MANAGEMENT REPORT

Creating Value and Growth

2

Management Report – Creating Value and Growth

1. Key Facts of the Year

Biedronka

- Opening of 121 stores, ending the year with 2,823 locations
- Refurbishing of 226 stores
- Opening of the 16th Distribution Centre in Gorzow, reinforcing the logistics capacity of the Western area of Poland
- Moja Biedronka loyalty card registered in excess of six million cards

Pingo Doce

- Opening of 10 stores, four of which under third-party management agreements, closing the year with 422 locations
- Full refurbishing of 23 stores and 21 light revampings
- Inauguration of the Group's biggest Distribution Centre in Alfena, in the North of Portugal
- Launch of the Pingo Doce App, whose main functionalities include searching, viewing and selecting the in-store promotions

Recheio

- Opening of a store in Gaia, to add to the 38 already in existence and four platforms, three of them related to Food Service
- Relocation of the Porto Logistics Platform to Guardeiras, to reinforce the service to the HoReCa channel
- Inclusion of 29 stores in the Amanhecer concept, ending 2017 with a total of 314 stores in the network

Ara

- Opening of 169 stores, ending the year with 389 locations operating in three regions of Colombia

Hebe

- Opening of 30 stores, ending the year with a total of 182 locations
- Hebe's loyalty programme approached 2.5 million members
- Rebranding of all the pharmacies to HebeApteka

JMA (Jerónimo Martins Agro-Alimentar)

- Continuation of the building and installation of processing equipment in the new Dairy factory in Portalegre, which is planned to open in 2018
- Acquisition of two farms, furnishing greater capacity to the Angus beef fattening operation
- First Sea Bass capture in Sines and start of Gilt-head Bream production in Madeira

Jeronymo and Hussel

- Opening of three Jeronymo stores
- Refurbishing of four Hussel stores to adapt to the new concept

Corporate

- Commemoration of Jerónimo Martins' 225th anniversary
- Launch of Jerónimo Martins' new corporate visual

2. Environment in 2017

2.1. Poland

Macroeconomic Environment

Once again, the Polish economy achieved robust growth, which stood at 4.6% in 2017 (+2.9% in 2016). Domestic demand was the main growth driver, also sustained by the subsidies within the scope of the "Family 500 plus" programme, whereby families were attributed 500 zlotys per month and for each child (excluding the first child, in higher income families) as well as by the decrease in unemployment, combined with the substantial increases in salaries. Investment recovery, which can mainly be explained by the increase in funds from the European Union, was another contributing factor towards the country's economic growth.

The increase in demand for labour was partially accompanied by job offers. Unemployment reached historically low levels (+7.3%), with an increasingly large number of employers reporting difficulties in hiring the necessary personnel, which caused a rise in salaries.

In 2017, the zloty recorded an average annual exchange rate* of 4.2539 against the euro, which represents an appreciation of 2.5% compared to the 4.3627 recorded in 2016. The year-end foreign exchange position also appreciated against the euro (+5.3%), with a 4.1770 and 4.4103 rate for 2017 and 2016, respectively.

The annual growth of the CPI remained moderate at 2.0%, notwithstanding the increasing pressure on domestic demand and the growth, albeit slower, of import prices. On the other hand, the price of food products increased significantly (+4.2% vs. 0.8% in 2016), driven firstly by domestic factors (decrease in the offer of fruit due to adverse weather conditions during spring) and then by the increase in the price of some products worldwide, namely milk, butter and eggs.

The price of non-food goods and the stable growth in the price of services contributed towards basic inflation remaining low (+0.7%).

*Average annual exchange rate determined by weighting the turnover of the Group's companies operating in this currency.

Modern Food Retail

According to PMR Research, the Modern Food Retail market grew by 4.6% in 2017 (+4.2% in 2016), reaching in excess of 265 billion zlotys. This growth was prompted by the considerable increase in household disposable income, driven by the positive environment in the job market (an increase in employment and a significant growth in pay, supported by the substantial increase in the minimum wage) and by the partially delayed impact of the "Family 500 Plus" programme, launched by the Polish Government in mid-2016.

This programme had a significant impact on private consumption, which grew by almost 5% in real terms, and on the structure of household spending. Households allocated the additional income not only to better meeting their needs in terms of essential goods, but to the purchase of electrical appliances, tourism, cars and to buying and repairing their homes. Equally, there was an increase in spending on entertainment, and also an increase in savings.

The projected growth for the sale of non-food products is 1.5 to 2 times higher than the forecast growth of food-based products. As such, it is not surprising that retail chains have placed greater importance on non-food products.

The strong competition and the changes in consumption patterns and consumer behaviour resulted in the increasing popularity of smaller-sized stores situated closer to where consumers live or work. Convenience stores became a popular format, which is where openings were concentrated and where many chains tested or planned to test formats that are better adapted to the increased consumer's convenience needs.

In the Food Retail sector there was still room for consolidation, the number of independent stores having decreased, in line with the trend of previous years. The market remained highly competitive, with the major organised retail chains leading the growth, but also with chains of small local stores and supermarkets continuing to have substantial representation.

The medium and long-term outlook is positive. Consumption should continue to rise alongside the increase in salaries, with a positive impact on Food Retail. However, for 2018, the main risk factor for the sector will be the ban on stores opening on Sundays. It is predicted that this restriction will start in March 2018, affecting two Sundays per month and that it will progressively be extended over the coming years, so that in 2020 it will only be permitted to open on seven Sundays in the year.

Health and Beauty Retail

According to PMR Research's projections, the Polish Health and Beauty market grew by 4.7% in 2017 (+5.7% in 2016), reaching 23 billion zlotys. 2018 should see the same growth dynamics and post a similar pace, the market being estimated to reach 24.1 billion zlotys.

The good economic situation recorded in Poland in 2017 had a very positive impact on the development of the health and beauty market. The fall in unemployment, the increase in the minimum wage and the "Family 500 plus" programme contributed towards a significant improvement in the Polish population's purchasing power, which was reflected in the growth of private consumption in the country.

On the other hand, there were other non-economic factors that were relevant for the evolution of the cosmetics market in Poland, which were related to changes in consumer behaviour and to the activities of several players.

Consumers are increasingly demanding in their search for novelties, natural products, local brands and specialized products (professional range and dermo cosmetic products). Great value is also placed on convenient shopping and store services. On the other hand, social networks and bloggers as influencers and opinion leaders are gaining more and more importance, especially among the younger generations. The ageing population has also changed consumer behaviour with regard to buying more specialized and anti-ageing products.

The market remained very competitive, both regarding price and promotions. Simultaneously, the Discount stores continued to develop their offer in the hygiene and personal care product category, namely cosmetics.

In terms of expansion, a significant number of openings continued to take place.

Over the next five years, PMR predicts that the Health and Beauty market will continue to grow at an average rate of more than 4%, the products (their specifications) and price remaining the critical factors when it comes to consumer choice.

2.2. Portugal

Macroeconomic Environment

In 2017, GDP increased by 2.7%, the largest growth since 2000, benefiting from an economic expansion cycle that extended to all the countries in the euro zone, home to Portugal's main commercial partners, as well as from the very favourable evolution of the tourism sector.

According to the latest information from Banco de Portugal (December 2017), this growth was the result of an increase in domestic demand of 2.7% (+1.6% in 2016), reflecting the positive contribution from private consumption (+2.2% vs. +2.1% in 2016) and the strong growth in investments (+8.3% vs. +1.6% in 2016). The increase in private consumption was essentially recorded in durable goods, while the boost in investments was in construction, machinery and equipment, and transport material.

Simultaneously, exports posted a significant growth of 7.7% (4.1% in 2016), with substantial gains in market share, where of particular note is the positive contribution from tourism and the automotive sector, boosted by the increase in its productive capacity. At the same time, imports picked up, growing 7.5% after a more modest growth in 2016 (+4.1%), influenced by the increase in the prices of energy, by mostly in the first half of 2017, and of other commodities in the second half of the year.

The level of consumer confidence continued to improve, as a result of a certain increase in actual disposable income, the progressive improvement in the job market and the continued favourable financing conditions.

Regarding the job market, employment evolved very favourably, with the unemployment rate dropping to 8.9% (+11.2% in 2016).

Inflation stood at 1.4%, considerably higher than the 0.6% in 2016, as a result of the rise in the price of imports and the slight increase in unit labour costs. Food prices increased by 1.5% (+0.5% in 2016).

In 2017, the deficit should have stood at around 1.2% of GDP (+2.0% in 2016), below the target of 1.5% set by the European Commission. This reduction is mostly due to the economic recovery, the fall in interest expenses and lower than budgeted public investment. Nevertheless, despite this reduction, in the medium term, there are risks of budgetary instability as a result of the increase in interest rates which, with Portugal's level of public debt, would mean a strong increase in annual interest expenses.

Modern Food Retail

In 2017, the Food Retail market recorded a positive evolution both in Specialized Establishments and in Non-Specialized ones, with a 4.1% growth in sales keeping broadly the same evolution as the previous year.

The competitive environment continued to be highly challenging, with intense levels of promotional activity, as was the case the previous years. The pace of expansion of new Food Retail stores was also maintained, in particular in the proximity formats, as well as the refurbishment of the existing store network.

In 2018, consumer behaviour should confirm the trend of the last few years, reinforcing their move towards convenient solutions that facilitate their daily routine and towards more conscious consumption with regard to the impact on their health and well-being. On the other hand, consumers will remain focused on rationalising their shopping, and so price/promotion will continue, therefore, to be a critical factor when choosing their favourite store.

Wholesale Market

During 2017, the turnover of the cash & carry operators in Portugal recorded a positive trend (+8.4%, according to TSR Nielsen – cash & carry Market), which was helped decisively by the dynamics in the HoReCa channel.

Growth in this channel naturally reflects the excellent performance of the tourism sector. According to INE (Portuguese National Statistics Institute), in the months from January to November 2017, the number of guests in hotels and other types of accommodation increased by 8.7%.

The network of wholesale stores remained stable, while of particular note is the opening of a new Recheio store in Vila Nova de Gaia.

It should also be noted that Garcias (a company specialized in selling wines and spirits) opened its 6th establishment in 2017.

Regarding Traditional Retail, we would highlight the (re)opening of 29 stores with the Amanhecer brand and the continuity of the opening of Meu Super stores, thereby reinforcing the proximity positioning of both chains operated by small retailers across the country.

It is predicted that the wholesale market will continue to perform well in 2018, with a positive impact from tourism.

2.3 Colombia

Macroeconomic Environment

In 2017, economic growth in Colombia softened compared to the previous year, with GDP posting an increase of 1.5%, the lowest since 2009. This evolution reflected the significant reduction in consumer confidence, largely explained by the adverse effect of the tax reform, which led to a sharp drop in consumption and in private investment.

The more accentuated than expected slowdown in economic growth caused a greater reduction in tax revenue than forecast by the Government, with significant impacts on the country's deficit, which meant that some of the planned structural public investments were postponed, such as investment in road infrastructures. Moreover, despite the very significant recovery of the coal price, the evolution of the oil price was lower than expected, with impacts on the trade balance and public deficit.

The external environment was also not the most favourable, with Latin America presenting very modest growth, combined with a backdrop of social tension.

The unemployment rate reflected the GDP growth slowdown, reaching 9.4% in 2017, 0.2 p.p. higher than in 2016 (+9.2% in 2016).

The average inflation recorded in 2017 stood at 4.3%, significantly below the 7.5% in 2016, but still higher than the Colombian Central Bank's target (+3.0%; ±1.0 p.p.). Even so, the lower inflation made it possible to reduce the reference interest rate by 275 basis points during the year (from 7.5% to 4.75%).

During 2017, the Colombian peso recorded an average appreciation against the euro of 1.3%.

An improvement to the Colombian economy is expected for 2018, supported by increased consumer confidence, as they should recover part of their purchasing power, due to the increase in VAT that already was incorporated in 2017 and, at the same time, due to lower inflation. In 2018, it is also anticipated that general elections will take place in March and presidential elections in May-June.

Modern Food Retail

The Colombian retail market showed timid growth in 2017, due to the negative influence of the tax reform, which had a strong impact on consumption and the confidence of Colombian households.

Food Retail in Colombia grew again versus 2016, however at a slower pace than in the previous year, with Traditional Retail and Independent Supermarkets recording a relatively stable evolution and Modern Organized Retail growing in comparison to the previous year.

The number of openings in 2017 was led by the Discount format, where over 500 stores opened. There were other types of formats opening up, although to a much lesser extent, and some closures mainly due to the integration in other retail companies.

The weight of the sales of the Discount stores in Modern Food Retail increased to 13%, according to the Nielson base analysis, benefiting from consumers being more price-oriented in an environment of lower economic growth. The pace of this format's expansion also contributed towards the evolution recorded.

In 2017, the Colombian Central Bank's reduction of the reference interest rate several times from 7.5% in 2016 to 4.75%, which made it possible to partially offset the slowdown in household consumption.

For 2018, we should continue to a see a significant growth in the Discount format, which should also gain presence in the proximity market.

Sources:
Eurostat; Bank of Portugal Economic Bulletins; Portuguese Ministry of Finance; Portuguese National Statistics Institute (INE); National Bank of Poland Economic Bulletins; *Central Statistical Office (GUS)*; Banco de la República (Colombian Central Bank); Colombia National Administrative Department of Statistics (DANE); *Planet Retail*; TNS; Nielsen and PMR Research.

3. Group Performance

3.1. Strategic priorities for 2017

The Group's major strategic priorities have been sales growth and increased market shares in each of the countries where Jerónimo Martins is present.

In 2017, Jerónimo Martins maintained growth as its number one, top priority and reinforced the investment in its Operations in order to continue achieving a balance between sustainable growth and profitability, both in the short and the medium-long term.

As such, each business area focused its attention on improving their respective value propositions for the consumer through i. the attractiveness and innovation of the in-store offer; ii. price positioning; iii. remuneration and compensation of the teams and iv. improved store quality.

In general, the defined strategies and objectives were implemented and achieved by the Management Teams while being duly monitored by the Board of Directors, which oversaw the management's activities without any constraints.

To face the opportunities and challenges in the various markets, each banner ensured the necessary investments, ending 2017 with stronger and more competitive models.

3.1.1. Biedronka – Reinforcing the preference of an increasingly demanding consumer

In Poland, the consumption environment and the respective prospects for development remained favourable, resulting in a very positive evolution of the food basket.

Within this environment, Biedronka identified a series of opportunities for sales growth and for reinforcing its market position, which it was able to seize, challenging the boundaries of its business model without ever jeopardising it. This was to maintain its cost-efficiency, which enables it to simultaneously sustain growth and profitability.

In such a framework, and throughout 2017, the continuous improvement to the assortment, the further price opportunities, the quality of the stores and the services provided by the teams, were areas where Biedronka made investments. These investments, which were structurally carried out throughout the Company, were essential for achieving the sales target, but also for preparing the Company to continue growing within an environment which is expected to continue presenting important opportunities.

The improvement to the quality of the offer available in the stores, in line with what has been done over the last few years, was given the utmost attention, both regarding the permanent assortment, with the quality evolving in line with the trading up recorded in the market, and also regarding the in&out food campaigns where the banner invested as a way of complementing the basic assortment, bringing increased innovation and appeal.

Competitive price positioning and the customers' perception of it are essential pillars of Biedronka's competitive advantage. As such, the banner successfully managed to balance direct investment in price with promotions that are important to the consumer, besides innovatively working a product offering, which while not part of the regular assortment, was provided through campaigns, at a very attractive price.

Among the various actions, of particular note were the times of the year in which Biedronka was at the fore by promoting essential products in the Polish households' basket at times when they had peaks in inflation. This alignment with consumer needs was recognized and reflected in the sales growth.

The store environment, the adjustment to its layout, the type of equipment and lighting, among others, are parts of the shopping experience with a direct contribution to sales, besides being critical for the efficiency of the operations. The refurbishment programme, which covered more than 220 stores, is one of the crucial aspects to ensure Biedronka's sustained growth, making it possible to improve the offer and the shopping experience while protecting the efficiency demands of the business model.

Finally, a reference to the asset that made the biggest contribution towards the success of this strategy for winning the Polish consumer's preference - the teams. Regarding the distribution centres, and the stores, it is the people who successfully deliver the defined strategy and they are the ones who ensure the levels of service, quality and efficiency at all levels of the operation. The review of the remuneration packages, together with a series of important benefits, alongside a group of internal social responsibility initiatives are also a fundamental part of the investment in Biedronka's value proposition.

3.1.2. Pingo Doce – Maintaining growth in a maturing market

In Portugal, the Food Retail environment remained challenging and consumers continued to be promotion-driven. In addition to this already complex operating environment there was also the continuous expansion of the installed capacity in proximity food retail, with the opening of new stores.

With a strong market position and renowned differentiation in Perishables, Private Brand and its shopping experience, Pingo Doce continued to invest heavily in promotions, where it also focused its innovation efforts, on these three strategic pillars.

As such, the Private Brand assortment was strongly boosted in terms of innovation, with launches and improvements in its various categories.

The full refurbishment of 23 stores, not only reinforced the quality of the shopping experience, but also contributed significantly to the visibility and quality of the perishables handling operation, where new products were also launched throughout the year.

Finally, in October, the Company began reviewing the remuneration packages, in clear recognition of the important part the teams play in delivering a quality value proposition, but also as an important step in investing in increasing levels of efficiency and service quality.

3.1.3. Ara – Building the foundations of its growth

After entering its third geographic region - Bogota - in September 2016, Ara is aware of the need to work on adapting locally to each region, with implications on part of the assortment offered, as well as on the commercial strategies and marketing. Furthermore, the Company recognizes the extent of the opportunity that the proximity market represents in Colombia and the importance of the adjusting of its value proposition to take advantage of that opportunity.

In this context, 2017 was a pivotal year for Ara, which consolidated the investment that began in 2016 to reinforce the various teams, building expansion capacity and accelerating the store openings to more than the double of the previous year.

This investment has given the Company an important execution momentum for the future, in a phase in which gaining relevance for the Colombian consumer continues to be a challenge that the Company is prepared to face.

3.2. Execution of the Investment Programme

As mentioned, when executing the growth strategy, the investment in new stores goes hand-in-hand with the investment in improving the quality and efficiency of the current store network. It is this investment in refurbishing and renovating the stores that enables us to ensure the sustainability of the like-for-like, as well as the leadership in terms of consumer preference.

(million euros)	2017			2016		
Business Area	Expansion[1]	Others[2]	Total	Expansion[1]	Others[2]	Total
Biedronka	**113**	**241**	**354**	**53**	**180**	**233**
Stores	88	222	310	51	170	221
Logistics & Head Office	25	19	44	2	10	12
Pingo Doce	**32**	**70**	**102**	**75**	**62**	**137**
Stores	17	66	83	33	59	92
Logistics & Head Office	16	3	19	42	3	45
Recheio	**13**	**15**	**28**	**8**	**13**	**21**
Ara	**169**	**0**	**169**	**64**	**0**	**64**
Stores	129	0	129	59	0	59
Logistics & Head Office	40	0	40	5	0	5
Total Food Distribution	**327**	**326**	**653**	**199**	**255**	**455**
Hebe	5	1	7	5	2	6
Services & Others	39	25	65	10	11	21
Total JM	**372**	**352**	**724**	**214**	**268**	**482**
% of EBITDA	*40.3%*	*38.2%*	*78.6%*	*24.9%*	*31.1%*	*56.0%*

[1] New Stores and Distribution Centres.

[2] Revampings, Maintenance and Others.

In 2017, the Group's investment was 724 million euros, of which 51% was allocated to expansion (new stores and Distribution Centres), the rest having been largely allocated to comprehensive refurbishing projects for the existing store network.

At Biedronka, the investment for the year reached 354 million euros (49% of the Group's total capex), including 121 store openings, 226 refurbishings and a new distribution centre that was inaugurated in October.

Also in Poland, Hebe went ahead with its store opening plan, having added 30 locations to its store network.

In Portugal, Pingo Doce invested 102 million euros, covering 10 new stores, four of which managed under an agency contract. The banner also carried out 23 comprehensive refurbishings and 21 more minor ones, but which were important to improve the shopping experience and the efficiency of the store operations.

Within the context of the logistics re-scaling programme, in 2017, Pingo Doce inaugurated a new Distribution Centre in the northern region, making a fundamental improvement to the affected stores' coverage and service levels.

On the other hand, Recheio invested a total of 28 million euros, including the opening of a new store and, within the scope of a project for modernising the Food Service platforms, the relocation of the Porto platform which is now larger and better adapted to business opportunities.

Also in Portugal, in the Agribusiness area, construction continued on the new dairy factory and two new Angus beef fattening farms were acquired.

In Colombia, Ara invested a total of 169 million euros. Regarding store openings, it inaugurated 169 locations, a huge increase in its capacity compared to the 79 openings that took place in 2016.

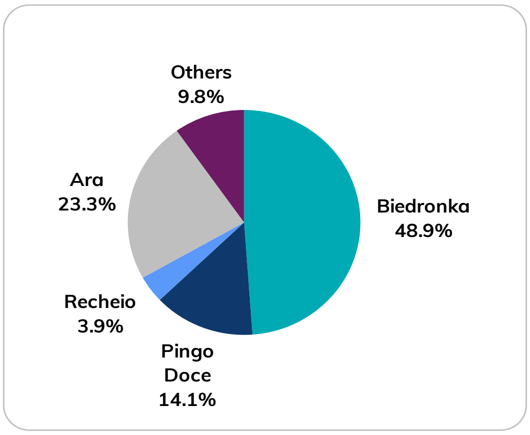
In 2017, Ara also invested in preparing additional logistics capacity, within the regions where it currently operates, which will enable it to increase its future logistics capacity and efficiency.

	New Stores		Revampings [1]		Closed Stores	
	2017	2016	2017	2016	2017	2016
Biedronka	121	83	226	221	20	28
Pingo Doce	10	14	23	21	1	0
Recheio	1	1	1	1	0	0
Ara	169	79	0	0	1	0
Hebe	30	26	0	5	1	7
Other Businesses [2]	9	5	4	2	3	4

[1] Only includes the revampings that implied the closing of the food selling area, with exception for Recheio.

[2] Including the stores NewCode, Spot, Bem Estar, Refeições no Sítio do Costume, Fuel Stations, Jeronymo and Hussel.

Investment by Business Area



3.3. Consolidated Activity in 2017

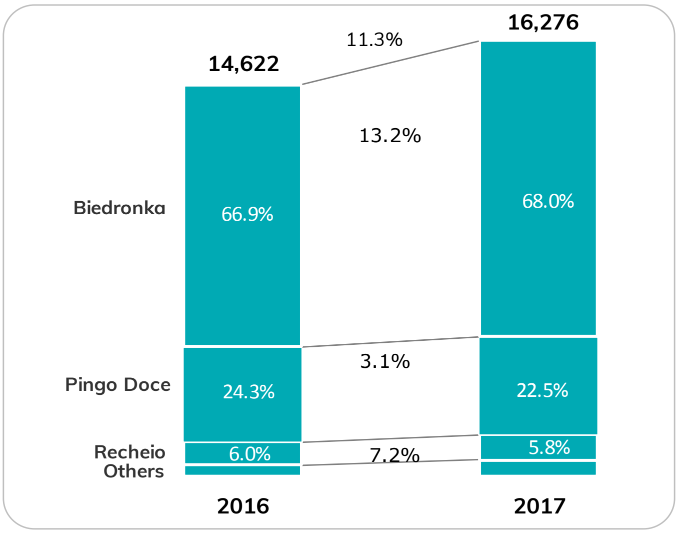
3.3.1. Consolidated Sales

(million euros)	2017		2016		Δ %		LFL
		% total		% total	w/o F/X	Euro	
Sales & Services							
Biedronka	11,075	68.0%	9,781	66.9%	10.4%	13.2%	8.6%
Pingo Doce*	3,667	22.5%	3,558	24.3%		3.1%	1.0%
Recheio	942	5.8%	878	6.0%		7.2%	6.2%
Ara	405	2.5%	236	1.6%	71.8%	72.0%	n.a.
Hebe	166	1.0%	122	0.8%	32.3%	35.7%	n.a.
Others & Cons. Adjustments	20	0.1%	46	0.3%		n.a.	n.a.
Total JM	**16,276**	**100%**	**14,622**	**100%**	**9.4%**	**11.3%**	**6.6%**

* includes stores sales and fuel

The Group's sales reached 16.3 billion euros in 2017, 11.3% higher than the previous year (+9.4% at constant exchange rates).

Consolidated Sales (million euros)



In Poland, there was a favourable consumption environment throughout the year, with a positive impact on the food sector. Food inflation in the country was 4.2%, being this price evolution driven by sharp peaks in the prices of various important products over the course of the year.

Biedronka's strategic priority - sales growth - remained unchanged and was driven by the banner's ability to create opportunities in a dynamic market.

Consumers' demand for improving their food basket led to a trading up in consumption, which Biedronka addressed by continuously improving its assortment and by carrying out innovative in&out campaigns throughout the year.

Aware that price continues to be of key importance to the Polish consumer, Biedronka seized the opportunities created by high inflation in some products and strategic categories, reinforcing price perception and generating additional sales.

Every quarter posted a remarkable exceptional delivery of LFL growth. During the year, LFL was 8.6% and drove total sales to increase by 13.2% (+10.4% in local currency), to 11.1 billion euros.

As planned, Biedronka increased its total store network by 101 stores (121 opening during the year), ending 2017 with 2,823 locations.

With an improved value proposition, Hebe had a good sales performance, which stood at 166 million euros, 35.7% ahead of 2016 (+32.3% at a constant exchange rate). The banner opened 30 stores during the year, ending 2017 with a total network of 182 locations.

Food inflation in Portugal stood at 1.5%. After the accentuated slowdown to 0.6% seen in the 3rd quarter (and which was driven by some seasonal perishables), food inflation in the 4th quarter evolved to 2.0%.

The consumption environment in the country, although still demanding, showed some dynamism. Pingo Doce took advantage of this improvement to boost its intense commercial activity, achieving a solid LFL sales growth of +1.0% for the year.

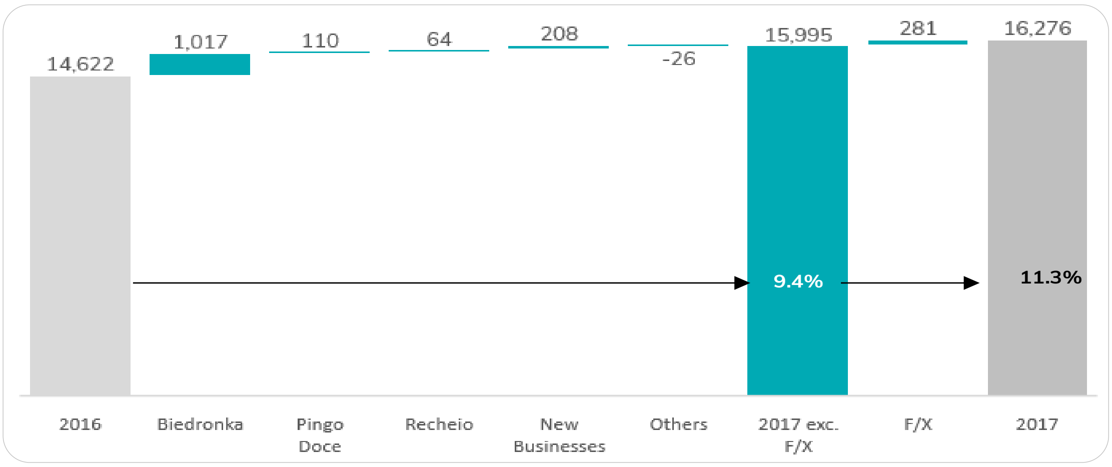
This growth, together with the opening of 10 stores (9 net additions) in the year, resulted in sales of 3,667 million euros, 3.1% higher than the previous year, which enabled Pingo Doce to close 2017 with a reinforced market position.

Recheio consistently performed above the market throughout the year, taking advantage of a well-positioned value proposition and a more favourable environment, which led to a LFL growth of 6.2% for 2017. Total sales increased by 7.2% to 942 million euros.

In Colombia, food inflation stood at 2.6%. Although consumer confidence was negative during the year, there began to be signs of trend towards improvement as from April.

Ara reached sales of 405 million euros, 72.0% ahead of the previous year (+71.8% at a constant exchange rate). The Company's main priority for 2017 was to work on its capacity to accelerate the network expansion. Through this investment, it was possible to open 169 stores in the year, 77 of which during the 4th quarter.

Contribution to Consolidated Sales Growth (million euros)



3.3.2. Consolidated Operating Results

(million euros)	2017	%	2016	%	Δ%
Net Sales & Services	**16,276**		**14,622**		**11.3%**
Gross Margin	3,458	21.2%	3,113	21.3%	11.1%
Operating Costs	-2,536	-15.6%	-2,251	-15.4%	12.7%
EBITDA	**922**	**5.7%**	**862**	**5.9%**	**7.0%**
Depreciation	-331	-2.0%	-294	-2.0%	12.4%
EBIT	591	3.6%	568	3.9%	4.2%

The ambition for profitable growth led to combined focus on sales and operational efficiency, maintaining a virtuous circle, where the good LFL performance is the result of managing the mix, which means that new growth opportunities can be created while protecting the efficiency of the competitive advantage.

Consolidated EBITDA was 922 million euros, a growth of 7.0% compared to the previous year (+4.7% at constant exchange rates).

(million euros)	2017	% total	2016	% total	Δ %
Biedronka	805	87.3%	707	82.1%	13.8%
Pingo Doce	188	20.4%	192	22.2%	-1.6%
Recheio	50	5.5%	47	5.5%	6.7%
Others & Cons. Adjustments	-122	-13.2%	-84	-9.8%	44.3%
Consolidated EBITDA	**922**	**100%**	**862**	**100%**	**7.0%**

This performance was achieved in a year of significant investments in Colombia and also in Biedronka and Pingo Doce's value propositions, regarding their price positioning and the quality of the stores and teams.

The Group's EBITDA margin was 5.7% (5.9% in 2016).

When excluding the dilution caused by the losses at Ara and Hebe, EBITDA grew by 9.0% and reached a margin of 6.4%.

Biedronka posted an EBITDA of 805 million euros, an increase of 13.8% compared to 2016 (+11.0% at a constant exchange rate). This performance was the result of delivering a solid LFL sales growth, achieved through efficient management of the marketing mix - assortment, price, promotions in&out campaigns and advertising - together with a watchful eye on the operating standards needed to maintain the efficiency of the cost structure.

Biedronka's EBITDA margin was 7.3%, broadly in line with the previous year.

Pingo Doce generated an EBITDA of 188 million euros, 1.6% below that posted in 2016. The respective margin was 5.1%, a decrease from the 5.4% posted in the previous year, essentially, reflecting the banner's decision to carry out a review of its teams' salary packages in 2017.

Recheio posted an EBITDA of 50 million euros, 6.7% higher than 2016, with the respective margin coming in at 5.3%, broadly in line with 2016. The growth in EBITDA was the result of a very good sales performance and control of the levels of efficiency while investing in sales.

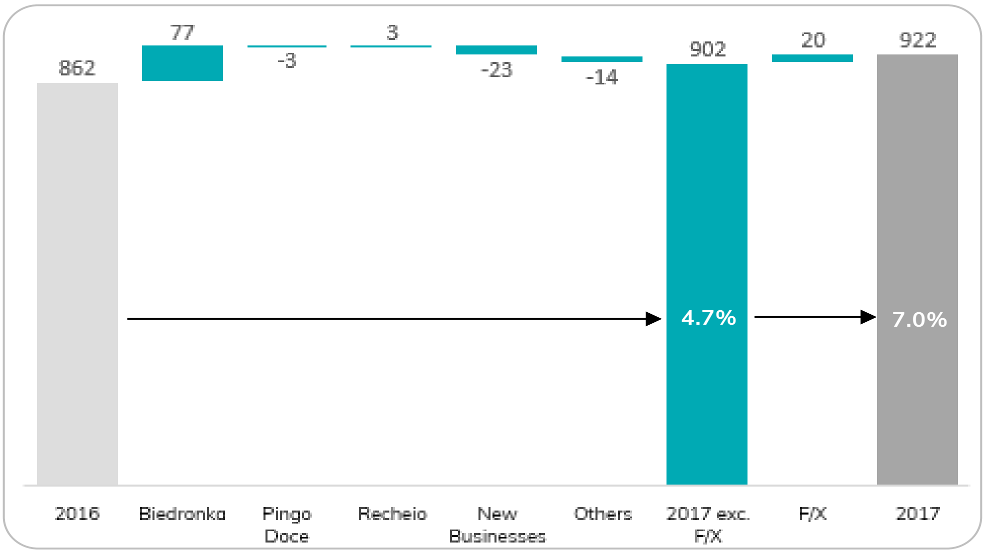
Together, Ara and Hebe posted EBITDA losses of 85 million euros (62 million euros in 2016), Ara accounting for 88% of the total.

The increase in Ara's costs comes as a result of its decision, announced in the 3rd quarter of 2016, to accelerate its future expansion capacity, namely by reinforcing the team, which took place in 2017.

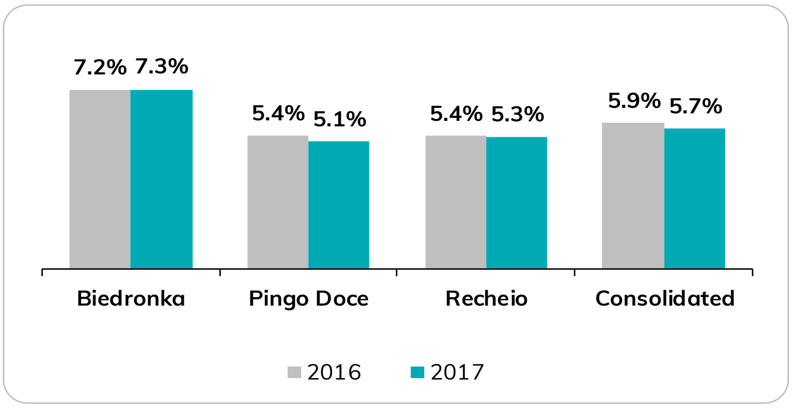
Regarding Hebe, as planned, and as a result of the good sales performance and evolution of the management of the respective mix, the losses generated remained on a downward trend.

It was the sales performance at all the banners that was the basis for the growth in consolidated EBITDA, so that the previously anticipated inflation in costs, namely staff costs, could be offset.

Contribution to Consolidated EBITDA Growth (million euros)



EBITDA Margin



3.3.3. Net Consolidated Results

(million euros)	2017	%	2016	%	Δ%
EBIT	**591**	**3.6%**	**568**	**3.9%**	**4.2%**
Net Financial Results	-12	-0.1%	-17	-0.1%	-29.9%
Profit in Associated Companies	0	0.0%	10	0.1%	n.a.
Other Profits/Losses	-14	-0.1%	184	1.3%	n.a.
EBT	**565**	**3.5%**	**744**	**5.1%**	**-24.1%**
Taxes	-152	-0.9%	-130	-0.9%	17.1%
Net Profit	**413**	**2.5%**	**614**	**4.2%**	**-32.8%**
Non Controlling Interest	-27	-0.2%	-21	-0.1%	29.6%
Net Profit attr. to JM	**385**	**2.4%**	**593**	**4.1%**	**-35.0%**
EPS (€)	0.61		0.94		-35.0%
EPS without Other Profits/Losses (€)	0.63		0.62		0.3%

Net results attributable to Jerónimo Martins were 385 million euros.

Excluding the contribution from the Monterroio disposal in 2016, the net results had a year-on-year growth of 6.7%.

Other profits/losses amounted to -14 million euros, including, among other things, the closure of a warehouse in Portugal, impairments in real estate for sale, write-offs and restructuring costs.

Net financial results were 12 million euros. The net interest presented a slight increase versus the previous year, reflecting the zloty and Colombian pesos debt, in line with the Group's risk management policy which ensures a natural hedging of the investment in each geography.

The good sales performance, with the continued focus on the efficiency of the models, together with an extremely robust balance sheet, made it possible to increase the net results, despite the further investments in Colombia.

3.3.4. Cash Flow

(million euros)	2017	2016
EBITDA	922	862
Interest Payment	-15	-14
Other Financial Items	0	3
Income Tax	-160	-177
Funds From Operations	**747**	**673**
Capex Payment	-662	-433
Δ Working Capital	168	193
Others*	-4	285
Free Cash Flow	**249**	**718**

*** Includes in 2016 €302 million from the proceds of Monterroio sale**

Cash flow generated in the year reached 249 million euros. Comparing the same indicator in 2016 (adjusted for the sale of Monterroio), there was a reduction of 167 million euros due to the increase in the pace of expansion in Colombia and logistics investment in Poland, reflected in the 229 million euros increase in the Group's capex.

Working capital maintained a solid performance, remaining under careful scrutiny within the scope of the management of invested capital.

3.3.5. Consolidated Balance Sheet

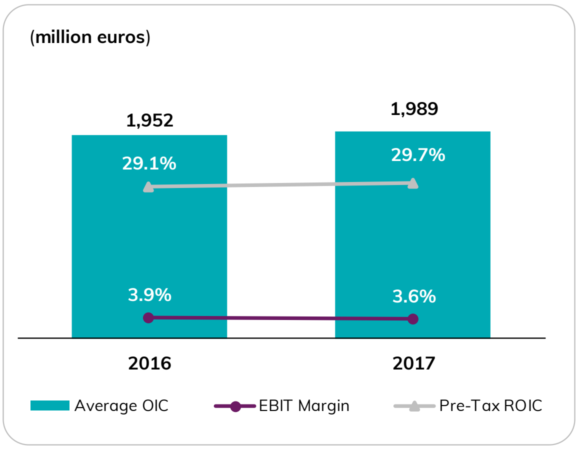
(million euros)	2017	2016
Net Goodwill	647	630
Net Fixed Assets	3,639	3,180
Total Working Capital	-2,496	-2,201
Others	54	46
Invested Capital	**1,843**	**1,656**
Total Borrowings	529	335
Leasings	8	4
Accrued Interest & Hedging	4	0
Marketable Sec. & Bank Deposits	-712	-674
Net Debt	**-170**	**-335**
Non Controlling Interests	225	253
Share Capital	629	629
Retained Earnings	1,159	1,109
Shareholders Funds	**2,013**	**1,991**
Gearing	*-8.5%*	*-16.8%*

At the end of 2017, the Group posted a net cash position of 170 million euros.

The robustness of the balance sheet is maintained unquestionable, notwithstanding the increase in the Group's investment programme. It should be remembered that in May 2017, 380 million euros were paid out in dividends.

3.3.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, was 29.7%.



The excellent sales performance and strict management of working capital made it possible to increase capital turnover compensating the increased investment in Colombia.

The very strong increase in the capital turnover at Biedronka was the major driver of the evolution of the Group's Pre-Tax ROIC. Pingo Doce and Recheio also posted a positive evolution of capital turnover.

3.3.7. Debt Breakdown

At the end of 2017, the Group had an excess liquidity with net cash reaching 170 million euros. It should be remembered that in 2016, net debt, which was, also negative, incorporated the sale of Monterroio.

JMR's bond loan, which was issued in 2015 with a value of 150 million euros, matured in 2017, and was refinanced using bank loans of 100 million euros.

The indebtedness is composed by the currency from each geography, which reflects the favouring for natural coverage of the investment.

(million euros)	2017	2016
Long Term Debt	**232**	**112**
as % of Total Borrowings	43.8%	33.3%
Average Maturity (years)	2.4	3.5
Bond Loans	0	0
Commercial Paper	0	0
Other LT Debt	232	112
Short Term Debt	**298**	**224**
as % of Total Borrowings	56.2%	66.7%
Total Borrowings	**529**	**335**
Average Maturity (years)	1.4	1.6
Leasings	8	4
Accrued Interest & Hedging	4	0
Marketable Securities & Bank Deposits	-712	-674
Net Debt	**-170**	**-335**
% Debt in Euros (Financial Debt + Leasings)	24.3%	44.2%
% Debt in Zlotys (Financial Debt + Leasings)	44.8%	27.8%
% Debt in Pesos (Financial Debt + Leasings)	30.9%	27.9%

3.3.8. Jerónimo Martins in the Capital Markets

Share Description

Listed Stock Exchange		Euronext Lisbon
IPO		November 1989
Share Capital (€)		629,293,220
Nominal Value		€1.00
Number of Shares Issued		629,293,220
Symbol		JMT
Codes	**ISIN**	PTJMT0AE0001
	Reuters	JMT.LS
	Bloomberg	JMT PL
	Sedol	B1Y1SQ7
	WKN	878605

Jerónimo Martins' shares are part of 70 indices, the most relevant being the PSI20 (the reference index of the Euronext Lisbon), the Euronext100 and the EuroStoxx, among others, and are traded on 35 different platforms, mostly in the main European markets.

Capital Structure

For information on the structure of Jerónimo Martins' capital, see point 9. Management Report Annex, in this chapter.

PSI20 Performance

The Portuguese market's reference index - PSI20 - is composed by 18 shares, BPI and Montepio having stopped being part of it in 2017, while Ibersol and Novabase were included.

After an 11.9% devaluation in 2016, and having started the year negatively, as from the end of March the trend inverted and the PSI20 closed 2017 with an increase in value of 15.2%, to 5,388.33 points, having posted one of the most significant climbs among European indices. Of the 18 companies listed, only five posted a negative performance.

The index's good performance was in line with the evolution of the Portuguese economy and the improvement to the State's financing costs and the Republic's rating, which has a huge impact on the stock market.

The Portuguese stock market index was above the main European indices, with the WIG20 (Polish market reference index) posting the best performance in the year, with an appreciation of 26.4%.

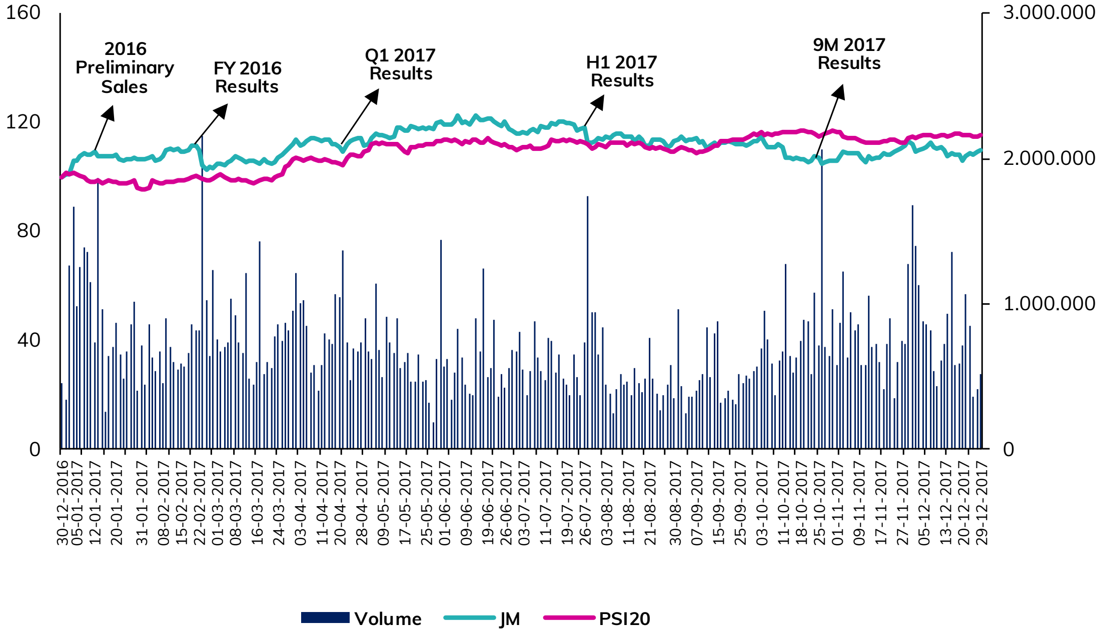
Jerónimo Martins Share Price Performance

In 2017, the Jerónimo Martins share increased in value by 9.9%, after having posted a 22.9% price increase the previous year.

According to Euronext Lisbon, in 2017 Jerónimo Martins had the third highest market capitalisation, having closed the year with a relative weight of 10.5% in the PSI20. The Group closed 2017 with a market capitalisation of 10.2 billion euros versus 9.3 billion euros at the end of 2016. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext100, having maintained its weight of 0.4% in that index.

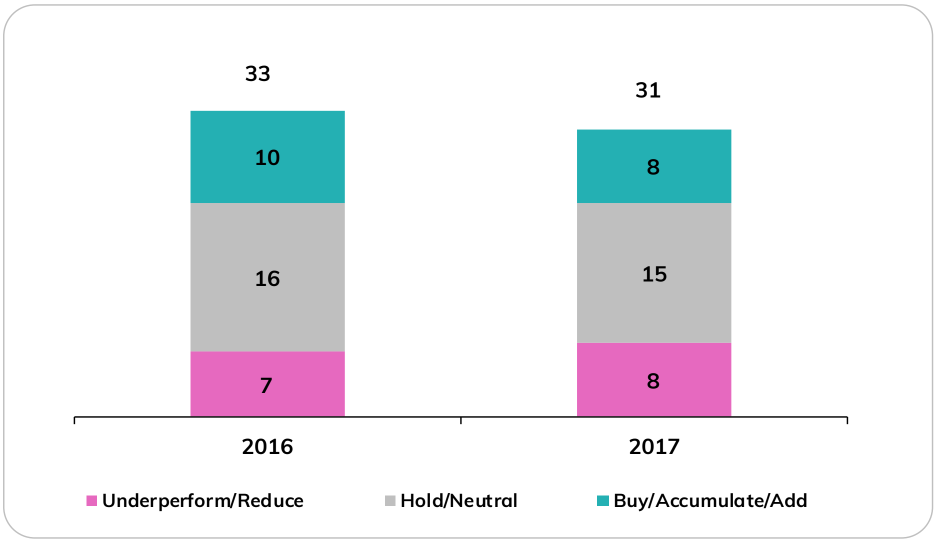
Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 182 million shares traded, meaning a daily average of around 715 thousand shares, at an average price of 16.456 euros (15.6% higher than that recorded in 2016). In terms of turnover, these shares represented the equivalent of 12.7% (3 billion euros) of the overall volume of shares traded on the PSI20 index in 2017 (23.5 billion euros).

Jerónimo Martins' shares showed a more pronounced positive trend during the first half of the year, having recorded a minimum price of 14.88 euros on 3 January and a maximum price of 18.07 euros on 14 June and ending 2017 with a price of 16.20 euros, representing a 9.9% increase in value compared to the end of 2016.



Analysts

In 2017, three research companies began covering Jerónimo Martins (Commerzbank, Macquaire and Natixis) and another five ended the coverage (Berenberg, BiG, Ipopema, Millennium Dom Maklerski, VTB Capital). At the end of the year, 31 analysts were following Jerónimo Martins: eight analysts issued a positive recommendation on the security, 15 issued a neutral recommendation and eight issued a negative recommendation. At the end of 2017, the average price target of the analysts was 16.51 euros, which means an upside potential of 2.0% compared to the closing price on 31 December.



Jerónimo Martins Financial Performance 2013-2017

(million euros)

	2017	2016	2015	2014	2013
Balance Sheet					
Net Goodwill	647	630	640	640	648
Net Fixed Assets	3,639	3,180	3,060	2,940	2,810
Total Working Capital	-2,496	-2,201	-2,001	-1,778	-1,686
Others	54	46	82	111	112
Invested Capital	**1,843**	**1,656**	**1,780**	**1,912**	**1,885**
Net Debt	-170	-335	187	273	346
Total Borrowings	529	335	658	714	688
Leasings	8	4	0	1	6
Accrued Interest	4	0	0	4	20
Marketable Securities and Bank Deposits	-712	-674	-471	-446	-368
Non Controlling Interests	225	253	252	243	236
Equity	1,788	1,738	1,342	1,396	1,304
Income Statement					
Net Sales & Services	**16,276**	**14,622**	**13,728**	**12,680**	**11,829**
EBITDA	**922**	**862**	**800**	**733**	**777**
EBITDA margin	5.7%	5.9%	5.8%	5.8%	6.6%
Depreciation	-331	-294	-294	-277	-249
EBIT	**591**	**568**	**505**	**457**	**528**
EBIT margin	3.6%	3.9%	3.7%	3.6%	4.5%
Financial Results	-12	-17	-26	-34	-39
Profit in Associated Companies	0	10	17	15	19
Other Profits/Losses [1]	-14	184	-20	-9	-4
EBT	**565**	**744**	**475**	**429**	**503**
Taxes	-152	-130	-117	-104	-111
Net Income	**413**	**614**	**358**	**325**	**393**
Non Controlling Interests	-27	-21	-25	-23	-10
Net Income attributable to JM	**385**	**593**	**333**	**302**	**382**

[1] Other Profits/Losses include the Other Operating Profits/Losses and Gains in Others Investments as presented in the Income Statement by Functions and detailed in the notes to Consolidated Accounts.

	2017	2016	2015	2014	2013
Market Ratios					
Share Capital (€)	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Total Number of Shares	629,293,220	629,293,220	629,293,220	629,293,220	629,293,220
Own Shares	859,000	859,000	859,000	859,000	859,000
Free Float	28.4%	29.7%	31.7%	26.9%	32.0%
EPS (€)	0.61	0.94	0.53	0.48	0.61
Dividend per share (€)	0.61	0.27	0.62 *	0.31	0.30
Stock Market Performance					
High (€)	18.07	16.35	13.81	14.25	18.47
Low (€)	14.88	10.92	7.70	6.98	13.61
Average (€)	16.46	14.24	11.84	10.94	15.51
Closing (End of year) (€)	16.20	14.74	12.00	8.34	14.22
Market Capitalisation (31 Dec) (€ 000.000)	10,191	9,276	7,548	5,245	8,945
Transactions (volume) (1,000 shares)	182,115	251,292	344,797	274,146	202,709
Annual Growth	9.9%	22.9%	43.9%	-41.4%	-2.6%
Annual Growth - PSI20	15.2%	-11.9%	10.7%	-26.8%	16.0%

* The value refers to the payment of a gross dividend of 0.245 euros per share, on May 07, 2015, regarding the distribution of 2014 results and to the distribution of free reserves corresponding to a gross dividend of 0.375 euros per share, paid on December 22, 2015.

4. Performance of the Business Areas

4.1. Food Distribution

4.1.1. Biedronka

Message from the Managing Director

Well supported by the new operations organization that had been implemented in the previous year, 2017 was a year in which we constantly challenged ourselves in order to satisfy an increasingly discerning consumer, and also to surprise them with convenient solutions and relevant purchasing opportunities. This attitude resulted in the continuous improvement of the permanent assortment and the seasonal offer, as well as in greater innovation regarding the non-permanent campaigns. The initiatives that were implemented strengthened Biedronka's positioning as the benchmark banner in the Polish Food Retail market and resulted in a significant growth in sales.

Everything that was done throughout 2017 was based on what are essential pillars of our competitiveness. While both price positioning and perception were reinforced through relevant promotions on products that are important to the Polish consumer, work began, and will continue, on the Private Brand, reviewing the image of the packaging and innovating at the level of the assortment in several categories.

Aware that the pace of the operation's delivery is only possible through the quality of our teams and our logistics infrastructure and operations, investments in both - through a fair and competitive salary policy and an ambitious refurbishing programme - were and will continue to be crucial for the Company.

We started 2018 with a strengthened market position, and also confident that as a team, we shall continue to work to maintain the dynamics of the operations and to harness the Polish consumers' preference.

2017 Performance

In Poland, the consumption environment remained positive throughout the year, continuing to benefit from a subsidy that has been allocated to families with more than one child since April 2016, in addition to the increase in the minimum national wage in January 2017, which has led to general increases in companies' salary packages.

In the Food Retail sector, the competitive environment remained particularly intense, with promotional campaigns gaining increasing importance in the various players' sales initiatives.

Biedronka started the year maintaining its focus on like-for-like growth unchanged within a consumption environment that, while favourable, is also geared towards the best opportunities for quality and innovation at the best price.

In the previous year, the Company had reorganized its teams, to work in a more streamlined way and centred on the Polish consumer, and so it capitalized on this new operational structure, fine-tuning the campaigns, at any given moment, to their preferences and needs.

In this context, importance continued to be placed on thematic campaigns, in order to bring about innovation and aspirational products, which were alluring and simultaneously made it possible to increase the basket. Around 40 campaigns were carried out over the course of the year.

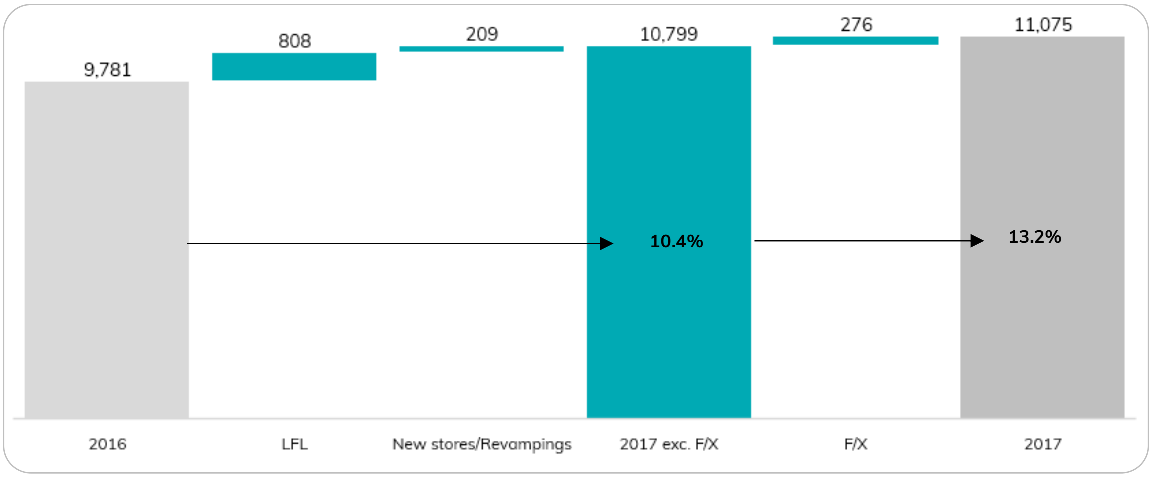
The actions carried out with the permanent assortment also played an important part, particularly in view of the inflation recorded in some products that are essential to the Polish consumer and which Biedronka identified as clear opportunities to reinforce price positioning and perception, with very clear positive results in the LFL sales performance.

Investment in advertising increased, having been very carefully used as a driver of the campaigns created throughout the year.

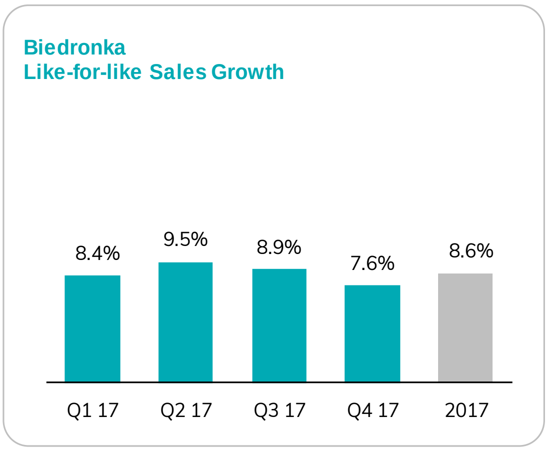
The loyalty card, launched in September 2016, has more than six million active users and has been progressively used by the Company as a means of increasing the notoriety of its commercial initiatives.

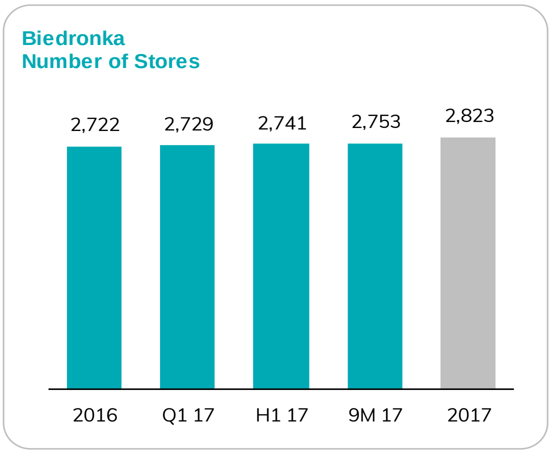
The result of this ongoing focus on growth led to a 13.2% increase in the banner's sales, which reached 11.1 billion euros. In local currency, sales grew by 10.4%, driven by the LFL of 8.6% and by the store opening plan.

Biedronka - Net Sales (million euros)



Regarding the execution of the investment plan for the year, and besides the opening of 121 new locations, it is essential to highlight the store refurbishing plan, which included 226 locations in 2017.





Biedronka believes that the investment in refurbishing is essential to reinforce the banner's competitive position in the market, enabling it not only to protect the levels of efficiency, but also to improve the shopping experience with a positive impact on LFL growth.

Focus on sales, combined with the operational discipline and efficiency protection, enabled the EBITDA margin to remain stable at 7.3%, despite the already expected pressure on costs, namely those related to staff.

The EBITDA generated by the Company increased by 13.8% (+11.0% in local currency) to 805 million euros.

4.1.2. Pingo Doce

Message from the Managing Director

In 2017, Pingo Doce reinforced its position in the Food Retail market, increasing its market share for the sixth year running, as a result of continuous improvements to i) the shopping experience: we opened 10 new stores and full refurbished 23; ii) reinforcing the differentiating pillars of our offer: Perishables, Private Brand and Meal Solutions, and iii) placing value on our people.

The investment in Perishables was the foundation for the growth in these categories, strengthening our positioning as an expert in Fresh Produce and contributing towards securing the preference of portuguese consumers.

2017 was once again a year of great innovation in the Private Brand, with the launch of 175 products in what consumers have chosen as the quality brand. The Private Brand remains as an essential cornerstone of the value proposition that we deliver every day to our customers, and also reflects Pingo Doce's concern for promoting a more balanced and varied diet.

We recognize that our people are our greatest asset, and so 2017 also stands out for the further investment in our employees, through the implementation of a new salary policy, the continuous investment in training and professional development.

In a mature business, it is critical to have efficiency in all the processes. That is why we built a new Distribution Centre, in the North of the country in Alfena, Valongo, which has an area of 70 thousand sqm and has improved the supply chain and the service to the 180 stores in the northern region.

We believe we have a strong Company that is well prepared for the challenges of the future, with a robust value proposition, and which is the Portuguese people's supermarket of choice. We are committed to continuing to strengthen our market position, and to more fully and consistently meet the demands of our customers.

2017 Performance

Throughout 2017, the Food Retail market in Portugal remained extremely competitive and promotional, with the consumers reacting positively to the campaigns that ran at any given moment. As planned, Pingo Doce remained focused on its sales performance and on increasing market share, reinforcing its market position.

In pursuit of this objective, the banner concentrated investments in essential and differentiating areas of its value proposition.

Strong commercial dynamics was maintained, with 548 promotional campaigns and 35 theme-related activities, aimed at reinforcing to reinforce the relationship with customers.

The line of communication followed throughout 2017 consistently using the preferred means of communication, with radio ads supporting in-store activities and the six television campaigns strengthening Pingo Doce's positioning as the leader in quality and price.

The Poupa Mais ('Save More') card also played an essential part in communicating with the consumer, namely in disclosing campaigns, having its penetration rate increased by 5.5 p.p. in 2017.

Pingo Doce, without neglecting price competitiveness, also reinforced the innovation of the Private Brand assortment, launching 175 new articles and introducing improvements to the packing of more than 200 of its products.

The store environment and the quality of the shopping experience were also given due attention, as the refurbishing plan covered a total of 23 locations, besides the 21 store improvement projects that were also carried out during the year.

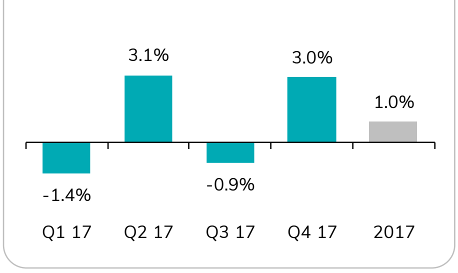
This consistent investment strategy has led to a 1% growth in LFL sales (excluding fuel), which together with the new stores, resulted in an increase of 3.1% of the total sales, which stood at 3,667 million euros, and in reinforced market share.

Pingo Doce - Net Sales (million euros)

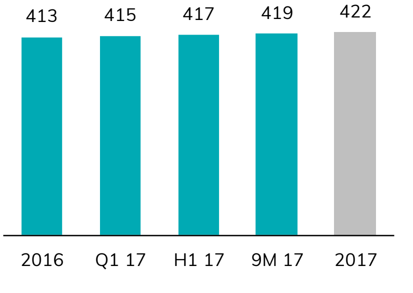
During the year, the Company carried out a review of its remuneration packages of the store and warehouse teams, an essential aspect for achieving sustainability and service quality in the operations. As anticipated, this review had an impact on Pingo Doce's EBITDA margin which went from 5.4% in 2016 to 5.1% in 2017, the EBITDA generated in the year having reached 188 million euros.

Pingo Doce opened 10 new stores in 2017, four of which with an agency contract, the store management and ownership of the locations where these operate are undertaken by third-parties with proven experience in the proximity food retail sector.

Pingo Doce
Like-for-like Sales Growth
(excl. fuel)



Pingo Doce
Number of Stores



At the end of the year, Pingo Doce launched its App, which makes it possible to view the in-store promotions as well as create and share shopping lists, and to check all the benefits obtained.

Within the scope of the logistics re-scaling, the inauguration of a new Distribution Centre in Alfena, in the North of Portugal, was a crucial milestone for the quality and efficiency of the Company's operations.

This new Distribution Centre enables us to supply more than 180 stores and to close a less efficient logistics infrastructure that was being used to provide the service to the stores.

4.1.3. Recheio

Message from the Managing Director

2017 was a record year for sales at Recheio, which maintained its market leadership, with sustained growth, and consolidated its different strategic areas. Food Service and Exports continued to play an important role in boosting turnover, along with the investment in online and multi-channel sales as a means of improving customer service.

This year we opened a new store in Vila Nova de Gaia and reinforced our presence in traditional retail through the Amanhecer project, which now has 314 stores.

2017 Performance

Recheio sales increased by 7.2% in 2017, driven by the growth in all the segments in which it operates: HoReCa, Traditional Retail and Exports.

After identifying Food Service and Exports as the main drivers of sales impetus and growth in 2017, the Company continued its development and consolidation trajectory in these two channels.

The HoReCa channel continued to post the biggest growth in volume, as a result of the increased tourism in the country and the priority that the Company gave to being its customers' preferred partner.

Despite the severe competitive pressure in Traditional Retail, Recheio managed to continue increasing the value of its customers' average basket, through a reliable and consistent value proposition, with particular emphasis on competitive price positioning.

With regard to Exports, there was an increase in sales of more than 20%, either by enlarging the number of countries to which it exports, or the growing number of customers in the markets where it does business.

Regarding the Amanhecer project, 29 stores were added to the network during the year, so that the Company ended the year with 314 partner stores.

Improvements were made during the year to the logistics operation in Leiria and the Transport Management System was extended to more of the Company's stores, in order to ensure better delivery route management and to increase the customer service level.

In 2017, investment was maintained in the online channel and the Company continued to win new customers, reinforcing the brand notoriety and developing additional means of disclosing the assortment and of communicating with its international customers.

Simultaneously, as far as Restaurant Services and Take Away are concerned, Caterplus' website was developed and launched, so as to boost the number of customers in this sector.

In 2017, the Company inaugurated a new store in Cais de Gaia and replaced the Food Service Platform, by transferring it from the Mercado Abastecedor do Porto to Guardeiras, thereby aiming to boost sales growth and providing a better response to customers and reinforcing the efficiency of the operation.

Regarding its promotional strategy, Recheio continued to invest in leaflets and seasonal campaigns, focusing the message on low prices to increase both the number of customers and the value of the average basket per customer.

Sales of Private Brand, another of the banner's cornerstones of differentiation, increased by 9.5%, representing 21.6 % of Recheio's sales. 192 new products were launched during the year.

In terms of profitability, Recheio increased its EBITDA by 6.7% with the respective margin relatively stable at 5.3%, despite the strong investment in price and the promotional initiatives that were carried out.

4.1.4. Ara

Message from the Managing Director

It was a year of strong expansion, in which we opened a total of 169 new stores in the three regions where we currently operate, closing the year with 389 locations: 109 in the South, where we began the operation (Coffee Growing Region), 150 in the North (Caribbean Coast) and 130 stores in the Centre (Bogota and surrounding area).

It took a huge effort to achieve this number of openings as well as strong focus on recruiting, selecting and training new employees to ensure a quality, efficient and welcoming service for all the Colombians who visit us every day. We trained more than 2,000 employees and, today, we are around 4,500 people.

We continued to gain market share in the Colombian modern Food Retail market, reinforcing our leadership in the Coffee Growing Region, where we ended the year with a share above 24%, which means, representing more than 5% of modern retail nationwide.

In a context of rapid growth and the accelerated expansion of a format that has been well received by the Colombian people, recruitment, selection and training of future employees will continue to be one of the priorities in order to respond to the needs of the business.

Confident of the entire team's high level of engagement and determination to exceed the defined goals, we have an ambitious plan for 2018.

2017 Performance

2017 was a year marked by accelerated expansion, mainly concentrated in the Bogota region. The opening of new stores and the cascading of the format in the regions where we operate continued to be among the main priorities, with Ara ending the year totalling 389 stores.

Notwithstanding the focus dedicated to developing the Ara chain, in March 2017, a cash & carry store with the *Bodega del Canasto* banner was inaugurated next to the border with Venezuela, with the objective of testing the market in this sector while at the same time supplying the region with essential products.

Our sales reached 405 million euros, a growth of 72% compared to the previous year, Ara having consolidated its leadership in modern retail in the Coffee Growing region and increased its share in all the geographic areas where it is present.

During the year, priority was given to developing the Private Brand assortment, 196 new products having been launched. The Private Brand has 106 suppliers, mostly local, and it already counts for more than 40% of Ara's sales.

The banner also remained focused on the efficiency of the operation, namely in the logistics area, in particular regarding transportation, implementing the TMS (Transport Management System), enabling better planning of goods distribution, and reducing the number of kilometres travelled, with a direct influence on reducing the costs of the operation.

During the year, Ara became even more price-focused, having combined nationwide campaigns with the introduction of regional leaflets, keeping in permanent contact with local consumers and giving its price positioning greater notoriety.

4.2. Agribusiness

4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

Jerónimo Martins Agro-Alimentar

Message from the Managing Director

2017 was JMA's third year in business, throughout which it increased and consolidated the capacity of its operating units.

In the Dairy business, the current factory improved the level of productive efficiency achieved in 2016, continuing to ensure the supply of UHT milk and cream for the Pingo Doce and Recheio Private Brands, while the construction of the new factory went into cruise speed, enabling production in this new unit to become a reality in 2018.

In the Production and Fattening of Angus beef, two new units were acquired in January and June in the Centre and Alentejo regions, which will enable to replicate the same business model as had already been implemented in the unit in the North of the country.

In the Aquaculture business, sea bream began to be produced in September in the unit set up in Madeira, through Marismar (in partnership with a local company) and in December, Seaculture made its first catch, thereby starting to supply sea bass from the unit in Sines.

2017 Performance

In 2017, JMA reinforced its presence in the three areas in which it does business: Dairy Products, Angus beef Production and Fattening and Aquaculture, and its mission continued to be to protect and secure sustainable access to sources of differentiating products, ensuring that the Group's internal needs are met with competitive costs, efficiency and quality.

In the Dairy business, 2017 was a year for maintaining efforts and focus on operational improvements and optimizing the current factory, which improved its efficiency in the production of processed milk, increasing the volume produced and securing 55% of the Private Brand UHT milk and cream needs.

In the meantime, the construction of the new factory and the installation of processing equipment began, which should be concluded in the first half of 2018.

In the Angus Fattening business, during 2017 we made further improvements to operating efficiency in the Manhente (Barcelos) unit. Additionally, two new farms were acquired in the Centre and Alentejo regions, and these will significantly enhance the existing operation, which will also be extended to production.

With regard to Aquaculture, Seaculture's production of sea bass continued in the concession set up in the Port of Sines, where it recorded a significant increase in the installed and used capacity. In December, Seaculture made the first catch, thereby starting its supply of sea bass. On the island of Madeira, a unit was also set up for the purpose of producing sea bream, through a local partnership. This year was crucial for assessing this production's performance and for adapting the infrastructures to the project being developed.

4.3. Specialized Retail

4.3.1. Hebe

Message from the Managing Director

In 2017, Hebe reinforced its position in the Polish market, achieving solid improvements in many areas of the business. The execution of the strategy enabled us to achieve the results defined.

We also accelerated our expansion with 30 openings, reaching 182 locations at the end of the year. At the same time, we kept enhancing differentiation through our exclusive assortment, service and unique store environment. We also continued to invest in digital, social and loyalty assets, strengthening the proximity with our Facebook fans and loyal customers. Moreover, in 2017, we focused particularly on improving the instore logistics to optimize our productivity and ensure an enhanced shopping experience for our customers.

Finally, all "Na zdrowie" pharmacies were rebranded to "HebeApteka" reinforcing the consistency of the Hebe brand.

In 2018, we will pursue the strategy execution and accelerate the development of the chain, reaching more cities and customers.

2017 Performance

In 2017, the market was very challenging as it became more promotional and competitive, with some non-specialist players also developing their presence in the health & beauty and personal care categories.

Hebe posted a 35.7% sales growth, reaching 707 million zlotys by the year-end, continuing to increase the number of visits and to enlarge its customer base, while also targeting the increase in the average basket.

In terms of market share evolution, during 2017 Hebe accelerated its positive trajectory and maintained its position as the chain with the highest growth in the Polish Health & Beauty and Personal Care markets, having increased its market share in all categories, especially in fragrances, make-up and skin care.

In 2017, Hebe opened 30 stores, primarily in shopping centres and galleries, ending the year with a total of 182 locations.

The Company continued to increase the sales of its exclusive brands and Private Brands which represent almost 20% of the business. Hebe also launched a new SPA category as well as a new "Hebe Professional" brand – make-up, hand and foot accessories - which are very well accepted by customers and create differentiation through an innovative assortment.

Hebe continued its endeavour to achieve enhanced sales performance and brand awareness, managing seasonal campaigns, related to Valentine's Day, Women's Day, Easter, Black Friday, Christmas and New Year.

Hebe's loyalty programme came close to 2.5 million members, 95% of whom are women. More than 60% of the Company's total sales were made to customers who are loyalty card holders, showing the relevance of the programme, which still has room for development.

Hebe also invested in digital presence. On Facebook, Hebe reached more than 400 thousand fans. The company also invested in developing Instagram (26 thousand followers) and launched a YouTube channel, increasing awareness of the brand among younger generations.

The Company continued to reduce its operating losses, focusing on increasing the top line growth and being more cost-efficient, while improving its margin mix.

4.3.2. Jeronymo and Hussel

Message from the Managing Director

2017 was marked by the Company's re-design, following the sale of the Olá ice cream parlours, which represented 30% of our sales. We continued to invest in refurbishing the Hussel stores to the new more modern concept and launched a new generation of Jeronymo coffee shops, completing three openings during the year.

In 2018, we will invest in expanding the Jeronymo brand and continue renewing the Hussel chain.

2017 Performance

In 2017, the Company's sales increased compared to the previous year, with a like-for-like growth in both banners.

Jeronymo inaugurated three new stores - Porto, Braga and Lisbon (a kiosk located in the Colombo shopping centre) -, thereby reinforcing its presence in very well-known locations.

In 2017, the Jeronymo coffee shops continued to invest in developing the assortment and in better adapting to the taste of the Portuguese consumer, namely investing in healthier products. During the year, various theme-based campaigns ran, with communication at the point of sale and on social networks, most actively on Facebook.

In 2017, Hussel opened a new store in Mar Shopping in Loulé and refurbished four stores, modernizing them to fit its 5th generation concept that was launched in the previous year, with the objective of differentiating its stores and better adapting to its positioning.

In marketing terms, campaigns were launched to boost sales in the less dynamic months and increase customer attraction, while continuing to invest in innovation and development of limited edition products for regular campaigns (Valentine's Day, Easter and Christmas) and in the specific décor in the stores for those occasions.

In terms of developing the assortment, the Company invested in products especially aimed at consumers with dietary restrictions and launched some sugar-free, lactose-free and gluten-free products.

5. Outlook for the Jerónimo Martins Businesses

Biedronka

For 2018, Biedronka is maintaining sales growth, essentially focused on the LFL, and the reinforcement of its market share as strategic priorities. The Company is aware of the challenges ahead and is prepared to the market changes following the new regulation on the Sunday trade ban.

The price positioning and perception will continue to be essential parts of the banner's strategy, as well as the permanent focus on the needs and aspirations of the consumer, by continuously adjusting the offer.

This strategic vision implies the permanent investment in the quality of the value proposition, where the pricing policy, the refurbishing plan and the teams are of key importance.

The efficiency of the operation, a fundamental competitive advantage, is also one of the Company's permanent focal points which, for the year, will be centred in developing automation solutions which will make it possible not only to increase efficiency but also the speed of some operational processes.

Hebe

In 2018, Hebe will leverage on its value proposition, through a differentiating and unique assortment and by maintaining competitive pricing. Meanwhile, store expansion will accelerate, focusing on locations with greater consumer traffic, in order to gain scale but also to increase Hebe's penetration in the market.

Pingo Doce

The Company's priority for 2018 will be to continue to focus on the defined strategic pillars - price, Perishables, Private Brand and the quality of the shopping experience – that should enable us to achieve an increase in market share.

Within the framework of this vision, the investment in the stores, the assortment and the teams will play a key role in executing the strategy for the year, always geared towards identifying the best opportunities for serving the consumer.

Recheio

In 2018, the Company intends to remodel some locations, in order to improve the shopping experience and customer service and to develop the Perishables category, an area where it has strong expertise.

Focus will also be on the expansion of the partnership with Traditional Retail and the continued development of the Amanhecer chain.

Recheio will continue to develop its information systems to simplify processes and further strengthen relations with its customers.

Ara

In 2018, Ara aims to continue focus in its store expansion, mainly in the Bogota region, while consolidating the locations in the other regions where it is already present - the Coffee Growing region and the Caribbean Coast.

The communication strategy will be centred on strengthening our positioning and price leadership.

After five years in operation, analysing and seeking to understand the consumer and the specific regional aspects of the competitive market, we have drawn up a new, more flexible and dynamic organizational structure that has been fully operational since 1 January 2018, which gives greater autonomy to the regions to better meet the local needs of the consumer. We believe this new organisational design to be crucial for us to succeed in a market where price and emotion go hand in hand.

Jeronymo & Hussel

In 2018, both banners will continue to be focused on the operation and commercial dynamics as means of reinforcing their liaison with consumers.

Jeronymo will continue to be focused on identifying potential new locations and on opening new stores, investing in the renewed image, while Hussel will remain focused on refurbishing some of its stores, adapting them to the new concept, and in developing the new image of its website.

Agribusiness

In 2018, it is expected that JMA will achieve expansion in all its areas of activity: i. start of production in the new dairy factory, reinforcing efficiency, innovation and capacity in this area; ii. increase domestic Angus beef production and fattening through two new farms acquired in 2017; and iii. expansion of the Aquaculture business to other regions and start of gilt-bream fishing on the island of Madeira.

6. Events after the Balance Sheet Date

At the conclusion of this report there were no relevant events to highlight that are not disclosed in the Financial Statements.

7. Dividend Distribution Policy

The Company's Board of Directors has maintained a policy of dividend distribution based on the following rules:

- the value of the dividend distributed must be between 40% and 50% of ordinary consolidated net earnings;
- if, as a result of applying the criteria mentioned above, there is a drop in the dividend in a certain year compared to that of the previous year, and the Board of Directors considers that this decrease is a result of abnormal and merely circumstantial situations, it may propose that the value from the previous year should be maintained. It may even resort to free existing reserves, providing that the use of these reserves does not jeopardise the principles adopted for balance sheet management.

At the 6 April 2017 AGM, considering the good performance of the previous year and the strong balance sheet position, following the Board of Directors' proposal, it was resolved to distribute dividends and free reserves in a total amount of 380.2 million euros, equivalent to approximately 100% of the 2016 ordinary consolidated earnings. This translated in a gross dividend of 0.605 euros per share, paid in May 2017.

Taking into account the financial situation of the Group at the end of 2017, as well as its cash generation capacity, and because it will not affect either the strength of its balance sheet or its future expansion opportunities, the dividends' proposal (refer to the results appropriation proposal below) to be submitted to the AGM on the 12 April 2018, corresponds to nearly 100% payout which, for the second consecutive year and exceptionally, will be the double of that would normally result from the Company's dividend policy.

8. Results Appropriation Proposal

In the financial year 2017, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 385,355,786.63 euros and a profit in individual accounts of 539,215,535.50 euros.

The Board of Directors proposes to Shareholders that the net profits for the year be applied in the following manner:

- Free Reserves .... 153,985,358.64 euros
- Dividends .... 385,230,176.86 euros

The proposed distribution of profits for the year represents a **gross dividend payment of 0.613 euros** per share, excluding own shares in the portfolio.

Lisbon, 27 February 2018

The Board of Directors

9. Management Report Annex

Information Concerning Stakes Held in the Company by Members of the Board of Directors and Statutory Auditor

(Under the terms of paragraph 5 of article 447 of the Portuguese Commercial Companies Code)

The Board of Directors

Members of the Board of Directors	Held on 31.12.16		Increases during the year		Decreases during the year		Held on 31.12.17	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Andrzej Szlezak	-	-	-	-	-	-	-	-
António Pedro de Carvalho Viana-Baptista	-	-	-	-	-	-	-	-
Artur Stefan Kirsten	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [1]	353,260,814	-	-	-	-	-	353,260,814	-
Clara Christina Streit	800	-	-	-	-	-	800	-
Francisco Manuel Seixas da Costa	-	-	-	-	-	-	-	-
Hans Eggerstedt	19,700	-	-	-	-	-	19,700	-
Henrique Manuel da Silveira e Castro Soares dos Santos	26,455 [2]	-	-	-	-	-	26,455 [2]	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

[1] Sociedade Francisco Manuel dos Santos, B.V.
[2] Of which 1,500 shares held by spouse.

Statutory Auditor

As at 31 December 2017, the Statutory Auditor Ernst & Young Audit & Associados, SROC, S.A., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and had not made any transactions, this year, with Jerónimo Martins, SGPS, S.A. securities.

List of Transactions made by Persons with Managerial Responsibilities and People Closely Connected with Them

Under the terms of paragraph 7 of Article 14 of CMVM Regulation 5/2008, Jerónimo Martins, SGPS, S.A. hereby informs that no transactions were made by persons with managerial responsibilities in the Company during the course of 2017.

List of Qualifying Holdings as at 31 December 2017

(Pursuant to paragraph 4 of Article 448 of the Commercial Companies Code and in sub-paragraph b) of paragraph 1 of Article 8 of the Portuguese Securities Code Regulations no. 5/2008.)

Shareholder	No. of Shares Held	% Capital	No. of Voting Rights	% of Voting Rights *
Sociedade Francisco Manuel dos Santos, SGPS, S.A. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
Standard Life Aberdeen plc *Through Investment Managed by Standard Life Aberdeen plc*	23,127,393	3.675%	23,127,393	3.675%
BlackRock, Inc.	16,623,792	2.642%	16,623,792	2.642%
Baillie Gifford & Co. Through Baillie Gifford Overseas Limited	12,723,138	2.022%	12,723,138	2.022%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.003%

Source: Last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A.

* Based on the total number of shares under the terms of section b), paragraph 3 of article 16 of the Portuguese Securities Code.