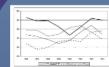




- French Multi-national Retailer
   In 2001 Profits of EUR2.8 billion on net sale of EUR 69 Shillion
- In the summer of 2002 Total sales of EUR 53.9 billion from more than 5200 stores
- Strong growth, pursued acquisitons
- In the past, financed Carrefour through securities in foreign currency

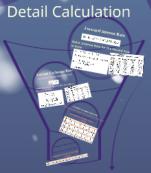
Trends in Inflation Rate



U.K. had higher inflation rates than U.S., which means that pounds would depreciate more than dollars. Therefore, it's more foundable to borrowin British poun in order to take the advances of borrowin constitution.

Carrefour S.A. Case Study
TheCaseSolutions.com

YiLong Zou Chengran Zhang Zhu Chen Erik Siersdale

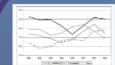




### Backgound of Carrefour S.A.

- French Multi-national Retailer
   In 2001 Profits of EUR2.8 billion on net sale of EUR 69.5billion
- In the summer of 2002 Total sales of EUR 53.9 billion from more than 5200 stores
- Strong growth, pursued acquisitons
- In the past, financed Carrefour through securities in foreign currency

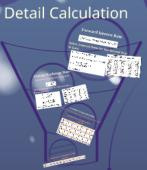
#### Trends in Inflation Rate



U.K. had higher inflation rates than U.S., which means that pounds would depreciate more than daillars. Therefore, it's mare lawarable to berrow in British pountion of the transfer of the pounds.

# Carrefour S.A. Case Study TheCaseSolutions.com

YiLong Zou Chengran Zhang Zhu Chen Erik Siersdale





### Backgound of Carrefour S.A.

- French Multi-national Retailer
- In 2001 Profits of EUR2.8 billion on net sale of EUR 69.5billion
- In the summer of 2002 Total sales of EUR 53.9 billion from more than 5200 stores
- Strong growth, pursued acquisitons
- In the past, financed Carrefour through securities in foreign currency

# **Problem**

- Debt financing EUR750 million
- Issue 10 year Carrefour bond in euros, British pounds, Swiss francs, or U.S. dollars.
- Coupon Rates:

5.250 in Euros

5.375 in British pounds

3.625 in Swiss francs

5.500 in U.S. dollars

# **Which Currency**

Cheapest to borrow

€? £? SFr? \$?

 Coupon Rates: 5.250 in Euros 5.375 in British pounds 3.625 in Swiss francs 5.500 in U.S. dollars

### Solution

1. Convert EUR 750 million to foreign currencies

750 671,000 1008,750 725,000 2010 1008,750 1008,

Year Forwar	ARREFOUR d Risk-Free	S.A. Rate by Current	cy Denominatio	on .
Maturity	Euro	British pound	Siwas franc	U.S. dollar
1st year	3.514%	4.258%	1.125%	2,099%
2nd year	4,701%	5.488%	1.096%	4,775%
3rd year	5.041%	5.624%	3.482%	5.406%
4th year	5.285%	5,589%	2.373%	5.866%
5th year	5.482%	5.544%	5.356%	6.188%
6th year	5,608%	5.550%	4.158%	6.410%
7th year	5.004%	5,604%	4,302%	6.549%
8th year	5.732%	5.574%	4.418%	0.740%
	5.732%	5.518%	4.449%	6.764%
9th year 10th year	J./10%	/	1	1

1-Year For	REFOUR S			
Maturity	Euro	British pound	Siwss franc	U.S. dollar
1st year	1.000	1.593	Q.68B	1.02
2nd year	1.000	1.582	0.704	1.034
3rd year	1.000	1.570	0.715	1,033
4th year	1.000	1.561	0.726	1.030
5th year	1.000	1.557	0.747	1.024
6th year	1.000	1,556	0.748	1.017
7th year	1.000	1.556	0.758	1.010
Sth year	1,000	1.558	0.768	1.002
	1.000	1.560	0.778	0.992
9th year 10th year	1.000	1.563	0.787	0.982

4. Calculate Cash flows (coupon payments)

1 50.6%	20.000	38 224 3	20,375	n 375	4 26375	7 10.072	35.75 35.75	20375	20 789 575
1 21:215 (0.213)	1 25,815 63,543	91.00 W.M.L	4 3530 3052	\$ 25504 50404	5 15,314 38,569	2, 315 20,405	Therefore and April	0 24.815 26.05	90 485.3114 286.3127
1 19500 22,178	2000 2000 2000	1 1000 2010	98.423 78.479	5 30,806 25,616	25 SEC. 25 SEC.	7 29,500 23,541	m 300 m 341	76500 16.123	30 [104384 808342
42.425	2 02.425 01.005	2 03.015 04.775	4 40,000 41,001	23.639 23.639	40.875 41.077	7 48,428 48,617	6 40,415 40,479	100 MIN 100 MI	13 1754.2 110.10
	1 75.455 e0.315 1 196.00 12.678	90.075 20.075  2 2 20.05 20.005  0.020 0.0064  1 2 20.000  12.177 0.000  1 2 0.0000  1 2 0.00000  1 2 0.00000  1 2 0.00000  1 2 0.00000  1 2 0.00000  1 2 0.00000  1	9 27 27 20 25 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	#100 9783 2078 2078  1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	910. 910. 250. 257. 257. 257. 257. 257. 257. 257. 257	\$\frac{1}{2}\$\frac	**************************************	1	1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1

. Convert foreign currencies to Euro

	No. of Page and A	1 23213	20305	20,575	4 838	1 1940	* 3310	7 9070	20.524	9 20375	18 780,375	6/18/2 6/18/2
	prince Facilities Year Programme Conversion Russ	1 15318 4839	1 35215 45,621	1 2010 2010	Marie Marie	5 20118 2000	5 (5.718 W.Xed	2 200 200 200	20,407 20,407	9 30,015 30,405	18 20-00 70-77	rtma
F	Selectorist Year Negrords Convert to Esta	1 90.023 20.070	2 55.850 27.840	NA:	4 20.504 30.619	3 29,500 29,500	a. 30 26 000	TO ME I	ATTACA MARKA MARKA	9 33,908 92,728	20 122/359 88/401	C125340
F	ELA Dollers Sour Raymonts Conventin Resi	40.625 41.231	41.55 41.55 5	3 63415 41,715	12412 12412	# 100 m	80.00% 61.537	T 40,415 45,817	6 42,425 48,230	95.425 40.037	TOMA NEWS	81,002.E

# Solution

1. Convert EUR 750 million to foreign currencies

750	471.000	1089.750 735.00	
	Pound	Swiss Francs	U.S. dollars
Euro	Found	511155	

## 2. Calculate Forward Interest Rates

	CARREFOUR	S.A.						
1-Year Forward Risk-Free Rate by Currency Denomination								
1-Teal Tolwal	C Tribit Tribit							
	_	British pound	Siwss franc	U.S. dollar				
Maturity	Euro			2.099%				
1st year	3.514%	4.258%	1.125%					
	4.701%	5.488%	3.096%	4.775%				
2nd year		5.624%	3.482%	5.406%				
3rd year	5.041%			5.866%				
4th year	5.285%	5.599%	2.373%					
5th year	5.482%	5.544%	5.356%	6.188%				
	5.608%	5.550%	4.158%	6.410%				
6th year			4.302%	6.549%				
7th year	5.694%	5.604%						
8th year	5.732%	5.574%	4.416%	6.740%				
	5.719%	5.518%	4.449%	6.764%				
9th year	3.71370	1	1	/				
10th year	/	1	,					

# 3. Calculate Forward Exchange Rates

	RREFOUR S.			
1-Year Forward Exchange Rate				
	rity Euro British pound		Siwss franc	U.S. dollar
Maturity	Euro		0.688	1.02
1st year	1.000	1.593		1.034
2nd year	1.000	1.582	0.704	
3rd year	1.000	1.570	0.715	1.033
	1.000	1.561	0.726	1.030
4th year		1.557	0.747	1.024
5th year	1.000			1.017
6th year	1.000	1.556	0.748	
7th year	1.000	1.556	0.758	1.010
	1.000	1.558	0.768	1.002
8th year		1.560	0.778	0.992
9th year	1.000			0.982
10th year	1.000	1.563	0.787	0.302