

4. Performance of the Business Areas

4.1. Distribution Poland

4.1.1. Biedronka



Message from the Managing Director

In 2015, Biedronka chose its store offer as the main area for development in order to reinforce its value proposition to consumers and thereby increase the share-of-wallet.

The macroeconomic environment was especially marked by food deflation, which had an impact on the first nine months of the year (-2.2%), becoming marginally positive during the last quarter. Food retail remained dominated by promotions and by the relevance of the price factor, particularly valued by consumers.

The programme for developing Biedronka's offer, namely in Perishables categories, enabled a like-for-like sales growth of 3.2%, driven both by the number of visits and the value of the average basket. This programme was based on presenting innovative solutions to ensure convenience as demanded by today's consumer, as well as by bringing it more in line with the different needs of urban and non-urban consumers, in addition, the increase in operational efficiency, which is one of the pillars of Biedronka's business model, continued to be a special focal point, namely in the store operating processes, the distribution centres and the central business support processes.

The expansion programme continued, with the inauguration of 102 new stores, ending the year with a total of 2,667 locations and thereby reinforcing its position as leader in Polish food retail market.

We believe that the initiatives deployed in developing our offer and in increasing operational efficiency contributed towards the increased robustness of the business model, whilst at the same time enabling us to continue presenting innovative solutions to reinforce consumer confidence.

2015 Performance

Throughout the year, the Polish economy recorded a strong growth with a good evolution in GDP and in the unemployment rate. However, the year was also marked by strong food deflation, which reached -1.7%.

During the course of the year, Biedronka's priority was to adjust and optimise its assortment, in order to create a competitive advantage compared to other players, and in order to provide a differentiated purchasing experience for its consumers. Constantly remaining focused on innovation, various operational improvements with regard to the layout of the stores were introduced, in order to optimise the organisation of the space, especially in the Fruit and Vegetables, Fresh food and Bakery categories, the latter having benefited from an improvement in the offer, with smaller stores also starting to have ovens to provide their own bakery services. The Company continued to invest in developing the Ready Meals category, which is valued by a Polish consumer who places increasing relevance on convenience, especially in the urban centres.

The competitiveness of Biedronka's offer with regard to price continued to be a key focus to the Company, through a policy of everyday low prices, reinforced with promotional activity, aiming to always meet the daily needs of the consumers.

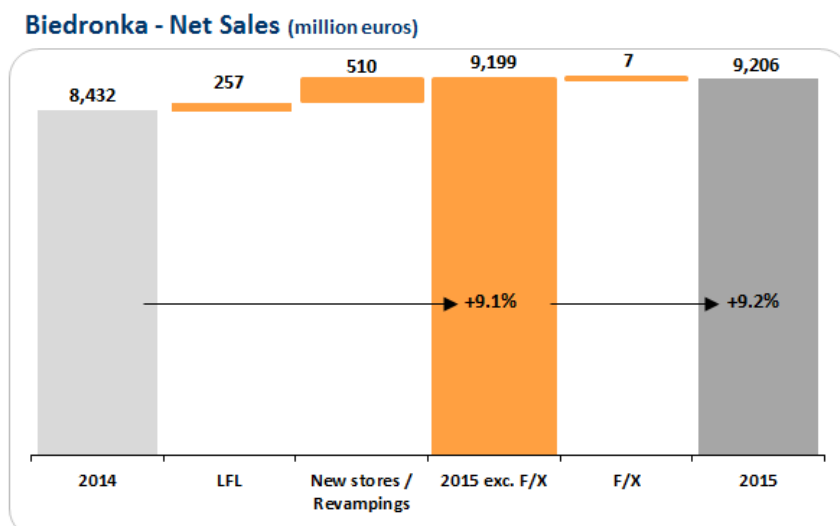
As a result of the various measures implemented, and based on the strength of the value proposition, volume growth accelerated throughout the year, more than offset by internal basket deflation. As such, like-for-like sales grew by 3.2% in 2015.

2015 also marked the celebration of Biedronka's 20th anniversary. To celebrate the occasion, the slogan "Everyday low prices" was changed to "20 years of low prices" and "20 years together", highlighting the Company's core values. Apart from the specific promotions, there was an offer of "Vintage products", prepared in cooperation with business partners, who re-launched their products in limited edition vintage packages, exclusively for the special occasion. It was the consumers who, using the digital platform "testejemy" (we test) launched by Biedronka for that purpose, voted on the products that should be part of the anniversary celebration campaign.

Biedronka invested in its interaction with the consumer, launching a mobile application whereby the promotional campaigns could be viewed using a smartphone or tablet. This launch reinforced the banner's investment in communication and digital innovation.

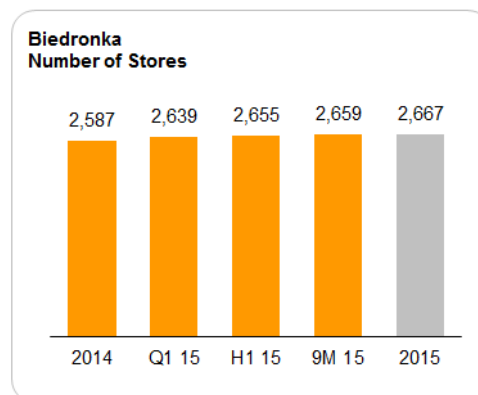
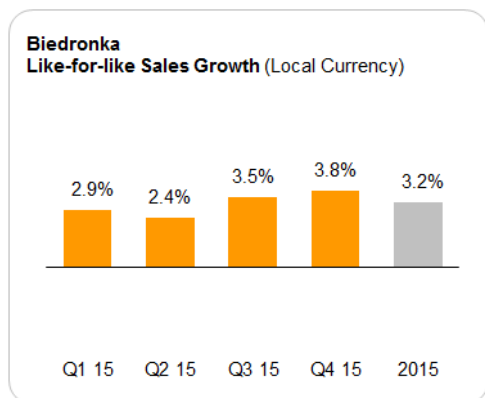
Biedronka's Private Brand products achieved a weight of almost 50% in the total sales and continued to be one of the strategic pillars of the banner's offer and differentiation.

The implementation of payment in the stores by debit and credit card was concluded in July 2014, and throughout 2015 it continued to be increasingly accepted by the Polish consumers. At the end of this year, around 30% of the transactions in Biedronka stores were paid by card.



Biedronka's sales grew by 9.2% to 9,206 million euros (+9.1% in zlotys) with a like-for-like of 3.2% for the year. Like-for-like sales, without deflationary impact, increased by around 6%, supported by a value proposition that earned the confidence of an increasing number of consumers and that enabled regular customers to benefit

from an improved offer. The Company continued to increase its market share, reinforcing its leadership position.



With regards to expansion, and apart from the above-mentioned 102 store openings, there were 22 closures, most of them to replace existing stores with better location. Biedronka ended the year with a total of 2,667 locations.

4.1.2. Hebe



Message from the Managing Director

For Hebe, 2015 was a break-through year as we brought our test phase to conclusion and as we finalized both the value proposition and the business model fine-tuning.

Throughout the year, we continued a very disciplined improvement into three areas: i. adjusting the product offer to pure a health and beauty value model; ii. maintaining consistent efforts in directing the chain towards future profitability; and iii. building up teams and processes.

2016 will be a year of building scale for Hebe in terms of expansion, leveraging on the chain's uniqueness: the most attractive offer in the health & beauty market always at low prices with a differentiating shopping experience for demanding Polish consumers.

We are confident that the strength and the uniqueness of our concept will enable to achieve further successes in a very active Polish market, full of both challenges and opportunities.

2015 Performance

In 2015, the Company's sales reached 100 million euros and its performance was driven by both a positive like-for-like sales growth and by new stores openings. This growth came not only from an increasing number of customers but also from the higher value of the average basket.

The chain opened 15 new stores, ending the year with a total of 134 locations.

To enhance sales performance and brand awareness, several seasonal campaigns took place during the year related to Valentine's Day, Women's Day, Easter, Christmas and New Year. Strong digital support with a 200 thousand fan base on social media and 350 thousand monthly users of Hebe's website continue to fuel brand recognition. Special note to the promotions that were supported using radio adverts, email campaigns, SMS for loyalty card holders and local distribution of leaflets.

Hebe's loyalty programme has approached 1.5 million members, 95% of whom are women. Moreover, over 60% of the chain's total sales are made by customers holding Hebe's loyalty card.

4.2. Distribution Portugal

4.2.1. Pingo Doce



Message from the Managing Director

For us, 2015 was a year of strong sales performance, in which Pingo Doce once again proved itself to be the benchmark choice of the Portuguese consumers.

The objectives achieved were the result of the strategy that has been implemented over the last few years, whereby the Company clearly positioned itself in order to be prepared to serve the needs of consumers during tough times, considering the unfavorable evolution of household disposable income. This was a challenge that the Pingo Doce employees, mainly in the stores, were able to rise to with competence and dedication.

I believe that price is and will continue to be the factor with the greatest weight in the decision on which store to choose for shopping. Pingo Doce has been able to respond to the consumers' aspirations without compromising on the overall quality of its value proposition in the aspects that distinguish our brand in the market.

In this context, we maintained the intensity of our promotional strategy and invested in the quality of the shopping experience and in the innovation of the Private Brand, two extremely important pillars of our differentiation.

I believe that Pingo Doce ended the year with an improved value proposition and that it will continue to reinforce its position in the Portuguese market.

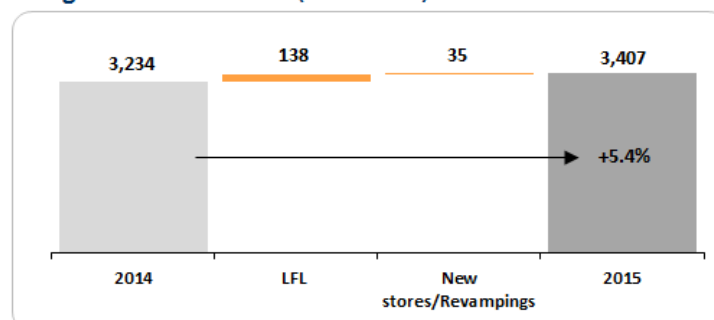
2015 Performance

For Pingo Doce, 2015 was a year with a strong sales performance, which, once again, led to the reinforcement of its market share.

In 2015 and despite Portugal having experienced a slight food inflation, at Pingo Doce, food deflation in the basket continued to put pressure on prices, mainly in the Meat category.

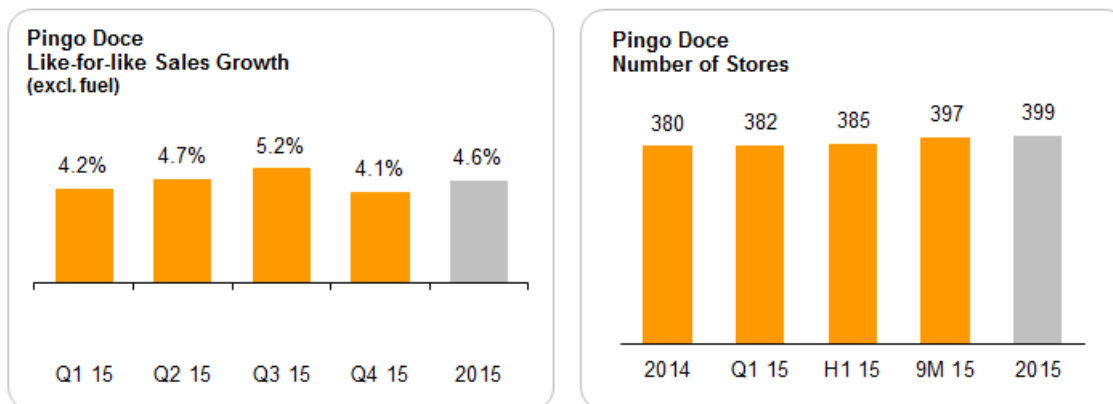
Within this context, Pingo Doce achieved a solid sales growth of 5.4%, driven by the 4.6% like-for-like (excluding fuel), which represents 12 consecutive months of positive like-for-like.

Pingo Doce - Net Sales (million euros)



In 2015, the Company made a strong investment in the store network, inaugurating 21 new locations (19 stores in net terms if we consider two replacements) and remodelling 29 stores.

At the end of the year, the store network included 15 stores under third-party management, which contributed positively towards the good performance posted.



Cumulatively for the year, Pingo Doce sales showed a growth across all the categories, except fuel, which was influenced by the fluctuations in the price of oil.

In an extremely competitive market, Pingo Doce reinforced its leadership position, delivering monthly gains in market share, which, in the year, was reinforced by 0.9¹ percentage points. This performance demonstrated the customers' preference for the banner.

In 2015, the number of Poupa Mais ('Save More') cards continued to increase, which reflects its importance in communicating with customers, as well as their recognition of the benefits associated with this loyalty programme.

The Private Brand should also be highlighted, with a weight of 34.5% in the 2015 sales, resulting not only from the reinforced communication and promotional dynamics, but also from the launch of new products. During the year, 214 products were launched, with prevalence in the Grocery and non-specialised Perishables categories.

Besides reinforcing the Private Brand, one of the strategic differentiation pillars, investments were also made in the shopping experience, by improving the services provided to the customers.

Pingo Doce maintained innovation as an important pillar in the reinforcement of its present and future competitiveness, particularly visible in first tests of the Pingo Doce & Go concept, which are small convenience stores located in petrol stations.

The efficiency and the level of service provided to the stores remain as a priority, evidenced by commencing the construction of a new Distribution Centre in the north of the country under the Company's logistics reorganization programme.

Pingo Doce's EBITDA margin was 5.5%, from 5.8% registered in 2014, in a year in which the Company assumed sales growth and strict cost control to be its main objectives, minimising the impact of the food deflation and enabling an increase in the return on invested capital.

¹ **Source:** Internal estimates based on Turnover in Food Retail Trade published by INE (Turnover Index in Retail [2014 and 2015]; Turnover (€) of business by Economic Activity (CAE Rev. 3); Annual [2011-2013]).

4.2.2. Recheio



Message from the Managing Director

Despite the soft recovery felt in 2015, Recheio once again proved that it is focused on developing its business, maintaining a growth above the market and a strong increase in its customer base. Deflation continued to be a demanding challenge, especially due to the negative impact on the prices of Meat, Milk and Dairy Products. However, Recheio managed to overcome the challenge by using the thoroughness, optimisation and productivity that have always been the guiding principles of its business model.

2015 was also marked by the reinforcement of the Company's new business areas. The Amanhecer stores project, with a further 105 store openings, reinforced its presence throughout the country, especially in the cities of Lisbon and Oporto. This project, that started five years ago, has been proving itself to be the new driving force of traditional commerce in Portugal. The Food Service area reinforced our relevance to the HoReCa market in Portugal, proving to be an important growth driver for Recheio in the last year.

2015 Performance

The main challenge for Recheio during the year was to strengthen its market position, by increasing sales and customers in an environment that remained very competitive, despite the soft signs of revival of both the Traditional Retail and HoReCa channels.

2015 was a year in which the Company had a good performance both regarding sales growth, which reached 4.1%, and regarding attracting new customers, where it posted a 2.2% growth. The categories with the best sales performance were Beverages and Frozen Food, which recorded double-digit growth compared to the previous year.

In an environment that saw the recovery of the Traditional Market, with a cumulative growth of 2.8% in 2015 (Source: Nielsen – Scantrends), Recheio upheld its good performance and reinforced its project as a partner of this market through the opening of an additional 105 Amanhecer stores.

For the HoReCa channel, this was a year with a slight recovery, with the appearance of new restaurant concepts and a positive trend in the hotel sector.

Recheio went ahead with developing the Exports area, having increased its sales not only in the markets in which it was already present, but also in new markets, such as the Republic of the Congo, Mauritania, Namibia, Ireland, Italy and the Netherlands.

This year, the Company continued with the project for renewing its store network, having remodelled two stores. In Ramalde, a new layout was implemented by introducing a Bakery section and in Valença, focus was placed on improving the implementation of the Frozen Food area.

Recheio pursued the project for renewing the Private Brand product packaging, in order to improve its offer. It launched 131 products during the year and relaunched 22 products from the MasterChef, Amanhecer and Gourmês brands.

2015 was the year in which Recheio celebrated its 43rd anniversary and, once again, we organised a trip with our best clients, this year the destination being the Greek

Islands, in order to reward its clients with the highest purchasing volumes and biggest sales growth compared to the previous year. A strong campaign was also organised around the Company's anniversary, with various associated initiatives.

In January 2015, Recheio launched a loyalty programme, which consists of attributing points for an increase in purchases compared to the previous year, whereby the customer may exchange it for various prizes, including a professional transport vehicle, hotel equipment, technology or training initiatives. The aims of this programme are to increase the average purchase and to give more advantages to customers who concentrate their purchases at Recheio.

The good sales performance within the same store network enabled the Company to improve its profitability, reaching an EBITDA margin of 5.3% of sales.

4.3. Distribution Colombia – Ara



Message from the Managing Director

2015 was a historic milestone for our operation in Colombia. It was the year in which we opened the second region, the Caribbean Coast, giving a clear sign of our commitment to success in the country.

We recognise that Colombia is a country of regions, where the tastes and preferences of the consumers vary considerably, and so when entering the new region we had to adjust our stores to a new market reality. Naturally, we maintained the essence of our value proposition, our identity and our positioning. We adjusted our assortment and marketing activities to meet the regional demands of the consumers from the Caribbean Coast.

It is clear to us that our flexibility and capacity to address the different market profiles will be the key to being successful in Colombia, and so we have prepared our teams to effectively respond to this type of market.

It was also in 2015 that we built our first Distribution Centre from scratch. We applied the Jerónimo Martins logistics know-how to build an infrastructure that is prepared to respond to and comply with the most demanding requirements.

We are still at a learning stage, whilst growing in a consistent and sustained way, in order to firmly establish the foundations of this business that we aim to make relevant for the Jerónimo Martins Group.

Our team has remained determined, resilient and with a pioneering spirit, all essential aspects for delivering the expected results. This year's performance has placed us on the right track for meeting the ambitious targets that we have for this market.

2015 Performance

The two main objectives for 2015 were to consolidate our presence in the Coffee Growing Region and to commence operations in the Caribbean Coast region, with the opening of a Distribution Centre and 41 stores.

In the first region (Coffee Growing Region), Ara consolidated its market position with the opening of 15 stores, ending the year with 101 locations.

During the year it remained focused on optimising the assortment, fitting it to the needs of the Colombian consumers, and in developing campaigns involving activities with customers, in order to create an emotional link between the banner and the local communities.

Since the beginning of the year, the Company's main challenge was the opening of the second logistics platform and stores in the Caribbean Coast region, which took place in the beginning of September.

As such, during the last four months of the year, Ara opened 41 stores, starting its operation in that region and differentiating itself through competitive prices and the Private Brand offer.

Considering the social and economic differences between the different Colombian regions, around 20% of the assortment takes into account the characteristics of each region, enabling the value proposition to be adapted to the consumers we serve.

One of Ara's differentiating factors is its Private Brand assortment, which has been very well accepted by the Colombian consumers and which, in a short period of time, represents 37.5% of the Company's sales.

4.4. Manufacturing, Distribution and Restaurants & Services

4.4.1. Manufacturing

4.4.1.1. Unilever Jerónimo Martins (ULJM)



Message from the Managing Director

2015 was a successful year for Unilever Jerónimo Martins (ULJM), reaching all set objectives.

For the third successive year, the Company increased its sales in both volume and value, and it increased its cash flow. For the fourth consecutive year, it increased its market shares, reinforcing competitive position, both through the repositioning of the value proposition in the segments in which it operates and through innovation.

We entered new market segments by launching new Domestos products and Alsa ready-to-eat jellies. For the second consecutive year, we carried out "Sou Olá" (I'm Olá), a social responsibility programme that aims to reduce the youth unemployment rate and, at the same time, boost the brand's sustainable growth. We were pioneers in this project that has become a reference in Portugal and in Unilever's international universe.

2015 Performance

2015 was marked by a positive performance in sales, market shares and margins.

The Company grew for the third consecutive year, increasing sales by 3% compared to the previous year. ULJM registered increases in market share in the categories that represents more than two thirds of its sales, notably the growth in the Home Care and Personal Care areas.

Of particular note was the good year for exports, namely in the Ice Cream and Margarine categories.

In terms of launches, of note in the Home Care category are the new Domestos brand products and in the Food category, and the reinforcement of the Knorr stock cube range, with the launch of various sauces.

The Company increased its EBITDA margin as a result of the sales increase, but also due to the improved mix of products sold and the ongoing, careful cost efficiency.

In 2015, the investment in advertising remained high, focused primarily on digital marketing.

4.4.1.2. Gallo Worldwide

Message from the Managing Director



2015 was strongly conditioned by the weak olive oil harvest, which caused an increase in the raw material prices to an all-time high. The subsequent increase in the upstream prices led our distributors, retail and, finally, the consumer to lower demand, culminating in a double-digit retraction in the worldwide market.

Our main markets underwent unfavourable economic constraints and a severe devaluation in their respective currencies, triggering the increase in shelf prices, which, in some cases, meant trebling the public retail price, in local currency.

The Company was able to resist this adverse environment, safeguarding its profitability and taking advantage of the market conditions to reinforce its global position, hence becoming the 2nd largest olive oil brand in the world.

We anticipate more favourable conditions for 2016, with regard to the price of the raw material, but adverse and uncertain economic conditions of the main markets in which we operate (LatAm and Africa).

2015 Performance

2015 was a year of solid performance, with the Company's sales posting a 2% growth, despite some contraction in volume.

The abrupt rise in the price of the raw material was reflected in the significant increase of around 40% in prices of olive oil to the final consumer, causing some resistance regarding volumes, both from the final consumer and the volume of stocks in the value chain.

Another important factor that affected our main markets was the significant exchange rate devaluation of some countries' currencies, namely in Brazil and Angola, which caused a considerable increase in the prices of olive oil in those markets.

Also as far as challenges in the key markets are concerned and taking into account the unfavourable macro-economic situation, in Brazil there was an increase in fraud in the authenticity of the olive oil sold in this market. Work was carried out, in partnership with the Brazilian authorities, to counteract such situations, which had a negative impact on the market.

The 2015 performance was achieved whilst safeguarding the Company's profitability, by carrying out an adjusted sourcing policy and defining appropriate prices.

In Portugal, with a focus on innovation, there was a re-launch of vinegars, which boosted this category, enabling Gallo to be re-positioned as the second Company in terms of market share.

Aiming to reinforce the efficiency of the operation, partnerships were established with other international players, with a view to generate greater logistics efficiency.

4.4.2. Marketing, Representations and Restaurant Services

4.4.2.1. Jerónimo Martins Distribuição de Produtos de Consumo (JMDPC)

Message from the Managing Director



2015 was a positive year for JMDPC. The Company once again grew in the domestic market and yet again out-performed it. The newly represented brands - Barilla, Patak's and Amoy - reinforced the portfolio in the existing categories and channels, without jeopardising the like-for-like growth.

Despite the contraction registered in its export business, JMDPC managed to gain dimension overall. Even with its two international markets in crisis, the Company almost doubled the number of countries in which it is present.

These results demonstrate that we defined the right path, with ambition and focus, and that we have carved the right way on that path, arming ourselves with the right competencies and stimulating a culture of change.

2015 Performance

JMDPC's sales in the domestic market recorded a 5.2% growth. This performance was above that of the market, which grew 1.4% in the total of FMCG, with Food increasing 0.6% and Beverages 3.8% (Nielsen Scantrends).

Sales grew in all categories except the Cereals category. From the remaining categories, of note are the ones in which the Company has been gaining importance, Dairy Products and Snacks, with a growth of 21% and 15% respectively.

In terms of brands, the Company reinforced its market share in 83% of the represented brands. The newly represented brands, Barilla, in the pasta and pasta sauces category, and Patak's and Amoy, in the Asian food category, which were sold as from the end of the first half, already represent 2.3% of the total sales.

Exports in 2015 amounted to 5.7% of JMDPC's sales, having recorded a 6.4% decrease compared to the previous year, due to the economic difficulties felt in the Angolan and Brazilian markets. However, sales to the Asian markets increased significantly. This year, sales were made to 25 markets. Exports of Portuguese brands, which have been the Company's focal point over the last few years, increased by 4.3%.

4.4.2. Marketing, Representations and Restaurant Services

4.4.2.2. Jerónimo Martins Restauração e Serviços (JMRS) and Hussel

Message from the Managing Director



In 2015, despite a demanding macroeconomic environment, JMRS and Hussel once again exceeded our expectations in terms of results.

The Jeronymo, Olá and Hussel banners achieved positive performances, demonstrating the resilience of their value proposals. The performance of the Olá stores should also be highlighted, as it had a like-for-like sales growth of 4%.

2015 Performance

In 2015, the Company posted a positive sales evolution compared to the previous year, the main highlight being the performance of the Olá banner which posted a 4.0% like-for-like.

During the year under review, two Jeronymo coffee shops were inaugurated in the Lisbon area, located in Belém and Benfica. Various communication initiatives took place throughout the year at the point-of-sale and on Facebook, such as the launch of a new family of summer drinks, the launch of Jeronymo tea and herbal tea, sold as leaf tea, the introduction of Jeronymo biscuits and cookies in four flavours, "O nosso Bolo Rei" (Portuguese Christmas cake) and "Brigadeiro de Natal" (Christmas Chocolate Truffles).

The main growth drivers of Olá's sales were the increase in customer traffic, due to the very high temperatures during the year, as well as due to the various marketing campaigns that took place, especially "O Meu Cornetto David Carreira" (My David Carreira Cornetto), which is leveraged on the notoriety and popularity of that singer.

The high temperatures had an impact on Hussel, especially in December, leading to a lower sales performance than in the previous year. As far as marketing is concerned, Hussel invested in seasonal themed campaigns (St. Valentine's, Easter, Mother's Day, Children's Day, Popular Saints, among others), whose implementation was a great success in the stores, on its institutional website and on Facebook. In the last quarter of the year two kiosks "Giro by Hussel" were opened in the Alegro Shopping Centre in Setúbal and in the Dolce Vita Shopping Centre in Coimbra (a pop-up store).

The Company closed the year operating 70 stores: 18 Jeronymo coffee shops, 27 Hussel confectioner's (including three "Giro by Hussel" kiosks) and 30 Olá ice cream parlours, five of which are franchised stores.

4.5. Agro Business

4.5.1. Jerónimo Martins Agro-Alimentar (JMA)

Message from the Managing Director



2015 was an historic landmark for JMA as it was its first year in operation with the launch of the first two business areas: the Dairy Products factory in Portalegre and the Angus Beef Cattle Fattening Unit in Manhente, Barcelos.

On June 1st, the formal conveyance of Cooperativa Serraleite's factory was completed, in a process whereby 50 employees from Cooperativa were integrated into the management of Jerónimo Martins Lactínios de Portugal and which resulted in this new unit adapting to the work processes of the Jerónimo Martins Group.

In October, we began fattening Angus Beef Cattle in our first unit, which has the capacity for 1,000 animals, supported by a team that is, in a permanent working relationship with the corporate structures of the Group and the different Companies, and that is supported by a vast network of knowledge present in institutions from the Portuguese and international Scientific and Technological System.

We are starting out with confidence for the future, aware that, although 2015 is just the first year, it already demonstrates the ambition that mobilises us.

2015 Performance

The Company's objective is to develop businesses in the Agro-Food area with a view to have direct access to supply sources of certain food products considered to be strategic, thereby ensuring the Group's internal needs, with competitive cost, efficiency and quality conditions, supported by the right research and development strategy, strongly directed at the market.

In June 2015, when the formal conveyance of the Cooperativa Serraleite factory was completed, the Private Brand UHT milk production and cream production began, both for Pingo Doce and Recheio.

We aim to maintain production in this factory until the new factory has been concluded, which is currently in development and which will enable us to increase the production of milk and its derivatives in excellent conditions.

In October 2015, the project for Angus fattening began, consisting of creating centres that buy and feed (up to the age of slaughter) Angus animals from producers who are not interested in fattening the animals beyond the weaning age. The ultimate objective is to sell the meat to the Group's Companies, improving and differentiating the offer in the meat counters with high quality Angus beef at competitive prices.