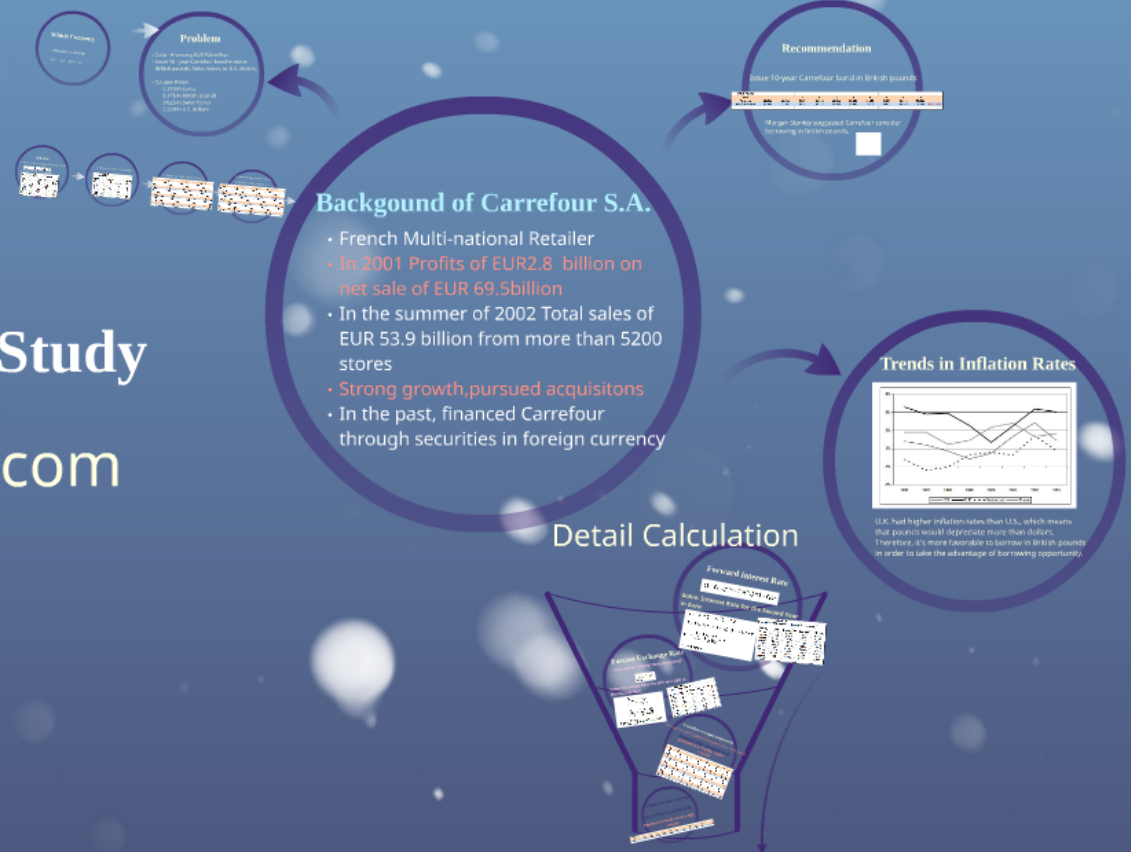


Carrefour S.A. Case Study

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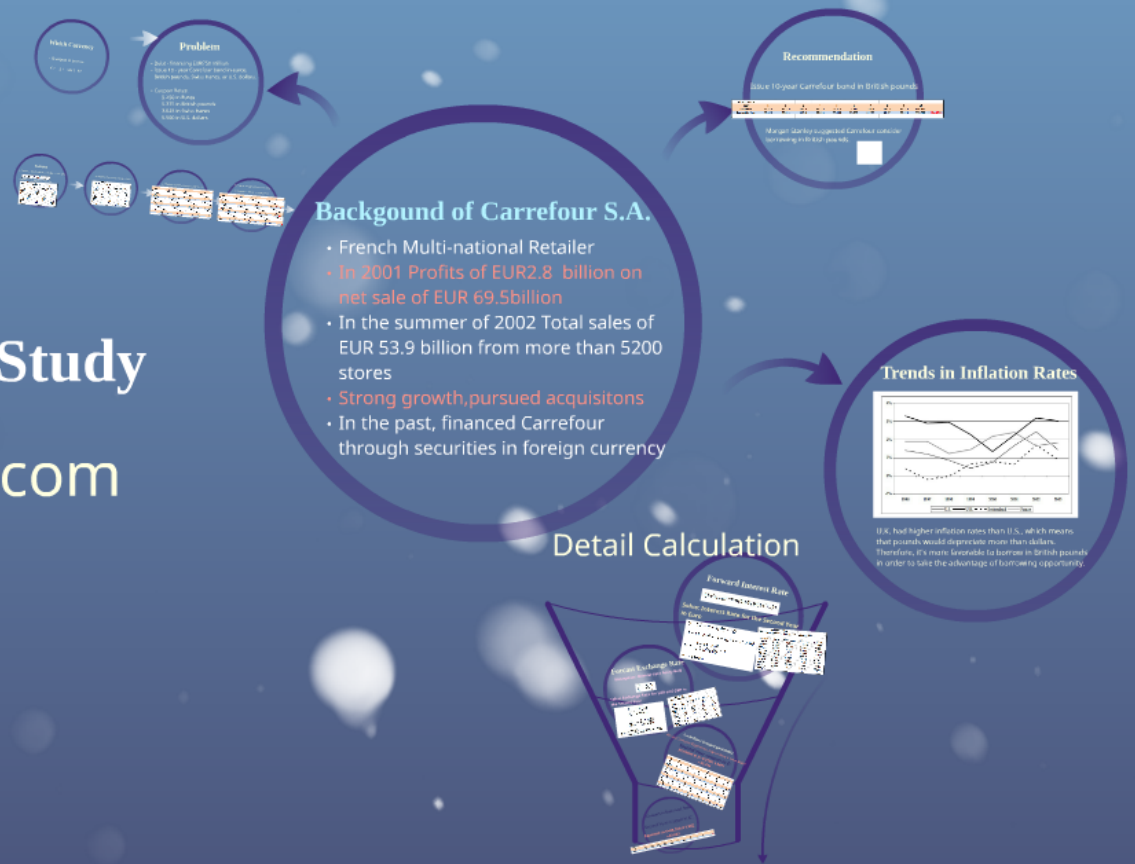
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Background of Carrefour S.A.

- 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 aquisitons
- 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

750	471,000	1009,750	725,000
Euro	Pound	Swiss Franc	U.S. dollars

- ## 2. Calculate Forward Interest Rates

Maturity	Euro	British pound	Swiss franc	U.S. dollar
1st year	3.5149%	4.258%	1.125%	2.091%
2nd year	4.701%	5.088%	1.026%	4.775%
3rd year	5.041%	5.624%	3.487%	5.006%
4th year	5.281%	5.199%	2.375%	5.866%
5th year	5.462%	5.546%	5.316%	6.188%
6th year	5.608%	5.519%	4.158%	6.410%
7th year	5.184%	6.804%	4.302%	6.549%
8th year	5.732%	5.574%	4.014%	7.403%
9th year	5.719%	5.168%	4.449%	5.764%
10th year	/	/	/	/

Maturity	Euro	British pound	Swiss franc	U.S. dollar
1st year	1.000	1.393	0.589	1.02
2nd year	1.000	1.382	0.704	1.034
3rd year	1.000	1.570	0.715	1.035
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
8th year	1.000	1.558	0.768	1.002
9th year	1.000	1.560	0.776	0.992
10th year	1.000	1.563	0.787	0.985

[illegible]

- ### 5. Convert foreign currencies to Euro

[illegible]

Solution

1. Convert EUR 750 million to foreign currencies

750	471.000	1089.750	735.000
Euro	Pound	Swiss Francs	U.S. dollars

2. Calculate Forward Interest Rates

CARREFOUR S.A.				
1-Year Forward Risk-Free Rate by Currency Denomination				
Maturity	Euro	British pound	Siwss franc	U.S. dollar
1st year	3.514%	4.258%	1.125%	2.099%
2nd year	4.701%	5.488%	3.096%	4.775%
3rd year	5.041%	5.624%	3.482%	5.406%
4th year	5.285%	5.599%	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	5.694%	5.604%	4.302%	6.549%
8th year	5.732%	5.574%	4.416%	6.740%
9th year	5.719%	5.518%	4.449%	6.764%
10th year	/	/	/	/

3. Calculate Forward Exchange Rates

CARREFOUR S.A.				
1-Year Forward Exchange Rate				
Maturity	Euro	British pound	Swiss franc	U.S. dollar
1st year	1.000	1.593	0.688	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
8th year	1.000	1.558	0.768	1.002
9th year	1.000	1.560	0.778	0.992
10th year	1.000	1.563	0.787	0.982