

4. PERFORMANCE OF THE BUSINESS AREAS

As a result of the strong performance of our teams, all the Group's Companies strengthened their market positions.

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. 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.

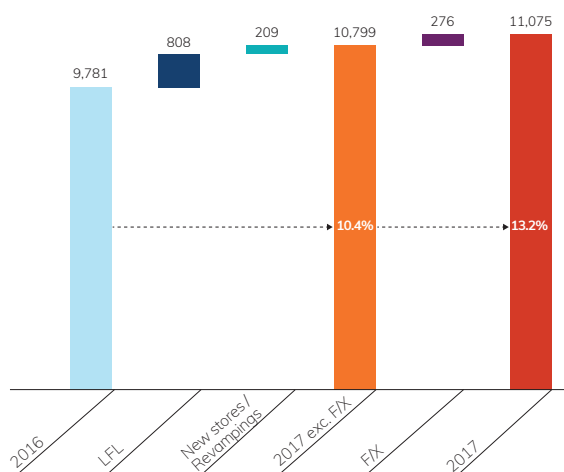
Biedronka believes that the investment in refurbishing is essential to reinforce the banner's competitive position in the market, enabling it to not only protect the levels of efficiency, but also to improve the shopping experience with a positive impact on LFL growth.

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.

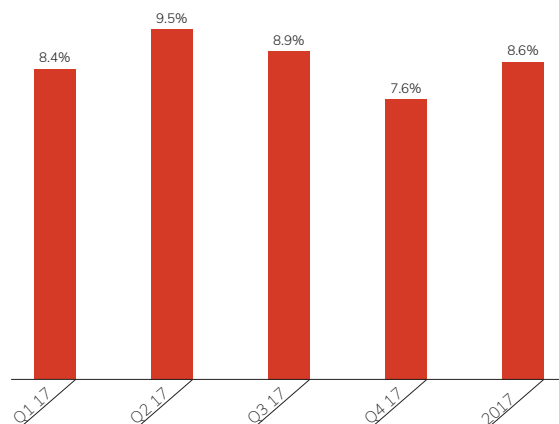
The EBITDA generated by the Company increased by 13.8% (+11.0% in local currency) to 805 million euros.

Biedronka – Net Sales

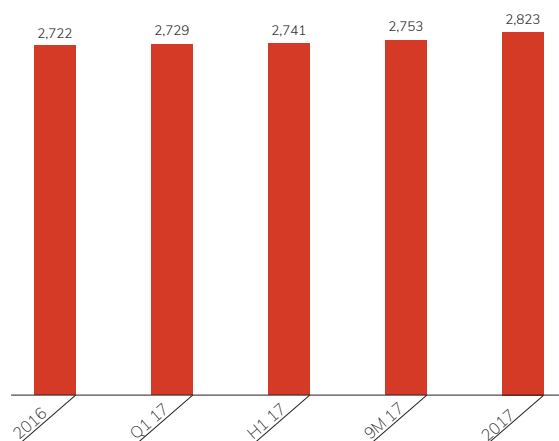
(million euros)



Biedronka Like-for-like Sales Growth



Biedronka Number of Stores



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 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 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 5.5 p.p. in 2017.

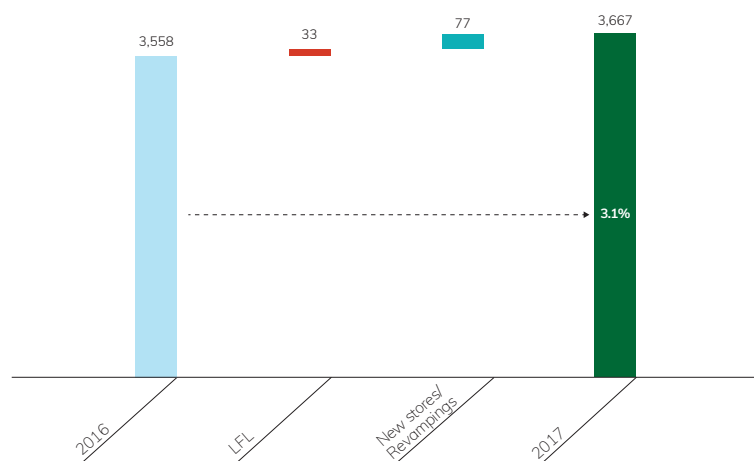
Pingo Doce, without neglecting price competitiveness, also reinforced the innovation of the Private Brand assortment, launching 175 new articles and introducing improvements to the packing of more than 200 of its products.

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.

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.

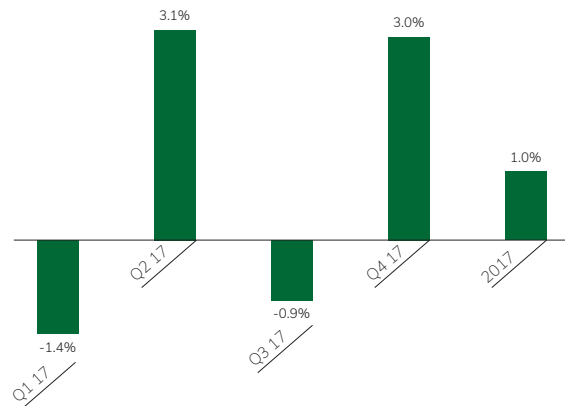
Within the scope of the logistics re-scaling, the inauguration of a new Distribution Centre in Alfena, in the North of Portugal, was a crucial milestone for the quality and efficiency of the Company's operations.

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.

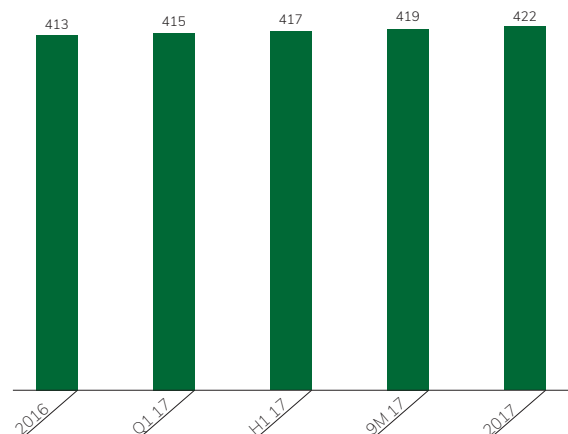


Portugal's Prime Minister António Costa (right) and Alexandre Soares dos Santos (left), former leader of the Jerónimo Martins Group for more than four decades, cut the ribbon at the inauguration of the new state-of-the-art Distribution Centre in Alfena, North of Portugal, under the watchful eye of the current Chairman and CEO, Pedro Soares dos Santos (center).

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



Pingo Doce Number of 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 Guardairas, thereby aiming to boost sales growth, 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)

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.

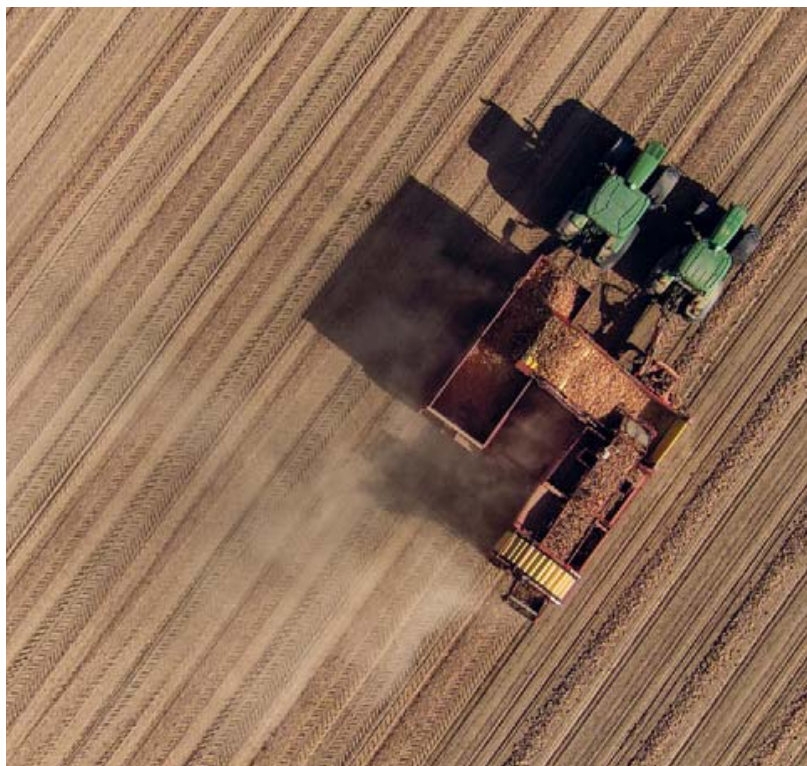
In the Production and Fattening of Angus beef, two new units were acquired in January and June in the Centre and Alentejo regions, which will enable to replicate the same business model as had already been implemented in the unit in the North of the country.

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. Specialised 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.