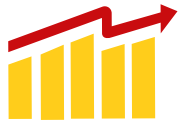


5. OUTLOOK FOR 2016



As a result of a more favourable macroeconomic outlook, as projected by official entities, the Food Retail market should grow at a faster pace than in 2015.

5.1. POLAND

MACROECONOMIC ENVIRONMENT

For 2016, the Polish economy is expected to maintain the GDP growth trend seen in 2015. This evolution should be simultaneous with a moderate increase in worldwide economic activity. If, on one hand, recovery is progressing in the advanced economies, on the other hand, many of the emerging economies are showing a growth slowdown. The most recent estimates by the Polish Central Bank (NBP) for the growth in the Polish GDP in 2016 point to 3.3%.

The Polish GDP should be influenced more by the positive trend in the job market combined with all-time low interest rates and the low prices of raw materials, than by the moderate recovery of the Euro Zone. These factors should boost private consumption and investment, the two components which are hoped to stimulate economic growth.

It is probable that inflation will turn to positive in 2016, with the NBP's most recent estimates indicating a 1.1% increase in prices. However, inflation should start the

year at still moderate levels, due to the deflationary effect on the prices of energy, and accelerate during the second half of the year. With regard to food inflation, it is expected that we will see a return to positive values in the first months of 2016.

Unemployment should stay below 10%, lower than in 2015, although still a smaller reduction than seen in the last two years. According to the NBP, wages in the Polish economy should increase by approximately 5% in 2016.

With regard to the monetary policy for 2016, it is expected that the Polish Monetary Council will change its position and, in accordance with the guidelines of the new Government, will concentrate on stimulating economic growth. As such, it is possible that the reference rate is reduced during 2016.

Regarding the exchange rate, this should remain above the four zlotys per euro in the long term. However, short-term expectations are strongly dependent on the policies adopted by the European Central Bank, the Federal Reserve of the United States of America and the Polish Government, introducing a high volatility and making it difficult to predict the behaviour of the Polish currency during 2016.

MODERN FOOD RETAIL

As a result of a more favourable macroeconomic outlook, as projected by official entities, the Food Retail market should grow at a faster pace than in 2015.

It is expected that consumers will increase their spending on food compared to previous years. However, the growing demand for healthier eating and an increasingly important role attributed to the quality of the products will require operators to adapt their assortment. An expansion in the offer of non-food products is expected, as well as an increase in the offer of regional products.

An increase in the number of consumers who value convenience and chose to do their shopping in stores located close to their residence is also anticipated. Equally, the improvement in the economic outlook for households could lead to traditional food products being replaced by food services or "ready meal" solutions.

The consolidation of the Polish Food Retail market should continue. On the other hand, it is expected that

the operators diversify their current formats, whilst at the same time increasing their investment in existing stores, in order to improve the shopping experience.

In 2016, the Modern Retail market will be affected by the implementation of a sales tax, according to the new Government proposal. Details of the bill are still being discussed.

HEALTH AND BEAUTY RETAIL

The Health and Beauty market in Poland should continue to grow at a rate of around 5% a year, with the prospect of reaching a value of 26 billion zlotys in 2019, according to the projections by PMR Research.

The main operators have been growing at a pace of 150 to 170 stores a year since 2011, driven by a market with high growth rates and by the conversion of individually operated stores that were not able to compete with organised chains.

Private Brands continue with high market gains in organised retail and make a large contribution to the

growth in the sale of fast-moving consumer goods, based on the reinforcement of consumer confidence in these products. This aspect may also prove to be an opportunity to expand the exclusive brands in Health and Beauty retail, promoting differentiation and offering a strong compromise between quality and price.

It is expected that the expansion of the discount stores, as well as the increase in the offer of Health and Beauty products in these stores will continue to put pressure on the specialised chains.

On the other hand, the anticipation of an increase in purchasing power and the improvement of the consumers' financial position should lead to an increase in the purchases of mid and high-range beauty products available in the Health and Beauty stores.

The increase in Polish consumers' confidence should sustain the sales of non-prescribed pharmaceuticals, with an anticipated growth of between 3% and 4% for the next few years. It is estimated that this progression is mainly driven by the food supplements category, which should boost the market with growth rates above 10%.



5.2. PORTUGAL

MACROECONOMIC ENVIRONMENT

Banco de Portugal (the Portuguese Central Bank) predicts that the Portuguese economy will continue to recover and expects a growth in GDP of 1.7% in 2016, close to that projected for the Euro Zone. At the time of its publication, the values disclosed in the last Economic Bulletin show greater uncertainty than usual, particularly as the State Budget for 2016 had not yet been approved.

This projection is supported by the sustained growth in domestic demand (+1.8%) along with a robust growth in exports (+3.3%).

Private consumption should increase by 1.8% in 2016 (+2.7% in 2015), in line with disposable household income, with an environment of moderate recovery of employment, wage moderation in the private sector and a rise in consumer prices. A slowdown in the consumption of durable goods to an average annual growth of around 3% and a growth of 2% in the consumption of non-durable goods is predicted.

Growth of 0.3% in public consumption is expected, based on a less significant reduction in the number of civil servants, conditioned by the need for budgetary consolidation and the increase in expenditure on the acquisition of goods and services.

Similarly, there is an indication of an acceleration of investment in 2016 (+4.1%), after an estimated increase in 2015 of 4.8%.

Inflation should reach 1.1% in 2016 (+0.5% in 2015), as a consequence of the increase in the prices of non-energy services and goods, while the variation in the price of energy should be close to zero.

According to the Portuguese Central Bank forecast, the depreciation of the euro against the dollar should have a positive impact on the evolution of the Portuguese GDP, arising mainly from the increase in exports. In addition, imports will tend to decrease in the first phase, conditioned by the evolution of the euro, but in the following years, and assuming there is currency stabilisation, the effect of the increase in imported quantities will have a negative impact on GDP evolution.

For 2016, the Government estimates a general government deficit of 2.8% of GDP, the equivalent of 5.2 billion euros.

MODERN FOOD RETAIL

After a year of economic growth, albeit modest, in 2016 we should continue to see a slight improvement in the majority of macroeconomic indicators, with the expectation of a slightly higher growth in GDP than in 2015, supported partly by the increase in consumption, estimated at around 1.8%, which in turn should support the growth in retail.

With regard to consumption trends for 2016, we should continue to see an increasing demand for healthier alternatives, development of the Private Brand with high quality standards that meet the needs of the consumers and reinforcement of convenience as a key factor in the purchasing process.

Nevertheless, at the same time, the price, promotion and proximity factors will continue to be critical for consumers' choices. Equally, it is expected that we will continue to see strong competitive pressure and promotional dynamics in Food Retail.

WHOLESALE FOOD MARKET

In 2016, the positive evolution of the economy and of consumer confidence is expected to be maintained, which should enable the recovery of out-of-home consumption.

As was the case in 2015, the good performance in the tourism, hotel and restaurant services sectors should continue to make a positive contribution towards the growth of the economy. On the other hand, Traditional Retail will continue its investment in the modernisation of the store network, supported by integrated business programmes, such as the Amanhecer stores. The development of these two channels, HoReCa and Traditional Retail, should contribute towards boosting demand in the Cash & Carry market.

5.3 COLOMBIA

MACROECONOMIC ENVIRONMENT

The Colombian economy will be very much dependent on international economic development, in particular

the evolution of the price of oil, but also on factors such as the possible slowdown of the Chinese economy and the probable increase in the interest rates of the Federal Reserve of the United States of America.

In addition, the crisis in Eastern Europe, the doubts about the stability of the Euro Zone or even the increasing disturbance in Latin America may further condition global economic growth and, consequently, the Colombian economy.

From a domestic point of view, the peace process is fundamental for the economic and political stability of the region. The date put forward by the Colombian Government for signing the peace agreement is March 2016.

The Colombian State's strong dependence on the income from oil should condition the already planned tax reform, which will most probably mean an increase in taxes, namely VAT, which in turn will affect retail during 2016.

Additionally, there will surely be other conditioning factors, notably the Central Bank's monetary policy

to combat inflationary pressures, which will remain as a key topic for economic activity, taking into account the impact that inflation may have on domestic consumption, one of the main economic growth drivers. Nevertheless, in 2016, it is expected that consumption will continue to be quite dynamic.

The Colombian peso should remain significantly devalued, which should at least benefit exports, already boosted by the recent trade agreements with China and Japan.

The estimated growth for Colombia in 2016 should once again be higher than the average for Latin America, but lower than recorded in the last few years.

MODERN FOOD RETAIL

With the growth of the middle class in Colombia, which should soon represent around one third of the population, it is anticipated that we will see an increase in household consumption, especially in the Food Retail sector.

Similarly to 2015, soft discounts are predicted to continue to be the growth driver in 2016, notably their price



and proximity positioning, and so a lower growth in Traditional Retail is therefore also expected.

The major operators in the market are also expected to invest in loyalty campaigns and in strong promotional campaigns.

According to our experience, we will continue to see a reinforcement of consumers' attachment to their neighbourhood commerce, not only to avoid travelling but also because they are conditioned by poor road infrastructures.

In addition, we should see a more rational trend in consumption and a higher penetration of Private Brands, which are beginning to gain relevance in the market.

With regard to sales growth by category, the Colombian market will still remain very focused on the so-called basic categories, such as Grocery, which should continue to grow well. The Personal Care category on the other hand will probably lose importance in the Traditional and Modern Retail segment due to the appearance of a new channel, characterised by direct sales.

5.4. OUTLOOK FOR THE JERÓNIMO MARTINS BUSINESSES

Jerónimo Martins will continue to adopt financial prudence that fosters a strong balance sheet and maximises the return on its assets. The Group believes that the businesses it operates have differentiated value propositions, focused on price, quality and consumer service and on operational cost-efficiency, and that they are in a good position to continue performing ahead of their respective markets, as proven in previous years.

BIEDRONKA

In 2016, sales growth will remain Biedronka's main priority and the Company will continue to invest in the continuous innovation of its assortment and operation in order to secure being the preferred choice of the Polish consumer.

To do so, the Company is already relying on the improvements made to its offer, which will continue

to be optimised, boosting a progressive increase in the share-of-wallet. The Perishables, Personal Care and Ready Meal categories present interesting development and differentiation opportunities.

With regard to the expansion programme, Biedronka expects to inaugurate around 100 new locations.

Priority will continue to be placed on the efficiency of the operation as a source of competitive advantage in order to guarantee the positioning as price leader.

HEBE

In 2016, the reinforcement of the assortment with more Exclusive and Private Brands will be a priority in order to further differentiate the offer as well as to increase, among our customers, Hebe's perception of having the best price-quality relationship. We will keep our affordable price positioning with a dynamic trade marketing programme developed in cooperation with our suppliers. The expansion plan will continue to be an important driver to gain scale and also to improve the awareness of the brand.

PINGO DOCE

In 2016, Pingo Doce will continue to move ahead with the logistics reorganisation process, having planned the inauguration of a new Distribution Centre in the North of the country. At the same time, it will strengthen its presence in proximity locations by opening around 10 stores, whilst maintaining its investment in improving the store standards. As such, the remodelling programme will continue.

The environment is expected to remain competitive and the Company will continue to give priority to strengthening its market position, supported by the competitiveness of its pricing policy, and to developing its Private Brand, as a means of further differentiation.

RECHEIO

In 2016, Recheio will remain focused on consolidating its market position and on increasing its sales in all the segments it operates. Special attention will be given to exports, where there is a relevant potential and to the Food Service area, where the Company has been investing and which will be boosted by the launch of the new institutional website, thereby enabling contact with customers to be optimised.

During the course of the year, the inauguration of a store in Sines is also planned, aimed at reinforcing customer penetration in the Alentejo Coast.

ARA

In 2016, we aim to continue with the expansion in the second region, leveraging reinforced brand notoriety on the opening of new stores. In the second half, operations are planned to commence in a third region of the country, which will imply inaugurating another Distribution Centre to serve the new stores.

The Company will continue to focus on increasing its presence in the Colombian market and its main challenges, with regard to human resources, will be its capacity to recruit and train new employees, as well as to mobilise Private Brand suppliers to accompany its pace of growth.

MANUFACTURING AND SERVICES

ULJM

In 2016, Unilever Jerónimo Martins' ambition is to maintain the sales growth recorded in the previous year,

focusing on the Personal Care category, which has the greatest potential. The Company predicts that the level of competitiveness in the Portuguese market is unlikely to slow down and aims to reinforce the efficiency of its production costs in order to also enable exports to be increased, mainly in the Ice Cream and Margarine categories.

GALLO WORLDWIDE

For Gallo Worldwide, the main projects in 2016 involve achieving growth in the markets where the Company already has consolidated positions and preparing the entry into new markets, in order to boost sales. The challenges faced in 2015 regarding the price rise of raw material are expected to continue in 2016, even though there is an anticipation of a reduction in the prices of the raw material, which should nevertheless remain above the average for the last few years.

JMDPC

In the domestic market, priority will continue to be given to reinforcing the market shares of the represented brands, increasing the relevance of the categories where the



6. POST BALANCE SHEET EVENTS

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

In 2016, we plan to continue studding and developing new Agro Business projects, including Aquaculture.

Company is present. Winning represented brands in new categories will also be important, as a way of diversifying and ensuring future growth, and as a way of boosting synergies from the operations.

In exports, the Company will pursue the path of taking Portuguese brands “across the world”, diversifying the portfolio and destination markets. In this phase, it will be essential to reinforce our sourcing competences and those related with international markets.

JMRS & HUSSEL

In 2016, JMRS will remain focused on expanding its network of Jeronymo coffee shops and on assessing the potential of the “Giro by HusseL” gummies kiosks.

AGRO BUSINESS

JERÓNIMO MARTINS AGRO-ALIMENTAR

During 2016 it is expected the building of a new dairy products factory in Portalegre to be concluded in the middle of 2017. This will be a modern factory of excellence,

with the right conditions for an efficient production of high quality milk and milk products.

Within the scope of the Angus beef cattle fattening project, it is planned that the supply of meat from this farm to Pingo Doce will already start in the first half of 2016. It is also planned to increase, throughout the year, the number of animals in this project.

In 2016, we aim to continue studying and developing new projects in other strategic areas, mainly in Aquaculture, which may include establishing partnerships or cooperation agreements.

Sources:

IMF World Economic Outlook; 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); Business Monitor International (BMI); BBVA; Planet Retail; Deloitte; TNS; Nielsen and PMR Research.