2020. In addition, in order to improve its free cash flow generation, Carrefour will actively manage its working capital requirements, notably through an optimisation of inventory levels, as well as more efficient investments. Investments will be reinforced on the Group's strategic priorities and should represent €2bn per year as of 2018.

Finally, Carrefour's objective is to maintain a solid financial structure. The Group wishes to maintain its dividend policy, with a payout ratio of between 45% and 50% of adjusted net income, Group share.

About Carrefour

A global leader and the reference in food retail, Carrefour operates more than 12,000 stores and e-commerce sites in more than 30 countries. Carrefour is a multi-local, multi-format and omni-channel retail Group that employs more than 384,000 people worldwide and generated total sales of 103.7 billion euros under its banners in 2016. Every day, Carrefour welcomes 13 million customers around the world and is actively committed to quality and to more sustainable trade. The Group's Corporate Social Responsibility worldwide approach is built on three pillars: fighting against waste in all its forms, protecting biodiversity and working alongside the company's partners. For more information: www.carrefour.com, @CarrefourGroup

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