JERÓNIMO MARTINS

Annual Report 2016

Message from the Chairman

2016 was a year of transformations and change at a global level, marked by growing uncertainty and conflict as well as major upheaval in the European Union, where our Group has its two main ventures.

The refugee crisis, which already casts a shadow over 2015, continued during 2016, with the European Union and Turkey agreeing in March on a policy to discourage migrants and refugees from travelling to Europe, that reinforced the protection of its external borders.

In a referendum in April, the Netherlands rejected the Ukraine-European Union association agreement, failing the unanimity required for it to be applied. In May, Norbert Hofer's FPÖ right-wing Austrian party lost the presidential elections by a small margin, and in June, there was a surprising movement marking a decisive turning point, when, in a referendum, the United Kingdom decided to leave the European Union.

In the middle of the year, Martin Schulz, President of the European Parliament classified the Union's situation as "regrettable", and spoke of extremist and centrifugal forces that are winning elections and referendums.

2016 was also a year in which terrorist attacks in the heart of Europe created heightened tension and a feeling of uncertainty: in March, at the airport in Brussels and at a metro station; in July, in Nice, in the South of France, where the National Front has a stronghold of supporters requiring more security; and, before the end of the year, in Berlin, symbolically destroying a Christmas market. These factors, in addition to the conflicts spread across the world, which are particularly out of control in Syria, where the European Union recognises its impotence, generate a complex and unstable political and socio-economic scenario, where it is paramount to know how to read the signs at an early stage and make the necessary adjustments.

Uncertainty may also be reinforced by the outcome of the election moments in 2017 in Germany, the Netherlands and in France, as well as by possible consequences of the adoption of new policies – both at the national and international levels – in the U.S.A., following the election of their new President in November 2016.

At the Jerónimo Martins Group, 2016 was also a year of changes, starting with the executive teams of Biedronka, Pingo Doce and Ara, and of strong investment in the businesses, which amounted to 482 million euros.

In very intensely competitive contexts, all the Companies maintained their sales growth - supported by strong promotional dynamics - as a strategic priority and reinforced their focus on the consumer in the decision-making processes. As a result of that focus, the Group's like-for-like increased by 7.2% and all our banners gained market share during the year.

At constant exchange rates, consolidated sales in 2016 would have exceeded, for the first time, the 15 billion euros threshold, meaning a growth of 9.8%.

The Group Companies' capacity to generate cash flow remained strong, reaching 718 million euros in the year. This sum also encompasses the proceeds from the sale of the sub-holding Monterroio to Sociedade Francisco Manuel dos Santos B.V, executed at the end of September, which entailed the receipt of 310 million euros.

On a comparable basis, the net results attributable to Jerónimo Martins stood at 361 million euros, meaning a growth of 14.5% compared to 2015 and confirming the Group's solidity and profitability.

In Poland, where we have our main business, as the first full year of the PiS (Law and Justice party) government, 2016 was above all marked by a certain slowdown in economic growth and a reformist stance, which consisted of a wide variety of measures, such as the 500+ Programme (monthly allowance per child, as from the second child), an increase in the minimum national wage and minimum pensions, and a decrease in the retirement age, among others.

Remaining cautious and very disciplined with regard to additional pressure on labour costs, Biedronka was able to take advantage of the more favourable consumption environment and increased its total sales by 10.8% in local currency.

The Company's determination to create opportunities to differentiate its offer paved the way for a like-for-like growth of 9.5%, a remarkable performance in a year marked by extensive organisational changes in order to leverage the desired evolution in the average basket. This momentum, along with strict cost management, enabled Biedronka to post an EBITDA of 707 million euros, 10.3% more than in 2015 (+15.1% at a constant exchange rate).

Having added 55 new locations to its network and remodelled 221, Biedronka ended the year with 2,722 stores, in its preparation to continue strengthening its proximity to the Polish consumer with the addition of at least 90 new stores in 2017.

In Portugal, 2016 was also the first full year of a new Government, in this case a left-wing one, which has led to the introduction of anti-austerity measures, that for the time being have had a mild effect on economic growth, in general, and on private consumption, in particular.

In a year in which food inflation in Portugal was 0.5%, the competitive environment continued to be very strong and involved very assertive promotions in the race for the consumer's preference.

In line with previous years, Pingo Doce did not reduce its commitment to the competitiveness of its prices and the attractiveness of the offer and the shopping experience, total sales having increased by 4.4% to 3,558 million euros, with a like-for-like growth of 1.2% (excluding fuel), 2015 providing a tough basis for comparison.

The Company invested on all fronts in order to stimulate the basket, reinforcing the efficiency of its operations and logistics and carrying out 21 comprehensive refurbishings and an ambitious product launch plan in the various ranges of the Private Brand, which celebrated its 25th anniversary with many initiatives.

Even with the additional pressure resulting from the increase in personnel costs, together with the demands imposed by the promotional intensity dominating the market and the strong investment in the continuous improvement to the shopping experience, the EBITDA generated by Pingo Doce had a 2% increase against 2015, standing at 192 million euros.

As a total for the year, the Company invested 137 million euros and added 14 new locations to its chain.

Also in Portugal, Recheio strengthened its presence nationwide as well as its market share with the inauguration of a store in the South of the country, in Sines, bringing the number of units in its network up to 42. For our wholesale Company it was a year of major investment in consolidating the relationship with customers, namely in the

Food- Service area, which continues to gain relevance and now has around three thousand delivery points.

Sales increased by 5.9% to 878 million euros, with a like-for-like of 5%, reflecting the improvement to the environment in the HoReCa segment. The solid sales growth and the strength of Recheio's market position made it possible to improve the EBITDA margin to 5.4% (from 5.3% in 2015). The EBITDA generated was 47 million euros, 7.4% above the previous year.

With regard to our newer businesses, Ara and Hebe posted combined losses of 62 million euros with regard to the Group's EBITDA - which was 862 million euros for the year - Ara answering to 76% of the total.

As expected, Hebe has been reducing the losses generated and in 2016 added 19 new stores to its network.

The year was particularly important for our operation in Colombia and also for the country, which made decisive breakthroughs in its peace process. Ara achieved market leadership in its first region - the Coffee Growing Region - after three years of doing business in the country, and entered the third operating region, in Bogota, the country's capital, where it opened 22 of the 79 stores inaugurated during the year.

Our confidence in the Colombian market – and in the South-American region in the area of influence of the Pacific Alliance - led us to decide to strengthen the organisational structure and the network' infrastructure in order to prepare for speeding up growth, which will already start in 2017.

The Group ended 2016 with a net excess cash position of 335 million euros. In a year in which dividends payment to Group's Shareholders was 167 million euros and investments amounted to 482 million euros, the robustness of the balance sheet remained unscathed, financial charges having decreased to 17 million euros.

For a Group such as ours, which is geared towards growth, this liquidity represents freedom of choice and action, which is something we highly value, especially in an increasingly uncertain and insecure world, where we directly employ over 90 thousand people.

We remain committed to being a positive force for transforming the environments where we are present, through the responsible way in which we conduct our businesses and make them grow.

In 2016, our work was acknowledged by being included, for the first time, in the FTSE4Good Global Index and FTSE4Good Europe Index sustainability indices, as well as in the Ethibel Excellence Investment Registers, the Ethibel Sustainability Index Excellence Europe and the Euronext Vigeo Index: Eurozone 120.

We see these as valuable signs that our focus on profitable and sustainable growth is worthy of credit from those following our activity and who distinguish us with their investment.

I want to express my thanks for that trust, for the renewed support from Jerónimo Martins' major shareholder and also from my fellow colleagues on the Board of Directors, on behalf of the teams I am proud to lead and that are the ones who deserve the merit for the results we are presenting in this report.

Pedro Soares dos Santos
Chairman and Chief Executive Officer

I.

The Jerónimo Martins Group

JERÓNIMO MARTINS

This Annual Report of the Jerónimo Martins Group covers the period from January 1st to December 31st, 2016, and includes the areas of Distribution and Agro Business in Portugal and the area of Distribution in Poland and Colombia, describing the results of the entities directly held by the Group.

1. Profile and Structure

1.1. Identity and Responsibilities

Asset Portfolio

Jerónimo Martins is a Group that has assets in the Food area, mostly in Distribution, with market leadership positions in Poland and Portugal. In 2016, it achieved sales of 14.6 billion euros (67% in Poland) and an EBITDA of 862 million euros (82% in Poland). The Group has a total of 96,233 employees and ended the year with a market capitalisation of 9.3 billion euros on the Euronext Lisbon.

In Poland, **Biedronka**, a chain of food stores with a positioning that combines the quality of its assortment, store environment and proximity locations with the most competitive prices in the market, is the Food Retail sales leader, operating 2,722 stores spread across the entire country. At the end of 2016, the Company reached 9.8 billion euros of sales, recording around 1.4 billion customer tickets.

Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 153 stores. This business concept is based on the offer of a Health and Beauty assortment with high quality advice, at very competitive prices.

In Colombia, **Ara** currently operates in three regions of the country: the Coffee Growing Region, the Caribbean Coast and, since September 2016, Bogota. It is a chain of proximity food stores, mostly set up in residential neighbourhoods, with a positioning of quality at the best price, combining competitiveness with promotional opportunities in key categories for the Colombian consumer. At the end of the year, Ara was operating in 221 locations.

In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.4 billion euros in 2016. It operates with the banners **Pingo Doce** (413 supermarkets, including four Pingo Doce & Go) and **Recheio** (38 Cash & Carry and four platforms, three of them related to Food Service), which are leaders in the Supermarket and Cash & Carry segments, respectively.

Also in Portugal, through Pingo Doce, Jerónimo Martins has invested in developing projects that are complementary to the Food Retail business, namely **Refeições no Sítio do Costume** Restaurants, **Bem-Estar** Stores, Petrol Stations, as well as Clothing (for adults and children) and Shoes and Accessories, through the **New Code** and **Spot** banners, respectively. These last two are developed within the scope of partnerships with specialised operators.

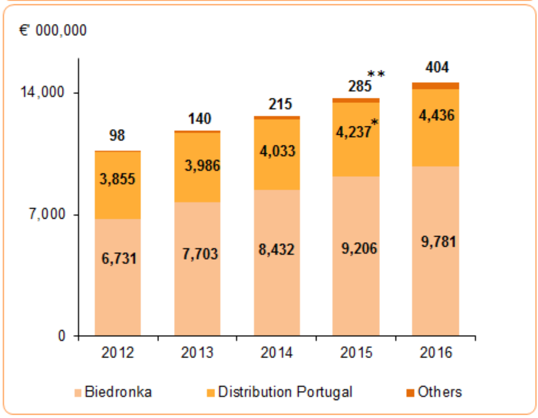
The main objective of **Jerónimo Martins Agro-Alimentar (JMA)** is to safeguard the Group's Companies ability to have a supply of some strategic products. It currently operates in the areas of Dairy Products, Livestock (angus beef) and Aquaculture (sea bass and sea bream).

Jerónimo Martins Restauração e Serviços is engaged in developing projects in the Restaurants sector and at the end of 2016, was operating the Jeronymo chain of kiosks and coffee shops with 19 points of sales.

Hussel, a Specialised Retail chain selling chocolates and confectionery, had 24 stores at the end of 2016.

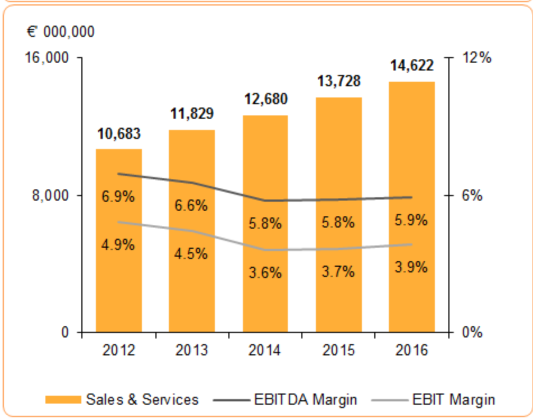
1.2. Operating and Financial Indicators

Sales & Services

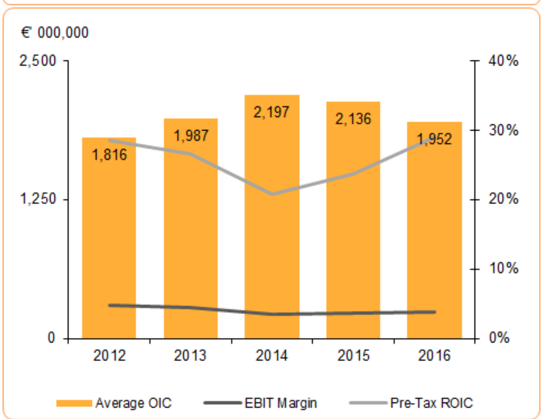


* Restated figure from 4,240 published in 2015
** Restated figure from 283 published in 2015

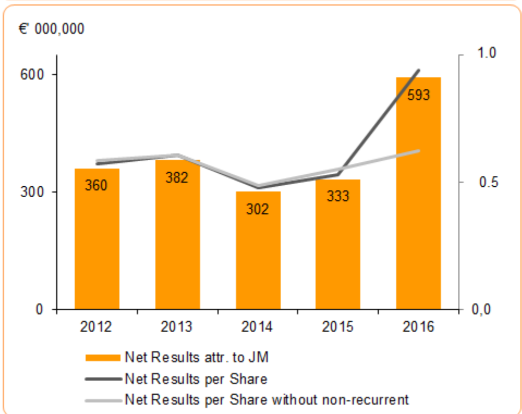
Sales, EBITDA Margin & EBIT Margin



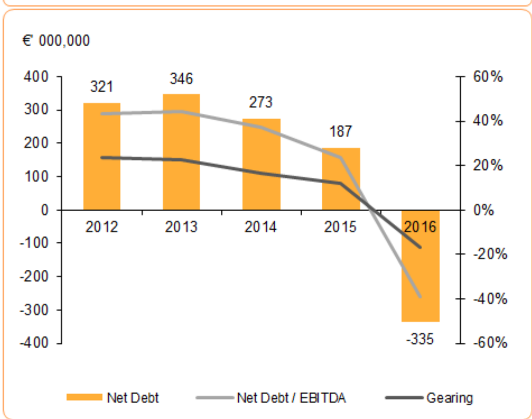
Pre-Tax ROIC



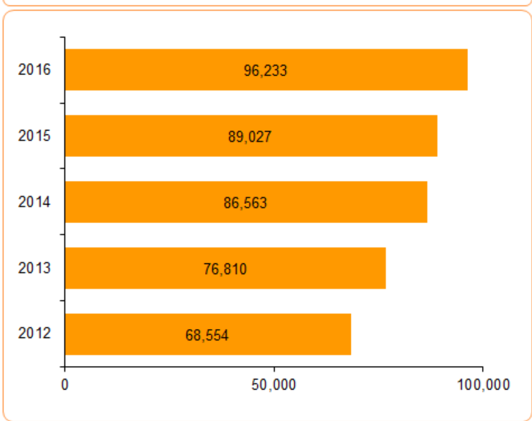
Net Results and Net Results per Share



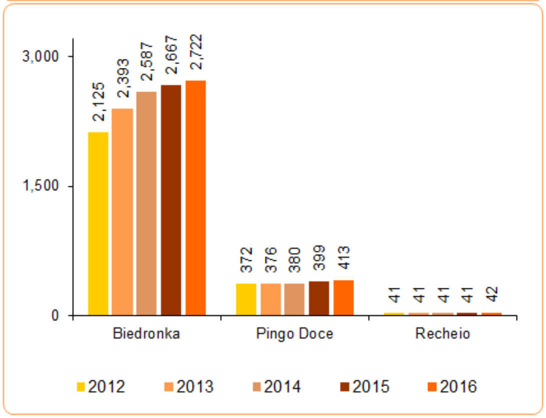
Net Debt



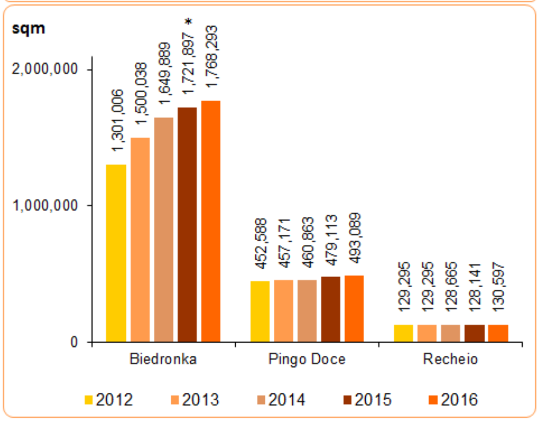
Employees



Number of Stores

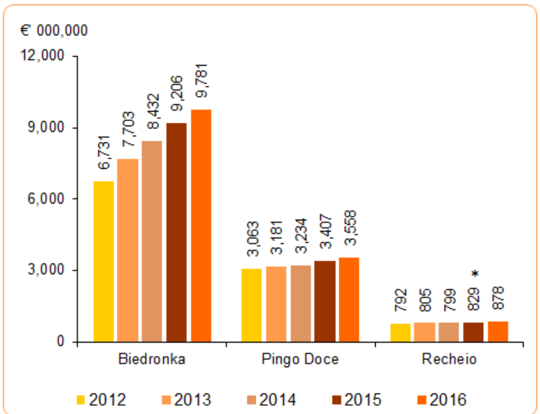


Sales Area



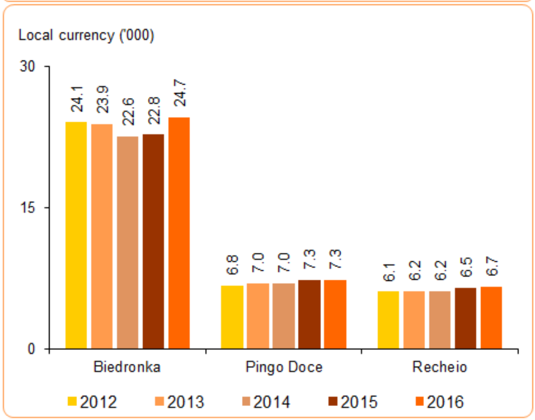
* Restated figure from 1,717,944 published in 2015 FY.

Sales

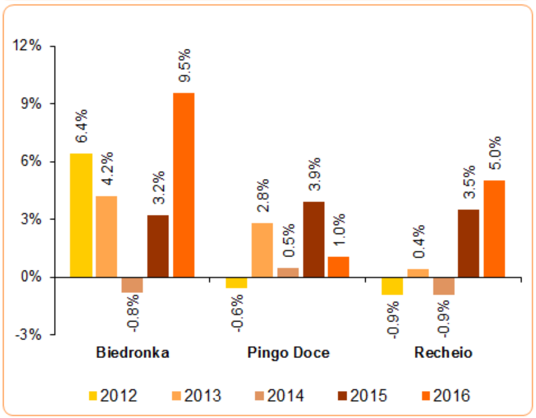


* Restated figure from 832 published in 2015

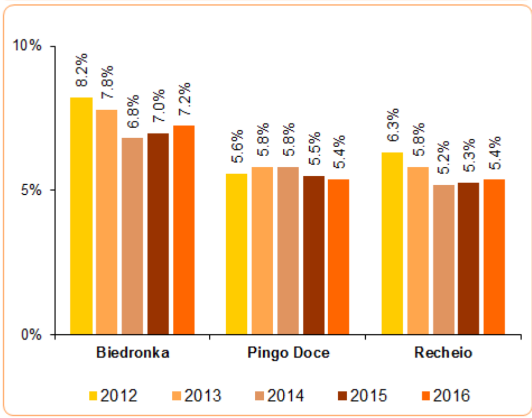
Sales / sqm



LFL Sales Growth



EBITDA Margin



1.3. Statutory Bodies and Structure

1.3.1. Statutory Bodies

Election date: 14th April, 2016

Composition of the Board of Directors elected for the 2016-2018 term

Pedro Manuel de Castro Soares dos Santos

- **Chairman of the Board of Directors and Chief Executive Officer**
- Born on 7th March, 1960
- **Chairman of the Board of Directors, since December 2013**
- **Chief Executive Officer of the Group, since April 2010**
- **Member of the Board of Directors, since March 1995**

Andrzej Szlezak

- Born on 7th July, 1954
- **Member of the Board of Directors, since April 2013**

António Pedro de Carvalho Viana-Baptista

- Born on 19th December, 1957
- **Member of the Board of Directors, since April 2010**

Artur Stefan Kirsten

- Born on 22nd February, 1961
- **Member of the Board of Directors, since April 2015**

Clara Christina Streit

- Born on 18th December, 1968
- **Member of the Board of Directors, since April 2015**
- **Member of the Audit Committee, since April 2016**

Francisco Manuel Seixas da Costa

- Born on 28th January, 1948
- **Member of the Board of Directors, since April 2013**

Hans Eggerstedt

- Born on 12th March, 1938
- **Member of the Board of Directors, since June 2001**
- **Member of the Audit Committee, since March 2007**

Henrique Manuel da Silveira e Castro Soares dos Santos

- Born on 7th November, 1968
- **Member of the Board of Directors, since April 2015**

Sérgio Tavares Rebelo

- Born on 29th October 1959
- **Member of the Board of Directors, since April 2013**
- **Chairman of the Audit Committee, since April 2016**

Statutory Auditor and External Auditor

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Palácio Sottomayor, Rua Sousa Martins, 1 – 3rd floor, 1050-217 Lisbon
Represented by:
João Rui Fernandes Ramos (R.O.C. no. 1,333) or António Joaquim Brochado Correia (R.O.C. no. 1,076)
Substitute:
José Manuel Henriques Bernardo (R.O.C. no. 958)

Company Secretary

Ana Luísa Abreu Coelho Virgínia
Substitute:
Carlos Miguel Martins Ferreira

Chairman of the Shareholders' Meeting

Abel Bernardino Teixeira Mesquita

Secretary of the Shareholders' Meeting

Nuno de Deus Pinheiro

1.3.2. Business Structure

JERÓNIMO MARTINS

2016 Sales
14,622 million euros

2016 EBITDA
862 million euros

FOOD DISTRIBUTION

Poland

100% — **Biedronka** — *Neighbourhood stores*

Portugal

51% — **Pingo Doce** — *Supermarket*

100% — **Recheio** — *Cash & Carry*

Colombia

100% — **Ara** — *Neighbourhood stores*

100% — JERÓNIMO MARTINS AGRO-ALIMENTAR — *Agro Business*

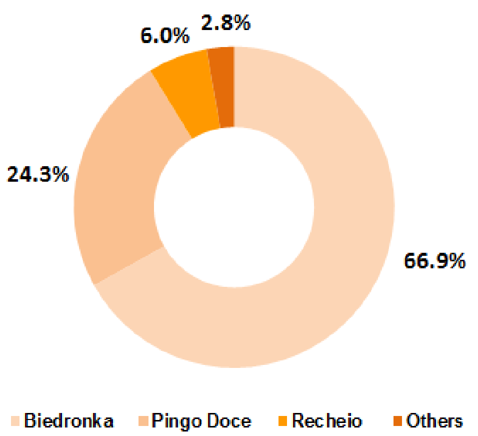
SPECIALIZED RETAIL

100% — **Hebe** — *Drugstore*

JERONYMO — 100% — *Coffee Shops*

HUSSEL Confiserie — 51% — *Chocolates*

Sales by Business Area 2016



EBITDA by Business Area 2016

Million euros	EBITDA	% Total
Biedronka	707	82.1%
Pingo Doce	192	22.2%
Recheio	47	5.5%
Others	-84	-9.8%
JM	**862**	**100%**

2. Strategic Positioning

2.1. Mission

Jerónimo Martins is an international Group with its head office in Portugal, operating in the food area, essentially in the Distribution sector, aiming to satisfy the needs and expectations of its stakeholders and the legitimate interests of its shareholders in the short, medium and long term, while simultaneously contributing towards the sustainable development of the regions in which it operates.

As key pillars for its mission and within the scope of its approach to Corporate Responsibility, Jerónimo Martins adopts continuous and sustainable value creation and growth.

Jerónimo Martins' Corporate Responsibility focuses on its contribution towards improving the quality of life in the communities where the Group operates, by providing healthy products and food solutions, being actively responsible in its purchases and sales, defending human rights and working conditions, stimulating a more cohesive and balanced social structure, and respecting the environment and natural resources.

2.2. Strategic Vision

Creating Value and Growth

The Group's strategic guidelines for creating value are based on four aspects:

1. continuous promotion of sustainable growth;
2. careful risk management to preserve the value of its assets and to reinforce the robustness of its balance sheet;
3. maximisation of the effect of scale and synergies;
4. fostering of proposals for differentiation to ensure competitive advantages.

These four aspects aim to accomplish the following strategic objectives:

- to achieve and consolidate a leadership position in the markets where it operates;
- to build and develop strong and responsible banners and brands;
- to ensure balanced growth of sales and profitability of its business units.

In pursuing these objectives, the Group Companies carry out their activities using the following guidelines:

- strengthening their price competitiveness and value proposition;
- improving their operational efficiency;
- incorporating technological developments;
- identifying opportunities for profitable growth.

2.3. Operational Profile

Our operational positioning reflects a clear value food retail approach focused on value and strategically geared towards mass-market.

The Group offers proximity and convenient food solutions for all consumers, at very competitive prices, which requires operating with maximum efficiency and lean cost structures. All our value propositions are marked by strong differentiation in three essential aspects: variety and quality of fresh food, strong private brands, and quality store environment.

The success of our formats is leveraged on our market leadership, which within a mass-market approach, is linked to relevant size, is essential for creating economies of scale that enable us to increase efficiency in our logistics and operations. That is the only way to offer the best prices and boost notoriety and trust, so essential for building lasting relationships with strategic business partners and our consumers.

3. Awards and Recognition

Corporate

- The Jerónimo Martins Group is the 64th largest retailer in the world in the **Global Powers of Retailing 2017** ranking, a survey carried out by the consultants Deloitte in partnership with the North American Magazine, "Stores";

- For the first time, the Jerónimo Martins Group was included in the sustainability indices of the London Stock Exchange: **FTSE4Good Global Index** and **FTSE4Good Europe Index**;

- The Jerónimo Martins Group was distinguished with an honourable mention in the **Most Effective Domestic Community Investment** category, awarded by the Ethical Corporation Responsible Business Awards, for its project "Fighting Food Waste on All Fronts";

- Jerónimo Martins scored an "A-" in the **CDP Climate 2016** – the second highest – positioning the Group at the "Leadership" level, recognising performance regarding climate strategy, including transparency in reporting information and risk management;

- At the **CDP Forests 2016** Jerónimo Martins scored an overall "A-" for palm oil, positioning the Group at the "Leadership" level. The commodities soy, paper, wood and beef obtained a classification of "B", the equivalent of the "Management" level.

Biedronka

- Jeronimo Martins Polska achieved 1st place in **The Great Modernizers of Europe 2015** ranking, awarded by Institute of European Business;

- Jeronimo Martins Polska achieved 1st place in **The Powers of Business 2015** ranking, awarded by Institute of Modern Business;

- Jeronimo Martins Polska was recognised as **The Most Socially Responsible Chain** and as **The Most Reliable Player** in the "Market of the Year – Retail Chains 2016" award, organised by the publisher "Wydawnictwo Gospodarcze";

- Jeronimo Martins Polska was recognised as one of the **Most Patriotic Companies in Poland**, having achieved the following:

  - 1st place in the ranking in terms of turnover in 2015 for foreign companies;
  - 1st place in the ranking of the Biggest Employers in 2015;
  - 7th place in the ranking of the Biggest Taxpaying Companies in 2015;
  - 8th place in the ranking of the Companies that Invest the Most in 2015;

- Jeronimo Martins Polska was recognised with a **Golden Laurel of Super Biznes** in the "Corporate Social Responsibility" category, for organising Biedronka's Children's Literature Prize;

- Jeronimo Martins Polska won 1st place in the list of the **Biggest Employers in Poland**, compiled by "Gazeta Finansowa";

- Jeronimo Martins Polska was recognised by the publication "Polityka Weekly" with a **White Leaf** for "Corporate Social Responsibility", for the work carried out regarding environmental certification;

- Biedronka's Dada range of products was recognised as a **Super Product of the Year 2015**, by the magazine "Mam dziecko";

- Biedronka's BeBeauty, Dada and Puffi and Kitty brands won the **Brand 2016 – Quality, Trust, Reputation** award in the bath salts, nappies and pet food categories, respectively;

- Biedronka received **The Consumers' Choice 2016** award, attributed by the Center for Consumer Satisfaction Evaluation, in the "Retailer" category;

- Biedronka was recognised as **Retailer of the Year 2015 – Selected by Suppliers**, attributed by AC Nielsen Polska;

- Biedronka received the title **The Star of Service Quality 2016,** awarded within the scope of the Polish Quality and Service Programme;

- Biedronka won the **Superbrand** award in the "Shopping - Convenience Store" category, having also been recognised with the title "Created In Poland Superbrands 2015/2016" awarded to brands created in Poland;

- Biedronka's Children's Literature Prize received the **Social Campaign of the Year 2015** award.

Pingo Doce

- Pingo Doce Private Brand wines won three **Gold Medals**, four **Silver Medals**, four **Bronze Medals** and six **Medals of Recommendation** in the International Wine Challenge, Concours Mondial de Bruxelles and Decanter World Wine contests;

- The **Pearl Awards** distinguished the magazine "Sabe Bem" (Tastes Good) with the bronze in the "Best Retail" category.

Recheio

- It was certified with the **Choice of the Professionals** seal, attributed by Consumer Choice – Centro de Avaliação da Satisfação do Consumidor, in the "Wholesale Distribution" category;

- Winner of a **Master da Distribuição**, in the "Best Wholesaler" category, awarded by the magazine "Distribuição Hoje".

Hebe

- Hebe won the **Drugstore of the Year 2016** award, in the "Assortment definition strategy" category, awarded by the publisher "Wydawnictwo Gospodarcze";
- It was considered a **Customer Friendly Company** by Fundacja Obserwatorium Zarządzania;
- It was recognised as a brand **Created in Poland** by Superbrands.

II.

Management Report
Creating Value and Growth

1. Key Facts of the Year

Biedronka

- Opening of 83 stores, ending the year with 2,722 locations
- Refurbishing of 221 stores
- Launch of the *Moja Biedronka* loyalty card, reinforced through various campaigns
- Start-up of a soup factory, producing nine varieties and distributing to all the stores

Pingo Doce

- Opening of 14 stores, five of which under third-party management agreements, and two Pingo Doce & Go convenience stores, closing the year with 413 locations
- Celebration the Private Brand's 25th anniversary, with over 1,800 product references in the portfolio in 2016

Recheio

- Opening of a store in Sines, to join the 37 already in existence and four platforms, three of them related to Food Service
- Inclusion of 36 stores in the Amanhecer concept, ending 2016 with a total of 285 stores in the network
- Renewal of the institutional website, which allowed the opening of the online store, being the first Cash & Carry in Portugal to provide this service

Ara

- Start of operations in the Bogota region
- Opening of 79 stores, ending the year with 221 locations operating in three regions of Colombia

Hebe

- Opening of 26 stores, ending the year with a total of 153 locations
- Implementation of the new store concept, with five completely refurbished stores

JMA (Jerónimo Martins Agro-Alimentar)

- Start of the construction of a new Dairy factory in Portalegre
- Start-up of the first Aquaculture facility in Sines, for sea bass production
- Partnership with a local operator in Madeira, in order to produce sea bream

Jeronymo and Hussel

- Opening of two Jeronymo stores in OPorto
- Refurbishing of two Hussel stores to adapt to a new, more modern concept

Corporate

- Sale to Sociedade Francisco Manuel dos Santos B.V. of 100% of the subsidiary Monterroio – Industry & Investments B.V., which includes shareholdings in the Manufacturing area (Unilever JM and Gallo) and Services (JMD)

2. 2016 Environment

2.1. Poland

Macroeconomic Environment

In 2016, the Polish economy maintained a positive performance, but the growth in GDP slowed down compared to the previous year, standing at 2.8% according to the Polish Statistical Office (GUS) (+3.9% in 2015). Domestic demand remained the main GDP growth driver, supported by the gradual improvement in the job market, confidence of households and the distribution of subsidies under the *"Family 500 plus"* programme. On the other hand, and mainly due to the reduction in European Union flows, the growth in GDP was conditioned by the fall in investment.

Employment continued to grow, with the number of the working population remaining stable, resulting in further declines in the unemployment rate which decreased by 1.5 p.p. compared to 2015, standing at 9.0%, the lowest level in the last 25 years. The decrease in unemployment, in turn, supported the growth in wages (the average wage rose by 4.1% in 2016).

In 2016, the zloty recorded against the euro a devaluation of 4.1%. The year-end foreign exchange position also showed a deterioration against the euro (-3.3%), with a 4.4103 and 4.2639 rate for 2016 and 2015, respectively.

The evolution of prices in the economy stood at -0.6%, slightly up from -0.9% in 2015 and the food inflation was 0.8% (-1.7% in 2015).

Although it has given clear signs of increase in recent months, inflation remained low throughout the year, in a context of lower economic growth and a drop in the prices of commodities, particularly in energy.

Modern Food Retail

According to PMR Research, the Modern Food Retail market grew by 4.2% in 2016 (+2.6% in 2015), exceeding 254 billion zlotys, having benefited from a set of economic measures to boost consumption, in particular the *"Family 500 plus"* programme, which gives families an amount of 500 zlotys per month for each child (excluding the first child).

Another topic that deserved attention during the year was the retail tax that eventually earned the opposition of the EU, and its entry into force was delayed. It should also be noted that, in 2016, reference was often made to the creation of a law to prohibit the opening of Modern Retail stores on Sundays, although this had not been made public/concluded during the period.

As was the case in 2015, disposable household income continued to show a solid growth. Nevertheless, the Polish consumer has remained very sensitive to the price factor and with a very rational behaviour when purchasing. Price, along with the increased importance of convenience, were the key elements in the purchasing decision process.

In this context, in 2016, there was an increase in the importance of promotional activity, which was intensified, more focused on increasing the volumes sold rather than on specific products, with the main market players launching various campaigns, offering consumers better benefits to those who made higher value purchases, in order to increase the average basket with discounts and special prizes. Promotional activity was also undertaken as a real marketing tool, with the media giving wide coverage to the promotional actions.

In the Food Retail sector there was still a move towards consolidation, with the number of independent stores being reduced, 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 having quite substantial representation.

For 2017, it is expected that the increase in income will continue to benefit the Food Retail sector, although penalised by some shift of consumption to the HoReCa channel. On the other hand, there will be a larger number of consumers placing value on convenience. E-commerce should also post growths, with many of the leading operators considering launching online stores. Overall, the outlook for the market is positive, which is directly related to the projections for the economy as a whole, although still with some uncertainty about the introduction of the retail tax and the prohibition of opening on Sundays.

Health and Beauty Retail

According to the projections of PMR Research, the Polish Health and Beauty market grew by 4.2% in 2016, to 22.1 billion zlotys, reflecting the significant growth in consumption seen during the year, particularly in the second half, which was decisively helped by the "*Family 500 plus*" programme which generated an additional consumption stimulus, also having a positive impact on this market segment.

The biggest sales stimulus was the promotions, with retailers intensifying promotional activities to attract consumers.

On the other hand, consumers are increasingly demanding regarding the offer available in the stores, looking for products with effective results, such as professional range products that can be used at home.

Natural cosmetic products represent an increasingly strong trend and there was also an increase in the popularity of local and craft brands. Convenience when purchasing is also increasingly valued, such as the ability to shop in stores with beauty products and cosmetics, which have also pharmaceutical products.

Loyalty programmes continued to be key in the Health and Beauty retail business: about 41% of the Polish population are members of a loyalty programme, despite the 6 p.p. decrease compared to 2015.

There was a significant increase in the opening of new stores, particularly relevant in the larger chains. Shopping centres and arcades continue to be the most attractive places, although we are starting to see an increase in openings in smaller cities.

Discount stores, which in recent years have expanded the offer of both manufacturer brand and Private Brand cosmetics, rose one place to third among the most popular locations to buy these products, the leader being the drugstores followed by the hypermarkets.

In the cosmetics market, the market share of the Discount stores rose significantly in the last years, driven mainly by Biedronka's growth, followed by Lidl.

For the future, the Health and Beauty market should continue to record significant growth, benefiting from the Polish consumers' better economic situation and the organic growth of the large retailers.

Consumers' attention to the price of products will continue to be a critical aspect when purchasing. However, a greater appreciation of the quality and effectiveness of the product is also predicted.

2.2. Portugal

Macroeconomic Environment

In 2016, Portugal maintained the path to moderate recovery of its economic activity, recorded in the last two years.

The economic growth was 1.4%, below the previous year's growth (+1.6%), reflecting the irregular performance registered throughout the year. The moderate growth seen in the first half of 2016 reflected the slowdown that began in the second half of 2015 as a result of a lower contribution from domestic demand and exports.

The second half was characterised by an acceleration of the economic activity, supported by an increase in exports and a growth, although slight, in domestic demand, which led to acceleration in private consumption and a lower drop in investment.

According to the European Commission's Winter Report (February 2017) 2016 closed with a slowdown in the domestic demand growth of 1.3% (+2.5% in 2015), reflecting the lower contribution from investments, conditioned by the sharp drop in public investment. The main contribution to the positive evolution of domestic demand came from private consumption growth of 2.1% (+2.6% in 2015), the consumption of durable goods being particularly relevant, due to the increase in disposable income, the decreased unemployment rate and maintenance of consumer confidence.

Exports posted a more moderate growth of 3.9% (+6.1% in 2015). This reflects the negative contribution from the exports of fuels, whose imported content is quite significant and also, but to a lesser extent, the reduction in the exports of services, excluding tourism. In contrast, it was recorded a slowdown in the growth of imports of 3.9%, after a very significant growth in 2015 (+8.2%).

With regard to the job market there was a reduction in the unemployment rate (+11.1%, well below the +12.6% recorded in 2015) and an increase in total employment.

With regard to inflation, it stood at 0.6%, slightly above the 0.5% in 2015, reflecting a smaller decline in the prices of energy and non-energy industrial products and a slight acceleration in the prices of services, particularly in more dynamic sectors such as tourism. Food prices grew by only 0.5%, while in 2015 the increase was 1%; this slowdown is mainly due to the prices of manufactured goods.

In 2016, the deficit stood at around 2.0% of GDP (4.4% in 2015), meeting the target set by the European Commission. Nevertheless, despite this reduction Portugal will still be facing risks of budgetary sustainability, in the mid-term.

Modern Food Retail

In 2016, the Portuguese economy underwent a positive evolution, particularly with regard to private consumption, reflecting a set of favourable factors.

Along with the increase in actual disposable income, there was a decrease in the unemployment rate, which helps to explain the increase in consumer confidence, maintaining the recovery trend seen in 2015, recording higher values when compared to the last few years. These factors have of course contributed to an increase in the consumption of Portuguese households, which was extended to the food area.

After a recent past showing a decrease or moderate growth in sales, Food Retail performed more dynamically, with a more favourable sales growth than that recorded in 2015, having increased by 4.2% in 2016, according to the National Statistics Institute.

However, the competitive environment remained very intense throughout the year. In addition to the strong promotional aspect, there was also an accelerated pace of opening new food retail stores, as well as remodelling existing stores.

Regarding purchases in the food, hygiene and cleaning categories, there was simultaneously an increase in the purchasing frequency and in the average basket.

Factors such as proximity, price and promotion continued to be critical for consumers to choose their shopping location throughout the year. As was already the case in 2016, it is expected that in 2017 these aspects will continue to be relevant, combined with an increased consumer awareness about the importance of healthy eating and the growing importance of convenience in the purchasing decisions.

Wholesale Market

In 2016, the turnover of the Cash & Carry operators recorded a positive trend (3.7%, according to TSR Nielsen – Cash & Carry Market), mainly as a result of the dynamics seen in the HoReCa channel.

In terms of the opening of Cash & Carry stores, of particular note are the opening of the Recheio store in Sines and the *Poupança* store in Setúbal.

In Traditional Retail, it should be noted the openings of 54 new Amanhecer stores and around 80 from other market players (mainly *Meu Super* stores), reinforcing the positioning of the proximity retail chains scattered over a wide area of the country.

For 2017 a continued good performance in the tourism, hospitality and restaurants sectors is predicted, as well as the revival of Traditional Retail.

2.3 Colombia

Macroeconomic Environment

In 2016, the growth of the Colombian economy slowed down more than estimated as a result of an unfavourable external environment and some internal constraints having a significant effect on the economic activity, especially the lower global growth, the reduction in the production and price of oil and a slower implementation of the country's road infrastructure plan. In addition, there was an increased uncertainty in the economic agents caused by issues concerning the tax reform, the peace process and the elections in the United States.

The more modest GDP growth (2.0%) was also a reflection of the low dynamics in farming and mining, and also of the significant impact of the strikes that took place in the transport sector.

This GDP growth was the lowest level since 2009, when the economy registered an annual growth of 1.7%, with both private consumption and public and private investments decreasing significantly. The slowdown in domestic demand was also reflected in the reduction of imports.

The reduction in oil and coal prices worsened the trade balance, significantly impacting the public deficit, which exceeded international economic standards (about 5.0% in 2016).

Average inflation in 2016 was 7.5% compared to 5.0% in 2015, remaining well above the objective of the Colombian Central Bank (+3.0% with a variation of ±1.0 p.p.). The main inflationary pressures were recorded in the tradeable food, goods and services categories, resulting from the *El Niño* weather phenomenon, the strikes in the transport sector and the strong devaluation of the Colombian peso.

The accelerated inflation led the Central Bank to increase the reference interest rate by 175 basis points during the year (from 5.75% to 7.5%).

On the other hand, the Colombian peso registered a significant devaluation during the year, which averaged 11.2% against the euro.

The unemployment rate also reflected the modest economic growth, contrary to the downward trend of the last six years and averaged 9.2% in 2016, 0.3 p.p. more than in 2015.

In this context, the consumer confidence index deteriorated significantly, having remained negative throughout the year, and considerably lower than in previous years, although it started a recovery trend as from April 2016.

Modern Food Retail

It is estimated that Food Retail in Colombia has a value of 65.5 billion dollars, with organised retail holding a market share of approximately 20%. According to data from Nielsen, Food Retail sales increased by 7.4% in 2016. Traditional Retail grew by 7.3%, Modern Retail by 7.1% and independent supermarkets grew 10.9%. During the year, there was more store openings in Modern Retail, with a total of 547 new stores opened compared to 233 openings in 2015. The Discount format had the highest number of openings in organised retail, with 337 new stores, which represents 62% of the total number of stores opened.

The rapid expansion of the Discount format in Colombia led to additional dynamics in the Modern Retail market, increasing its penetration in 2016.

The economic environment in the country presented in this chapter led to Colombian consumers changing their consumption habits, as they moved their purchases to cheaper brands.

With regard to the categories, of particular note is that the sales of alcoholic drinks and beauty products did not undergo any sales losses resulting from lower economic growth. However food and non-alcoholic beverages were the most affected categories.

The latest trends and which should continue to be seen in the retail market are related to the increasing importance attributed to price and product innovation as a stimulus to sales growth. Regarding products, it is worth highlighting the need to align developments that are in line with new consumer habits, more focused on low prices and convenience.

In terms of format, it is expected that the Cash & Carry, Discount and Convenience Stores will continue to increase its penetration.

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); *Business Monitor International (BMI)*; BBVA; *Planet Retail*; Deloitte; TNS; Nielsen and PMR Research.

3. Group Performance

3.1. Main Projects of 2016

The main banners of the Group - Biedronka, Pingo Doce and Recheio - began the year of 2016 with an enhanced focus on competitiveness and like-for-like growth. This determination led to a strong performance throughout the year with growth of like-for-like sales, total sales and market shares.

In general, all 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 business activities without any constraints.

Clear objectives were established for 2016, focused in consolidating the competitive advantages in Poland and Portugal and on the ambition for growth in Colombia. As a result:

i. in Poland, Biedronka has **consolidated the revision of the offer** initiated in 2015, promoting a more integrated approach and, therefore, more responsive to the needs and aspirations of the consumer;

ii. in Portugal, both Pingo Doce and Recheio have maintained an intense promotional activity, while guaranteeing **quality and innovation in its overall value proposition**;

iii. in Colombia, Ara **entered the great region of Bogota**, continuing to invest in the ongoing improvement of the value proposition.

3.1.1. Biedronka – consolidation of the review of the offer

In 2015, Biedronka began a full revision of its assortment, which led to its increase but it mainly led to a renewed design of the different categories and their composition. This strategic project came about following a scenario of more dynamic consumption, with new aspirations on food level, very much driven by the increase in disposable income in Poland.

Reinforcing the assortment was the starting point for a renewed way of approaching the value proposition, which is now more than ever focused on the consumer and is aware of how quick the latter has been proven to be in their aspirations and the effective evolution of their food basket.

In 2016, Biedronka's new management team focused on consolidating the organisational changes needed in order to be more focused on the like-for-like sales performance, through a basket that aims to be more dynamic, both in its basic assortment, in the promotional and the in & out campaigns.

Towards a consumption environment more positive than anticipated for 2016, the Company created, right from the start, an array of more assertive initiatives that surprised the consumers with products and campaigns throughout the year, enabling them to complement their food basket.

3.1.2. Pingo Doce and Recheio – quality and innovation in their overall value proposition

As Portuguese consumers remained very much geared to promotional opportunities, Pingo Doce and Recheio persisted with their commercial strategy based on competitive prices combined with intense promotions.

Simultaneously, the banners invested in consolidating their competitive advantages in the market.

Pingo Doce maintained an ambitious refurbishing plan which covered 21 stores, and that is essential for maintaining its differentiated shopping experience.

The Private Brand was also a priority in the year with 221 launches and a campaign to celebrate its 25^{th} anniversary.

Recheio remained highly focused on customer proximity, for which the store managers played an essential role, and invested in a new store and the total refurbishing of another, giving greater importance to the Perishables area, as this is recognised as one of the banner's competitive advantages.

3.1.3. Ara – entrance in the great region of Bogota

Operating in Colombia for just three years, Ara validated its value proposition in the two initial regions (Coffee Growing Region and Caribbean Coast) and began 2016 with the ambition of inaugurating operations in the capital of Colombia.

Ara is permanently improving its offer and adapting it to the reality of each region, and its priority for the year was to prepare and carry out its entry into the Bogota region.

This project involved all areas of the Company, namely regarding: i. the expansion area, in searching for and negotiating locations, ii. the commercial and marketing area regarding the development of the regional part of the assortment, and iii. the human resources area, in creating and training the teams for this new region which opens the door to one of the biggest markets in Colombia.

3.2. Execution of the Investment Programme

The Group's investment plan in 2016 stood at 482 million euros, of which 44% was invested in expansion (new stores and Distribution Centres).

Investment in expansion still plays an important part in the Group's growth strategy.

(million euros)

Business Area	2016 Expansion[1]	2016 Others[2]	2016 Total	2015 Expansion[1]	2015 Others[2]	2015 Total
Biedronka	**53**	**180**	**233**	**90**	**114**	**204**
Stores	51	170	221	84	110	193
Logistics & Head Office	2	10	12	6	5	11
Pingo Doce	**75**	**62**	**137**	**75**	**59**	**133**
Stores	33	59	92	54	57	111
Logistics & Head Office	42	3	45	21	2	23
Recheio	**8**	**13**	**21**	**5**	**14**	**18**
Ara	**64**	**0**	**64**	**49**	**0**	**49**
Stores	59	0	59	31	0	31
Logistics & Head Office	5	0	5	17	0	17
Total Food Distribution	**199**	**255**	**455**	**218**	**187**	**404**
Hebe	5	2	6	3	1	4
Services & Others	10	11	21	3	1	4
Total JM	**214**	**268**	**482**	**224**	**189**	**412**
% of EBITDA	*24.9%*	*31.1%*	*56.0%*	*28.0%*	*23.6%*	*51.6%*

[1] New Stores and Distribution Centres.
[2] Revampings, Maintenance and Others.

Biedronka invested a total of 233 million euros (48% of the Group's total capex), opened a total of 83 new locations.

Also in Poland, Hebe added 26 new locations to its store network.

At Pingo Doce, the investment plan reached a total of 137 million euros, including the investment in 14 new locations, five of which are managed through an agency contract and two under the innovative Pingo Doce & Go convenience concept.

Recheio opened a store in Sines, ensuring its presence in a market where there is a significant sales opportunity and where the banner was not yet present.

In Colombia, Ara opened a total of 79 stores, accelerating from the 56 openings carried out in 2015, and continued to invest in preparing its expansion, aiming to increase the pace of new stores in the future. Of the total openings, 22 were in the new region – Bogota.

	New Stores 2016	New Stores 2015	Revampings[1] 2016	Revampings[1] 2015	Closed Stores 2016	Closed Stores 2015
Biedronka	83	102	221	155	28	22
Pingo Doce	14	21	21	29	0	2
Recheio	1	0	1	2	0	0
Ara	79	56	0	0	0	0
Hebe	26	15	5	10	7	0
Other Businesses[2]	5	13	2	1	4	11

[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, Kropka Relaks, Olá, Hussel and Jeronymo Food with Friends.

Logistics remains an important area within the investment plan, reflecting the strategic importance of this area for each of the Group's business models.

Going ahead with its logistics restructuring plan in order to better address the needs of the store network, Pingo Doce invested in setting up a new Distribution Centre, which is in the final construction phase and should be inaugurated in the first half of 2017.

Refurbishing has been gaining more weight in the capex plan, being this investment essential for ensuring the quality of the store experience, the efficiency of the operation and the innovation of the value propositions, and as such, it has an important role in each banner's potential like-for-like sales growth.

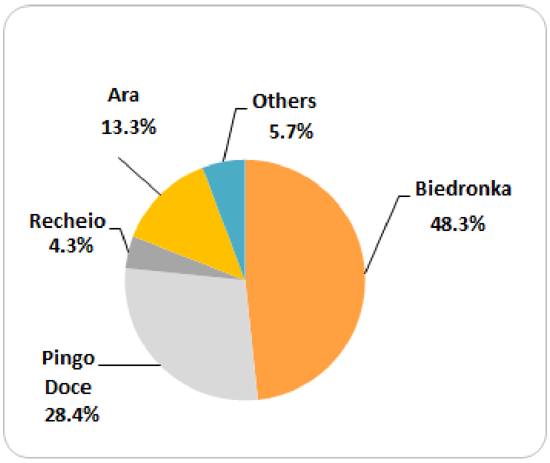
In 2016, Biedronka accelerated the number of refurbished stores to 221 (from 155 in 2015), giving the programme a more normalised pace, as in 2015 the focus on updating the assortment led to a slower pace.

Pingo Doce maintained the refurbishing plan as an important pillar for reinforcing its competitive position, having refurbished 21 stores in 2016.

Recheio completely refurbished the Torres Vedras store, preparing it to better operate Perishables.

Besides the major investment areas presented above, innovation for differentiation, outside the refurbishing programme, was also given the Group's attention, namely through the opening of Biedronka's soup factory and, within the Agro Business area in Portugal, by starting the construction of a new milk factory and the start-up of the first Aquaculture facility. At the end of the year Santa Maria Manuela, an emblematic vessel that was part of the old white fleet of Portuguese cod fishing, was also acquired.

Investment by Business Area



3.3. Consolidated Activity in 2016

3.3.1. Consolidated Sales

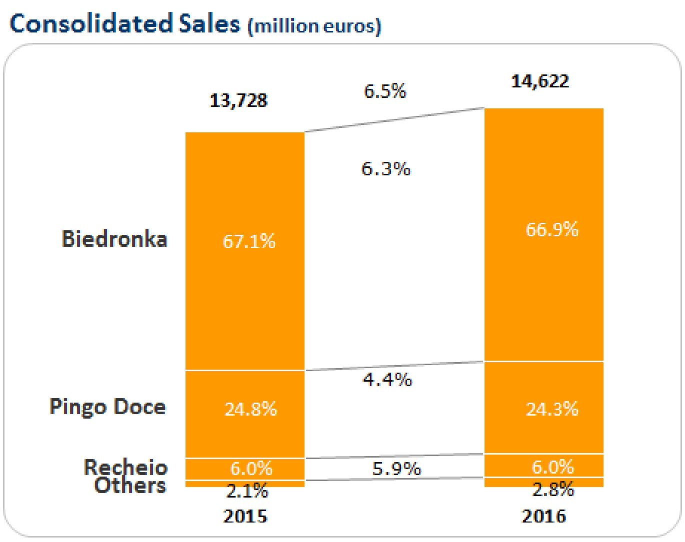
In 2016, the Group reached sales of 14,622 million euros, 6.5% ahead of the previous year (+9.8% at a constant exchange rate).

(million euros)	2016		2015		Δ %		LFL
		% total		% total	w/o F/X	Euro	
Sales & Services							
Biedronka	9,781	66.9%	9,206	67.1%	10.8%	6.3%	9.5%
Pingo Doce	3,558	24.3%	3,407	24.8%		4.4%	1.0%
Recheio	878	6.0%	829*	6.0%		5.9%	5.0%
Ara	236	1.6%	122	0.9%	110.2%	92.5%	n.a.
Hebe	122	0.8%	100	0.7%	27.5%	22.2%	n.a.
Others & Cons. Adjustments	46	0.3%	63	0.5%		n.a.	n.a.
Total JM	**14,622**	**100%**	**13,728**	**100%**	**9.8%**	**6.5%**	**7.2%**

* Restated figure from 832 published in 2015

2016 was a year of solid sales growth, which was helped by the extraordinary increase in Biedronka's turnover, which led to the Group achieving an increase in like-for-like sales of 7.2%.

The growth posted by all the banners confirms that our strategy to focus on consumer through competitive prices and reinforced attractiveness of our basket and of our shopping experience. This strategic positioning proved it can maximise the capture of the growth opportunities we see in each market where we operate.



In Poland, the competitive environment remained highly promotional, with the consumption scenario proving to be more positive than anticipated due to the increase in the minimum wage in the country and a distribution of a subsidy to families with more than one child.

This increase in disposable income, combined with the fact that Polish consumers have an innovative approach to food consumption, generated interesting opportunities to develop the food basket in the market.

With a reinforced offer and a more intense and innovative approach to commercial campaigns, Biedronka fully benefited from this favourable environment and posted a growth of 9.5% of its like-for-like sales, despite maintaining a slightly negative inflation in the basket.

The banner reached a net increase of 55 locations, having ended 2016 with a total of 2,722 stores.

Biedronka's sales increased by 6.3% in the year (+10.8% in local currency) to 9,781 million euros, leading to an increase in its market share.

Hebe, with a value proposition that is more focused on the areas of the assortment, where it wishes to differentiate, and with a communication plan in line with that positioning the banner, presented a good sales evolution throughout the year, reaching 122 million euros, 22.2% above 2015. The complete store network totalled 153 locations, 19 more than in 2015.

In Portugal, where food inflation was 0.5%, the food retail sector remained extremely competitive, with promotions playing a determining role.

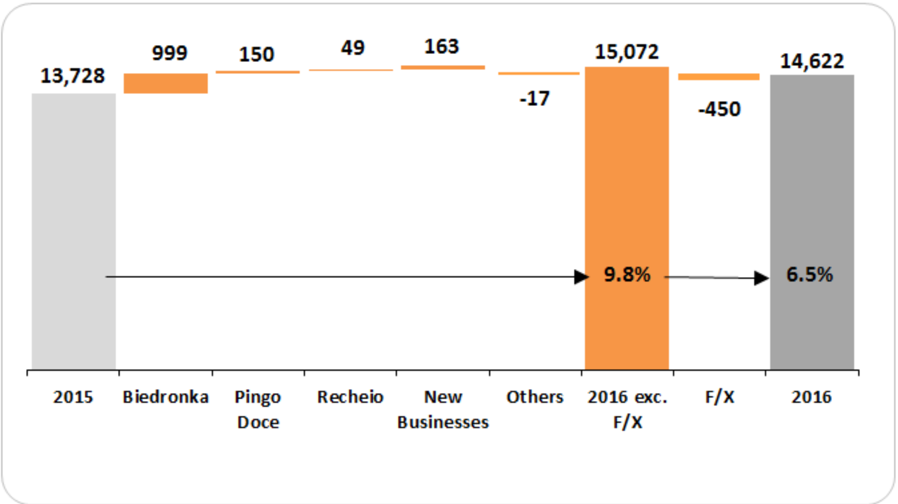
Pingo Doce maintained strong promotional dynamics, simultaneously guaranteeing quality and innovation in its Private Brand offer. The Company continued to execute its store refurbishing plan, with a view to a continuous improvement in the overall shopping experience.

Over the challenging comparison base from 2015, like-for-like sales (excluding fuel) increased 1.2% in 2016 and total sales grew 4.4%, to reach 3,558 million euros.

Recheio's sales rose 5.9% to 878 million euros. Supported by its solid competitive position, the Company benefited from the improvement that took place in the HoReCa segment as a result of the strong tourism in Portugal. Like-for-like growth in the year was 5.0%.

Ara closed the year with 221 stores in three regions of Colombia. The sales performance continued to confirm that the value proposition has been well accepted by Colombian consumers in all the regions. The banner achieved sales of 236 million euros in 2016, having more than doubled its sales in local currency compared to 2015.

Contribution to Consolidated Sales Growth (million euros)



3.3.2. Consolidated Operating Results

(million euros)	2016	%	2015	%	Δ%
Net Sales & Services	**14,622**		**13,728**		**6.5%**
Gross Margin	3,113	21.3%	2,937	21.4%	6.0%
Operating Costs	-2,251	-15.4%	-2,138	-15.6%	5.3%
EBITDA	**862**	**5.9%**	**800**	**5.8%**	**7.8%**
Depreciation	-294	-2.0%	-294	-2.1%	-0.1%
EBIT	**568**	**3.9%**	**505**	**3.7%**	**12.4%**

The priority focus on like-for-like sales growth, maintaining strict cost management, led to the main business areas posting a growth in the EBITDA generated in the year.

Consolidated EBITDA reached 862 million euros, a growth of 7.8% compared to 2015 (+11.0% at a constant exchange rate).

(million euros)	2016	% total	2015	% total	Δ %
Biedronka	707	82.1%	641	80.2%	10.3%
Pingo Doce	192	22.2%	188	23.5%	2.0%
Recheio	47	5.5%	44	5.5%	7.4%
Others & Cons. Adjustments	-84	-9.8%	-73	-9.2%	15.1%
Consolidated EBITDA	**862**	**100%**	**800**	**100%**	**7.8%**

Although inflation in the basket remained slightly negative both at Biedronka and Pingo Doce, both banners recorded a solid like-for-like sales growth, enabling them to mitigate the evolution in operating costs, especially regarding personnel expenses which increased significantly in Poland and in Portugal. As such, the Group's EBITDA margin increased to 5.9%, from 5.8% in 2015.

Biedronka posted an EBITDA of 707 million euros, an increase of 10.3% compared to 2015 (+15.1% at a constant exchange rate). This performance was the result of the strong like-for-like growth and the very strict cost management, and achieved despite the intense promotional activity carried out by the banner in 2016.

Biedronka's EBITDA margin was 7.2% (vs. +7.0% in 2015).

Pingo Doce generated an EBITDA of 192 million euros, 2.0% above the previous year. The EBITDA margin was 5.4%, a reduction from the 5.5% recorded in 2015 as a result of maintaining the intense promotional activity and of the investment in the shopping experience, namely store refurbishing.

In Recheio, EBITDA reached 47 million euros, a growth of 7.4% compared to 2015, the respective margin standing at 5.4%, up from the 5.3% recorded in 2015, driven by the solid like-for-like growth.

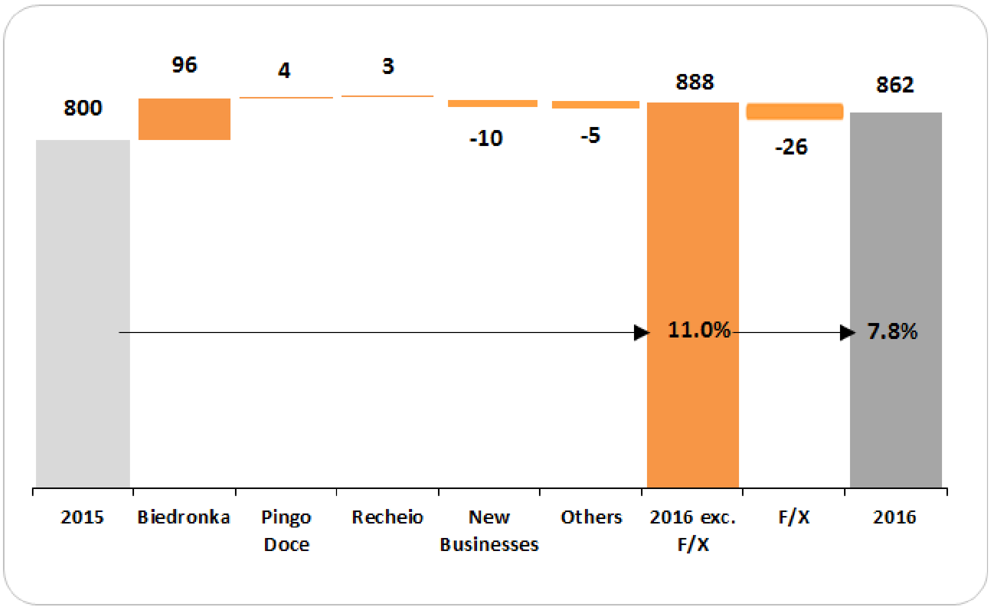
Together, Ara and Hebe posted EBITDA losses of 62 million euros, Ara having been responsible for around 76% of the total losses.

The increase of losses generated in Colombia compared with the previous year was, essentially, consequence of the decision taken by Ara's management team in the third quarter to strengthen its structure in the various teams, as a way to prepare its future growth capacity, in a sustainable manner.

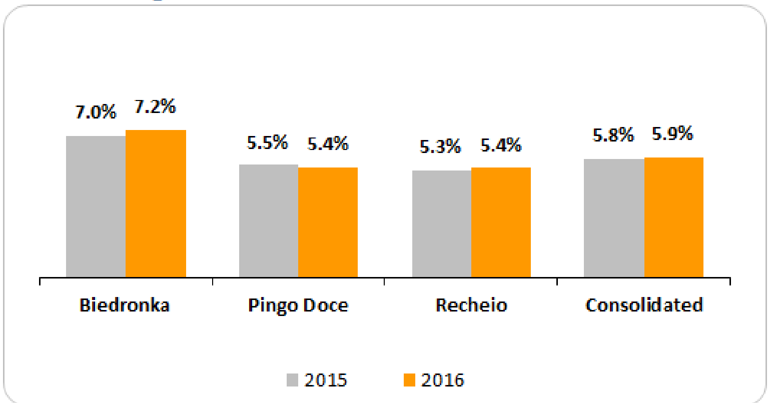
With regards to Hebe, the losses generated continued to diminish, as expected.

The sustained investment in sales growth led to a solid generation of EBITDA, while simultaneously reinforcing the competitive positions in all markets.

Contribution to Consolidated EBITDA Growth (million euros)



EBITDA Margin



3.3.3. Net Consolidated Result

(million euros)	2016	%	2015	%	Δ%
EBIT	**568**	**3.9%**	**505**	**3.7%**	**12.4%**
Net Financial Results	-17	-0.1%	-26	-0.2%	-34.5%
Profit in Associated Companies	10	0.1%	17	0.1%	-38.2%
Non Recurrent Items	184	1.3%	-20	-0.1%	n.a.
EBT	**744**	**5.1%**	**475**	**3.5%**	**56.7%**
Taxes	-130	-0.9%	-117	-0.8%	11.5%
Net Profit	**614**	**4.2%**	**358**	**2.6%**	**71.5%**
Non Controlling Interest	-21	-0.1%	-25	-0.2%	-15.5%
Net Profit attr. to JM	**593**	**4.1%**	**333**	**2.4%**	**78.0%**
EPS (€)	0.94		0.53		78.0%
EPS without non-recurrent (€)	0.62		0.55		12.8%

The Group's net result reached 593 million euros.

Excluding the contribution from Monterroio, on a comparable basis[1], the net results were 361 million euros, representing a year-on-year growth of 14.5%.

Besides the 221 million euros capital gains on the sale of Monterroio, non-recurring items incorporate the costs of restructuring in Portugal and Poland, impairment of assets in Portugal and the extension of the Group's seniority bonus plan to Poland.

Net financial costs were 17 million euros, 9 million euros lower than in the previous year due to the reduction of the average level of net debt throughout the year, as well as the decrease in average cost of debt.

The solid growth in the net result was the consequence of the sales growth, cost control and robustness of the balance sheet.

3.3.4. Cash Flow

(million euros)	2016	2015
EBITDA	862	800
Interest Payment	-14	-29
Other Financial Items	3	14
Income Tax	-177	-108
Funds From Operations	**673**	**677**
Capex Payment	-433	-394
Δ Working Capital	193	212
Others	285	-12
Free Cash Flow	**718**	**482**

Cash flow generated during the year reached 718 million euros, 236 million euros more than the previous year.

The good cash flow performance was essentially due to i. the growth in the EBITDA generated, as a result of the combination of the strong sales performance and maintenance of operational efficiency; ii strict management of working capital and iii. the sale of Monterroio.

[1] Excluding in both years the impact of Monterroio, as presented in reconciliation note number 7, in the third chapter of this report.

3.3.5. Consolidated Balance Sheet

(million euros)	2016	2015
Net Goodwill	630	640
Net Fixed Assets	3,180	3,060
Total Working Capital	-2,201	-2,001
Others	46	82
Invested Capital	**1,656**	**1,780**
Total Borrowings	335	658
Leasings	4	0
Marketable Sec. & Bank Deposits	-674	-471
Net Debt	**-335**	**187**
Non Controlling Interests	253	252
Share Capital	629	629
Retained Earnings	1,109	712
Shareholders Funds	**1,991**	**1,593**
Gearing	*-16.8%*	*11.7%*

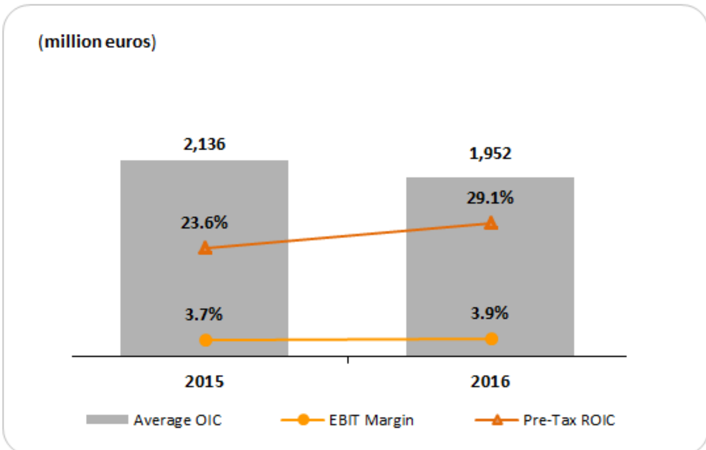
At the end of the year, the Group's net excess cash position was 335 million euros benefiting from the Monterroio sale, but also due to maintaining strict management of working capital.

The robustness of the balance sheet has been reinforced in the year in which dividends payment to Group's Shareholders was 167 million euros and investments of 482 million euros were made.

3.3.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, stood at 29.1%, an increase compared to the 23.6% recorded in 2015.

Pre-Tax ROIC



The Group's like-for-like growth in sales (+7.2%) and the disciplined management of investments and working capital were the reason for the improvement in capital turnover and enabled a positive return on invested capital to be achieved.

The increase in the turnover of invested capital in the three main business areas - Biedronka, Pingo Doce and Recheio – combined with the increase in Biedronka's EBIT margin, were the drivers of this performance, which reflects the improvement in the Pre-Tax ROIC of the above three business areas.

3.3.7. Debt Breakdown

At the end of the year, the Company had an excess liquidity resulting in a negative net debt of 335 million euros compared to a net debt of 187 million euros in 2015.

The new debt issued during 2016 was related with Colombia, in order to cover investment needs in that country, thereby mitigating the investment's exposure in terms of foreign exchange.

(million euros)	2016	2015
Long Term Debt	**112**	**534**
as % of Total Borrowings	*33.3%*	*81.2%*
Average Maturity (years)	*3.5*	*2.4*
Bond Loans	0	150
Commercial Paper	0	100
Other LT Debt	112	284
Short Term Debt	**224**	**123**
as % of Total Borrowings	*66.7%*	*18.8%*
Total Borrowings	**335**	**658**
Average Maturity (years)	*1.6*	*1.9*
Leasings	4	0
Marketable Securities & Bank Deposits	-674	-471
Net Debt	**-335**	**187**
% Debt in Euros (Financial Debt + Leasings)	44.2%	47.4%
% Debt in Zlotys (Financial Debt + Leasings)	27.8%	40.4%
% Debt in Pesos (Financial Debt + Leasings)	27.9%	12.2%

3.3.8. Jerónimo Martins in the Capital Markets

Shares 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 66 indices, the most relevant being the PSI20 (the reference index of the Euronext Lisbon), the Euronext100 and the EuroStoxx index, among others, and are traded on 37 different platforms, mostly in the main European markets.

Capital Structure

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

PSI20 Performance

After increasing in value by 10.7% in 2015, the PSI20, the reference index in the Portuguese market, closed 2016 devaluing 11.9% to 4,679.20 points, having recorded the most significant drop among the European indices.

The index started the year with 17 securities, having 18 once again at the annual review in March 2016. Teixeira Duarte and Impresa were excluded from the index and Montepio, Sonae Capital and Corticeira Amorim were included.

The PSI20 was noted for the losses at the beginning of the year, with investors showing fears about the weak economic growth, which mostly penalised the euro periphery, about the banking problems and the possible withdrawal of incentives as from 2017, with a negative impact on national debt. Of the 18 companies listed on the PSI20, 12 posted a negative performance. Positive performances were seen by Sonae Capital (+46.7%), Corticeira Amorim (+42.9%), Galp Energia (+32.4%), Jerónimo Martins (+22.9%), Semapa (+5.6%) and Banco BPI (+3.7%).

June was the month with the biggest drop of the year (-10.2%) for the PSI20. On June 23rd the United Kingdom voted in favour of leaving the European Union (Brexit). The stock exchanges had a negative reaction, however July brought a recovery and the PSI20 followed the positive trend of the other stock markets, increasing in value by +6.6%, in what was the index's best month.

Stoxx600, the reference index that encompasses the 600 biggest listed European companies, ended the year with the first overall negative balance in five years, posting a cumulative loss of 1.2%. The sectors that most contributed towards the index's performance were mining (+62.0%) and oil and gas (+22.9%). Preventing the Stoxx600 from a greater increase in value was the telecommunications sector (-15.9%).

The Portuguese stock market index was below the main European indices, whilst the FTSE100, the DAX30 and the AEX were the indices with a better performance during the year, having increased in value 14.4%, 11.6% and 9.4% respectively.

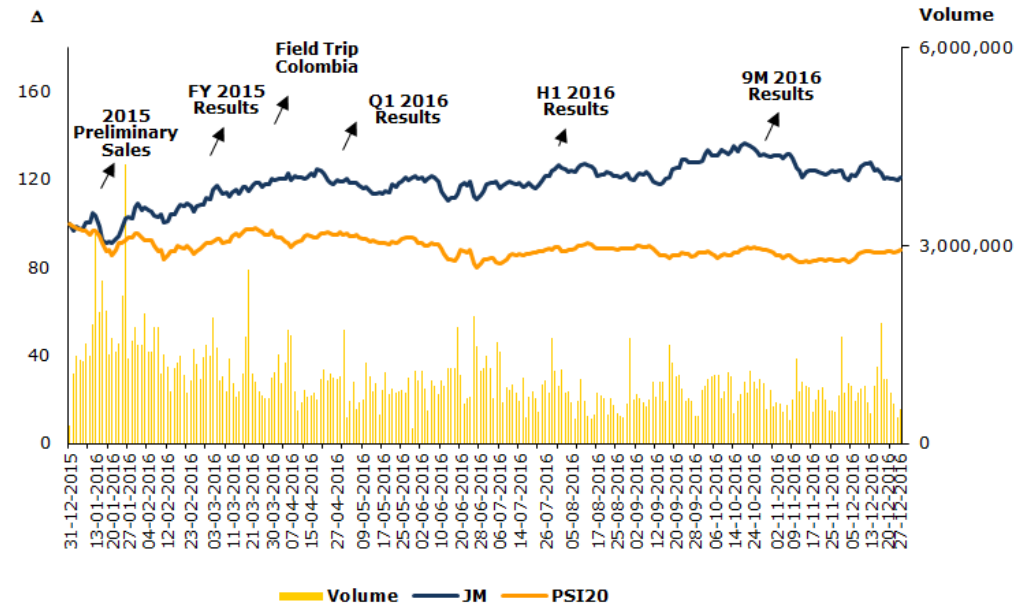
Jerónimo Martins Share Price Performance

After increasing in value by 43.9% in 2015, Jerónimo Martins shares posted a 22.9% increase in value in 2016.

According to the Euronext Lisbon, in 2016 Jerónimo Martins was the Portuguese company with the third highest market capitalisation, having closed the year with a relative weight of 13.7% in the PSI20. The Group closed 2016 with a market capitalisation of 9.3 billion euros versus 7.5 billion euros at the end of 2015. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext100 index, with a weight of 0.4% (0.3% in 2015).

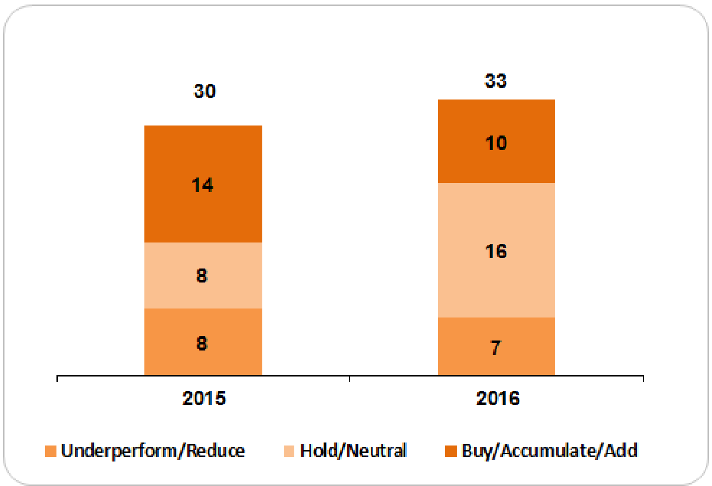
Jerónimo Martins' shares were among the most traded on the Euronext Lisbon, with around 250 million shares traded, meaning a daily average of one million shares, at an average price of 14.239 euros (20.3% higher than that recorded in 2015). In terms of turnover, these shares represented the equivalent of 16% (3.5 billion euros) of the overall volume of shares traded on the PSI20 index in 2016 (21.7 billion euros).

Jerónimo Martins' shares showed a positive trend during the most part of the year, having recorded a minimum price of 10.92 euros on January 18th and a maximum price of 16.35 euros on October 19th. Throughout the year, except in January, the performance of Jerónimo Martins' shares remained above the PSI20, ending 2016 with a price of 14.74 euros, which represents a 22.9% increase in value compared to the end of 2015.



Analysts

In 2016, five investment companies began covering Jerónimo Martins (BiG, Deutsche Bank, Intermoney Valores, Invest Securities and Millennium Dom Maklerski) and another four stopped covering this stock (Macquarie, MainFirst Bank, Natixis and Nomura). At the end of the year, 33 analysts were covering Jerónimo Martins: 10 analysts issued a positive recommendation on the security, 16 issued a neutral recommendation and seven issued a negative recommendation. At the end of 2016, the average target price of the analysts was 15.41 euros, which corresponded to a potential rise compared to the closing price on December 31st of 4.5%.



Jerónimo Martins Financial Performance 2012-2016

(million euros)

	2016	2015	2014	2013	2012
Balance Sheet					
Net Goodwill	630	640	640	648	655
Net Fixed Assets	3,180	3,060	2,940	2,810	2,557
Total Working Capital	-2,201	-2,001	-1,778	-1,686	-1,615
Others	46	82	111	112	99
Invested Capital	**1,656**	**1,780**	**1,912**	**1,885**	**1,695**
Net Debt	-335	187	273	346	321
Total Borrowings	335	658	714	688	660
Leasings	4	0	1	6	18
Accrued Interest	0	0	4	20	15
Marketable Securities and Bank Deposits	-674	-471	-446	-368	-372
Non Controlling Interests	-335	187	243	236	251
Equity	1,738	1,342	1,396	1,304	1,122
Income Statement					
Net Sales & Services	**14,622**	**13,728**	**12,680**	**11,829**	**10,683**
EBITDA	**862**	**800**	**733**	**777**	**740**
EBITDA margin	5.9%	5.8%	5.8%	6.6%	6.9%
Depreciation	-294	-294	-277	-249	-221
EBIT	**568**	**505**	**457**	**528**	**518**
EBIT margin	3.9%	3.7%	3.6%	4.5%	4.9%
Financial Results	-17	-26	-34	-39	-30
Profit in Associated Companies	10	17	15	19	13
Non Recurrent Items [1]	184	-20	-9	-4	-19
EBT	**744**	**475**	**429**	**503**	**483**
Taxes	-130	-117	-104	-111	-116
Net Income	**614**	**358**	**325**	**393**	**366**
Non Controlling Interests	-21	-25	-23	-10	-6
Net Income attributable to JM	**593**	**333**	**302**	**382**	**360**

[1] Non Recurrent Items include the Exceptional Operating Losses and Gains in Others Investments as presented in the Income Statement by Functions and detailed in the notes to Consolidated Accounts.

	2016	2015	2014	2013	2012
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	29.7%	31.7%	26.9%	32.0%	27.2%
EPS (€)	0.94	0.53	0.48	0.61	0.57
Dividend per share (€)	0.27	0.62 *	0.31	0.30	0,51**
Stock Market Performance					
High (€)	16.35	13.81	14.25	18.47	15.62
Low (€)	10.92	7.70	6.98	13.61	11.87
Average (€)	14.24	11.84	10.94	15.51	13.71
Closing (End of year) (€)	14.74	12.00	8.34	14.22	14.60
Market Capitalisation (31 Dec) (€000.000)	9,276	7,548	5,245	8,945	9,188
Transactions (volume) (1,000 shares)	251,292	344,797	274,146	202,709	157,916
Annual Growth	22.9%	43.9%	-41.4%	-2.6%	14.2%
Annual Growth - PSI20	-11.9%	10.7%	-26.8%	16.0%	2.9%

* 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.

** The value refers to the payment of a gross dividend of 0.275 euros per share, on April 30, 2012, regarding the distribution of 2011 results and to the distribution of free reserves corresponding to a gross dividend of 0.239 euros per share, paid on December 31, 2012.

4. Performance of the Business Areas

4.1. Food Distribution

4.1.1. Biedronka

Message from the Managing Director

2016 was a year of important achievements. With regard to the team, we worked on alignment and trust and developed a strong group spirit, which enabled us to transform the organisation, particularly with regard to operations, with a view to preparing Biedronka for new challenges.

We established new, more competitive commercial dynamics, with all the teams demonstrating a high level of flexibility, ambition and creativity. The goals were clearly defined and we managed to serve our increasingly discerning consumers even better, and gain market share.

We developed our assortment and brought innovation to the market and, above all, we surprised our consumers with new promotional activities and with a major loyalty initiative, which enabled systematic communication between the Company and the consumers.

Biedronka proved that it is capable of quickly adapting and continuing on the success path it has been creating. We are proud of our employees who have proven to be capable of adapting and facing new challenges, through methodical organisation and great resilience, in order to continue to be the consumer's first choice in the Polish Food Retail market.

2016 Performance

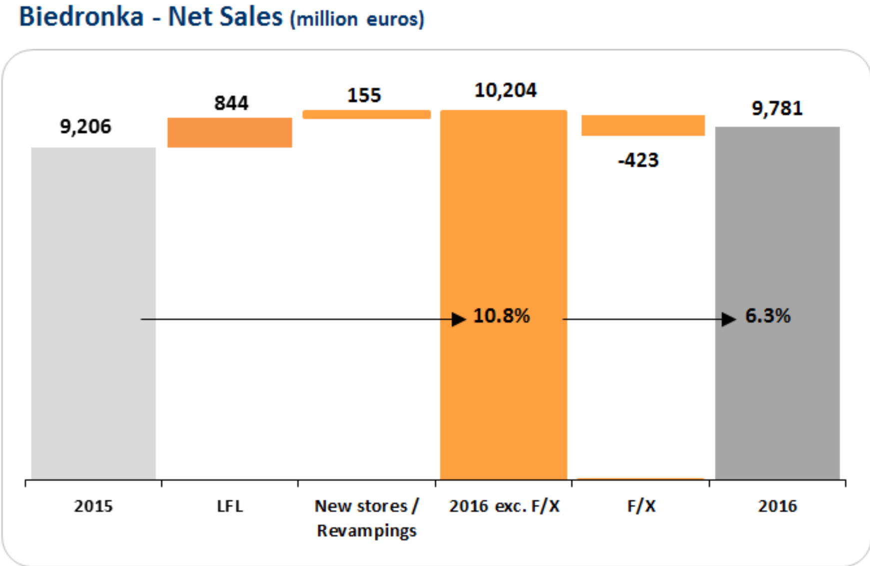
In Poland, the increase of the minimum wage and the allocation of subsidies to families with more than one child provided a favourable consumer environment, which was also reflected in terms of Food Retail's positive performance, while there is still fierce competition focused on promotions.

At Biedronka, 2016 began under a new leadership in order to consolidate the changes initiated in 2015, maintaining additional focus on the consumer. With sales as the main priority, the Company aimed to capture the potential that it identifies in the value of the shopping basket in order to achieve an increase in like-for-like and strengthen its position in the Polish market.

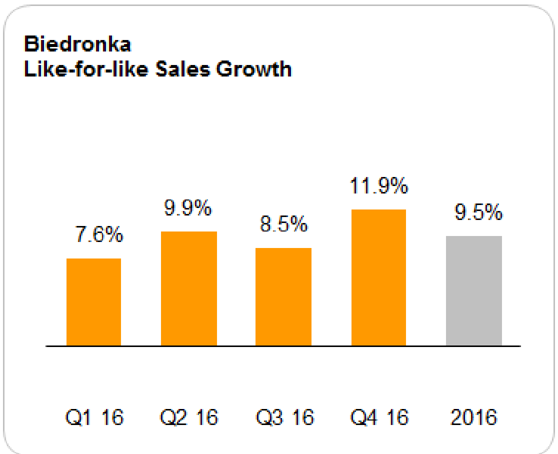
Taking into account these objectives, the first measure implemented consisted of reorganising the operations, enabling the respective structure to be simplified and efficiency to be increased, namely regarding the Supply Chain or the Technical and Expansion areas.

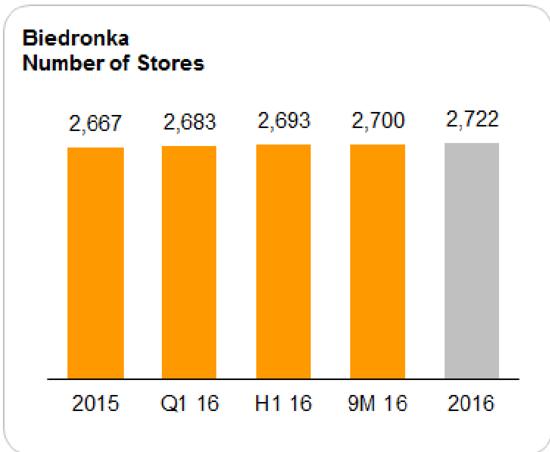
Biedronka continued to consolidate the review of the assortment, which began in 2015, promoting a more integrated approach and, therefore being more streamlined in adapting to the needs and aspirations of an increasingly discerning consumer.

In 2016, sales increased by 6.3% to 9,781 million euros (+10.8% in local currency), with a 9.5% like-for-like during the year, mainly driven by the evolution of the average basket and greater relevance in the categories of Specialised Perishables, given the strong investment that the Company has been making and also as a result of the strong commercial dynamics implemented throughout the year.



Biedronka opened 83 stores during 2016, resulting in a net increase of 55 locations, ending the year with 2,722 stores. Among the 28 stores closed, 15 were to replace old stores or smaller ones, in order to better serve the target public.





In order to improve the customer shopping experience and to maintain the standards of quality in the stores, throughout the year the Company refurbished 221 stores, and, whenever possible, increased the sales area to give greater visibility to some key categories, namely Fruit and Vegetables, Wine and Cosmetics.

The food in & outs campaigns played an important role in enhancing the value proposition offered to consumers, contributing towards the positive evolution of the basket and towards strengthening the relevance of Biedronka in the market.

Also worth highlighting in 2016 is the launch of the "Moja Biedronka" loyalty card in September. This will enable the Company to have a closer communication with the consumers and at the same time direct promotions to increase customer loyalty to the banner. In the last quarter of the year, strong commercial activity linked to the use of the card enabled it to significantly increase its penetration.

Within a strategy geared towards serving the consumer with innovation and efficiency, the opening of the Fresh soup factory should be mentioned, which enabled the launch of nine varieties of high quality soup, sold exclusively in all Biedronka stores at very competitive prices.

Biedronka remained strongly focused on cost control and the permanent search for efficiencies gains at an operational level, in order to counter the pressure regarding the increase in staff costs, the Company's EBITDA margin having reached 7.2% a rise over the 7.0% registered in 2015.

4.1.2. Pingo Doce

Message from the Managing Director

In 2016, even though price continued to be the main factor to be taken into account by Portuguese households when choosing the store to do their shopping, Pingo Doce grew above the average market for the fifth consecutive year, increasing its market share and its leading position in consumers' preference.

This is the result of an intense promotional dynamic, improving the shopping experience – with the refurbishing of 21 stores – and an investment in strengthening Pingo Doce's strategic pillars.

Celebrating its 25th anniversary, the Private Brand maintained its momentum of innovation, with the launch of 221 new references, and is the banner that consumers consider to have the best quality products.

In the Meal Solutions area, Pingo Doce posted a remarkable growth as a partner of Portuguese households for convenient food solutions, especially during the Christmas season, when it more than doubled its orders.

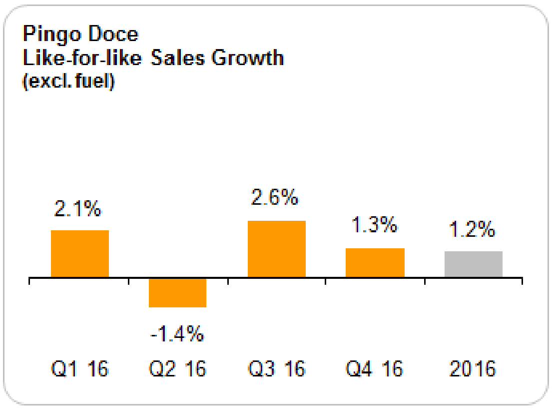
In 2016, Pingo Doce consolidated its position as a specialist in Fresh Produce, with Perishables gaining weight in the total sales.

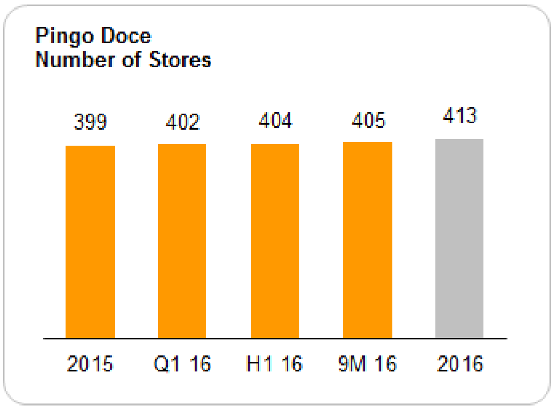
As such, Pingo Doce has proven to be well prepared to continue to address the needs of Portuguese consumers, in a competitive and increasingly demanding market.

2016 Performance

In 2016, Pingo Doce successfully coped with the challenge of increasing its sales, even compared with the excellent performance recorded in 2015.

On the other hand, throughout the year, there was a strong increase in the installed capacity in proximity modern retail, with several players concentrating their efforts on opening stores.

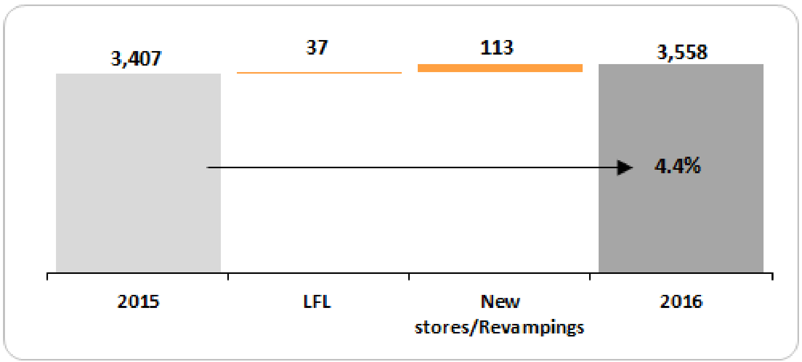




The Company itself opened 14 stores during the year, five of which with a third-party management system and two stores in the new Pingo Doce & Go concept, set up in BP petrol stations.

Sales increased by 4.4%, 1.0% (including fuel) in the same store network, which enabled Pingo Doce to strengthen its market share, despite the deflation registered in the basket.

Pingo Doce - Net Sales (million euros)



2016 marked the 25th anniversary of the Pingo Doce Private Brand. This was celebrated with a television campaign and exclusive promotions to leverage the reputation of its products and associate its quality to low prices. During the year, 221 Private Brand products were launched.

In terms of communication, the Company simultaneously invested in weekly leaflets and leaflets dedicated exclusively to Fresh products. The weekly leaflets were one of the most prevalent communication tools, with increasing importance for consumers in recent years - whether in hard or digital format. Its active role in the consumer's journey, influencing both the shopping location and the choice of what to buy, imposes the need for renewal and continuous improvement.

Remaining focused on Perishables, various actions were carried out, with particular emphasis on the differentiating offer, at more affordable prices, of *angus* beef and on the development of new pastries, recovering traditional Portuguese recipes.

Pingo Doce's EBITDA margin stood at 5.4%, compared to 5.5% registered in 2015, in a year marked by a social and economic environment that brought greater pressure in terms of costs and which forced the Company to strengthen its efficiency, in order to minimise that pressure, as well as the impact of the continuous investment in price.

4.1.3. Recheio

Message from the Managing Director

2016 was a historic year for Recheio. Continuing the work of previous years, it has hit sales records, while maintaining a sustained and above-market growth with progress in all its strategic areas. The continuous focus on process improvement and customer service has led to the development of a logistic operation in the region of Leiria. The commitment with renovation made Recheio become the first Cash & Carry with an online store in Portugal. It has opened a new store in Sines, which reinforced the presence of Recheio in terms of presence in the country. The Exports and Food Service businesses have grown significantly and the Amanhecer project totalled 285 stores at the end of the year, being a certainty in the Retail scenario in Portugal.

2016 Performance

Recheio sales increased by 5.9% in 2016, driven by growth in all segments in which it operates: HoReCa, Traditional Retail and Exports channels.

The HoReCa channel was the one registering higher growth, driven mainly by the increase of tourism in Portugal. Also regarding Traditional Retail, Recheio managed to increase its sales, although this segment registered a decrease in the country. With regard to Exports, Recheio managed to increase sales, either by enlarging the number of countries to which it exports, or by the growing number of customers.

In 2016, Recheio opened a new store in Sines, introducing a more efficient and innovative concept regarding the use of energy resources. It has further strengthened its focus on the HoReCa channel with the remodelling of one store, to which the Meat and Fish areas were added, in order to reinforce the Recheio position as a specialist in Perishables category.

Regarding the Amanhecer project, 36 stores were added to the network, ending the financial year with 285 partner stores.

In order to respond to the increased customer demand for distribution services, a logistic operation was developed in Leiria and a *Transport Management System* was implemented in 11 Recheio stores. These developments have allowed the increase of the efficiency of operations and the improvement of the customer service level.

In 2016, progress was also made with the *online* presence, through an innovative proposal in the *Cash & Carry* area in Portugal, since there was no operator working in this channel. First months of operation have proved to be interesting, attracting new customers, increasing brand awareness, developing new means to target clients and streamlining communication with international clients.

Throughout the year, Recheio maintained the focus on Private Brand and launched 160 products, increasing its sales by 6.1%.

In order to continue its growth, also through the development and valorisation of employees, Recheio launched the 2nd edition of General Store Management Programme, as well as the 1st edition of the Executive Management Programme for Managers and Sales Academy.

Recheio managed to increase its EBITDA margin by 10 basis points to 5.4% in 2016, despite strong investment in price and promotional initiatives that were carried out.

4.1.4. Ara

Message from the Managing Director

2016 left a positive mark on our operation in Colombia, which achieved two important objectives:

1. market leadership in the Coffee Growing Region - after three years of operation, we are market leaders in this region, reaching a market share in excess of 22%. This is without a doubt a strong sign that the Colombian consumer values our proximity business model, based on competitive prices, with an offer of quality and variety in the Private Brand and a warm customer service.

2. start of operations in Bogota - following the Coffee Growing Region and the Caribbean Coast, in September, we entered in the third region - Bogota. This region has a population of more than 14 million inhabitants, representing around 40% of the country's GDP. As in the first two regions, here we also have an assortment adapted to the characteristics and preferences of the local consumer, namely a wider offer.

All this was only possible both because we are able to listen to and understand the consumer in each region and therefore carry out the necessary adjustments to our project and assortment, and because we have a very determined and dedicated team, that gives its very best every day to serve and satisfy our customers.

We believe we are building a solid project, which in the near future will be relevant for the Jerónimo Martins Group and recognised and appreciated by the Colombian people.

2016 Performance

After three years of operation, Ara has reached a leading position in the Coffee Growing Region, and is one of the main modern retailers in that region, thus confirming the Colombian consumers' recognition and awareness of the Ara brand.

2016 was once again a historic milestone for the operation in Colombia, with the entry into Bogota, the Company's third operating region. Expansion continues to be a priority and Ara network ended the year with 221 stores.

Currently, Ara has 102 stores in the Coffee Growing Region, 97 stores in the Caribbean Coast and 22 stores in the Bogota region.

The Private Brand assortment, which already has more than 500 references, is an important feature of differentiation and growth pillar, achieving over 37% of sales. In order to guarantee service levels, as well as sustainability in the supply chain, Ara extended its range of Private Brand suppliers, which increased more than 50% in the last year, thereby managing to improve the quality of its products and strengthen the ability to supply its stores more efficiently.

Ara remained focused on operational efficiency, placing a priority on developing operational and logistics projects, where of particular note is the implementation of the Transport Management System. This tool will allow optimizing the entire transport operation and management system, reducing costs and enabling processes at a logistics level to be better planned. Cost efficiency continues to be crucial for the Company's profitability evolution, as well for its price leadership.

During the year, Ara launched weekly themed campaigns – "El Rebajón" – and improved communication in the stores, through leaflets and in-store prizes dynamics, maintaining continuous dialogue with the consumers.

In the second half of the year, the Company started reinforcing its teams, in order to achieve stronger presence in the Colombian market, with a greater ability to rise to the challenge of growth that the banner has set itself for the next years.

4.2. Agro Business

4.2.1. Jerónimo Martins Agro-Alimentar (JMA)

Message from the Managing Director

2016 was the second year of activity of JMA, the main purpose of which is to ensure the protection of sources of supply for the Group, thus ensuring a differentiated offering in categories considered crucial to the food distribution chains. Last year, JMA extended its activity to Aquaculture with the setting up of Sociedade Seaculture, dedicated to the production of sea Bass in Sines, and the setting up of Sociedade Marismar, for the production of sea Bream in Madeira, in partnership with a local operator. In June 2016, we started the construction of a new Dairy Product factory in Portalegre, after a long process of obtaining the necessary licenses. In the current factory, we optimized efficiency by more than 20% in order to meet the needs of our Private Brand of UHT Milk for Pingo Doce. The angus operation in the North of the country has already ensured 20% of the sales of Pingo Doce for this product, and JMA is preparing to extend this production to other locations.

2016 Performance

JMA ended the year 2016 with a strong presence in three areas of operation: Dairy Products, Production of angus beef cattle and Aquaculture.

In the area of Dairy Products, 2016 was a year dedicated to operational improvements, optimization of the existing factory, reorganization of teams, training of employees and adapting information systems. The current Dairy Products factory significantly improved its efficiency and its processed milk production, with a significant increase in its production volume.

2016 also saw the start of the construction of the new Dairy Products factory, which will substitute the present one and enable production capacity to triple.

In the area of angus production, various measures were implemented to maximize the production capacity of the unit at Manhente (Barcelos). The introduction of new technologies has enabled significant improvements in environmental conditions and animal welfare, as well as increasing overall levels of efficiency. JMA also established an agreement with local producers, to supply food for the animals, thereby ensuring the desired standards of quality, and strengthening the relationship with local communities.

Given that the main objective of protecting the supply sources for differentiated products, in order to guarantee the internal needs of the Group in terms of competitive cost, efficiency and quality, in July, JMA started its Aquaculture project, thus fulfilling one of the major objectives set for 2016. The project currently consists of a partnership on the Madeira Island, for the production of sea bream, and the concession in the Port of Sines, where, with the setting up of the Sociedade Seaculture, began the production of sea bass.

4.3. Specialized Retail

4.3.1. Hebe

Message from the Managing Director

For Hebe, 2016 was a year of strong performance through the consolidation of our business model, marked by openings and refurbishing. Hebe ended the year with 153 locations throughout the country.

Over the course of the year, we concentrated on implementing the main strategic lines: i. to guarantee an assortment with relevance for the consumer strongly focused on brands sold exclusively at Hebe, in order to reinforce differentiation; ii. to maintain price competitiveness in a highly competitive market environment for the discerning Polish consumer; iii. to increase the focus on digital through strong campaigns on social networks and the loyalty card; iv. to expand internal capacity in order to accelerate and gain scale in the coming years.

2016 Performance

Hebe's main performance indicators continue to record a positive evolution, with the team focused on the set objectives. In 2016, Hebe opened 26 new stores and posted a sales volume of 534 million zlotys, mostly as a result of the increase in the number of customers.

This sales momentum was reflected in the market share evolution, Hebe being the chain with the highest growth in the Polish Health and Beauty and Personal Care markets.

With the objective of enhancing sales performance and brand awareness, seasonal campaigns took place throughout the year related to Valentine’s Day, Women's Day, Easter, Christmas and New Year.

A new category management approach was developed as a way of leveraging consumption opportunities, optimising sales and margins.

In order to increase the efficiency of the operation and service levels to the stores, measures were introduced in the stores and warehouses, with new solutions being implemented for goods-in and replenishment. The launch of an e-learning platform also helped to strengthen the quality of service provided to customers.

Hebe's loyalty programme has nearly reached two million members, 90% of whom are women. Close to 60% of the Company's total sales are made to customers who are holders of the loyalty card, showing the relevance of this programme, which still has room for development.

The new store concept has been very well accepted by the consumer and that was reflected in the financial indicators, as for the second year running the Company managed to reduce its operating losses.

4.3.2. Jeronymo and Hussel

Message from the Managing Director

In 2016, despite the macroeconomic situation in the country, JMRS' performance once again exceeded our expectations, namely in terms of results.

Jeronymo proved the resilience of its value proposition, having achieved double digit like-for-like growth in the second half.

Hussel launched its 5th generation store concept, which was very warmly welcomed by its customers.

2016 Performance

In 2016, the Company's sales increased compared to the previous year, with a like-for-like growth in both the Hussel (1.2%) and Jeronymo (8.7%) banners.

Jeronymo inaugurated two new stores in the centre of Oporto, in the S. Bento Railway Station, classified as a national monument, and in the recently renovated Rua das Flores, thereby strengthening its presence in highly renowned locations.

The Company carried out various promotional initiatives, notably a pop-up store in Lisbon, in the Museu da Cidade, as well as the Children's Day initiative in partnership with Museu da Misericórdia do Porto.

In 2016, the Jeronymo coffee shops consolidated its offer with an assortment of exclusive recipes and products better adapted to Portuguese taste. During the year, various themed campaigns took place, with communication at the point of sale and on Facebook, among which the initiative on Valentine's Day and the Christmas campaign are highlighted.

In 2016, Hussel presented the market with its 5th generation store in the Amoreiras and Alegro Shopping Centres. It developed a more modern concept in its business sector, proving its ability to reinvent itself.

In marketing terms, Hussel continued to invest in the innovation of its portfolio with regard to regular campaigns (Valentine's Day, Easter and Christmas) and also created new campaigns, such as Back to School and Autumn, as a way of boosting the softer sales seasons.

An institutional line of new packaging was also launched and in-store decoration and communication were improved, focusing on information about allergens.

5. Outlook for 2017

Outlook for the Jerónimo Martins Businesses

Jerónimo Martins will keep adopting a prudent financial stance in order to maintain a solid balance sheet and to maximise the return on its assets. The Group believes that its businesses have the adequate 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.

Biedronka

In 2017, Biedronka will keep sales growth in the same store network as a top priority, while at the same time it will continue to invest in opening stores in locations it considers to be important, in order to strengthen its position in the Polish market. The Company also intends to open a new Distribution Centre and will maintain its refurbishing plan in order to modernise and adapt the stores to the highest operating standards.

Simultaneously, the Company intends to continue expanding its base of loyalty card holders and will continue to invest in strengthening the presence of the Private Brand as a differentiating factor, by reviewing the assortment and packaging.

The Company intends to adopt technologic solutions that enable it to achieve greater levels of efficiency and provide support to product management in the stores.

Although it is anticipated that, in the current social and economic environment the pressure will remain on the sector's cost structure, Biedronka will stay focused on obtaining gains in efficiency, enabling it to have a balanced management of its operating profitability.

Hebe

In 2017, Hebe wants to consolidate the investments into a single value proposition, through a differentiating assortment with very competitive prices, while always remaining focused on service and on the shopping experience, being present in locations with greater consumer traffic.

The Company will be focused on consolidating its margin mix, on increasing productivity and on cost efficiency. The expansion plan will continue to be an important driver to gain scale and also to increase awareness of the brand.

Pingo Doce

In 2017, Pingo Doce will remain focused on continuing its expansion, investing in proximity locations and in refurbishing stores in order to ensure the quality of the shopping experience and the store environment.

During the first half of the year, it will open the new Distribution Centre in the North of the country, which will enable the restructuring of Pingo Doce logistics to be continued and, in the mid-term, to boost gains in efficiency.

Given that it is anticipated that promotions will remain very important to consumers, right from the start of the year, Pingo Doce will invest in a new line of communication, that will link television and leaflets. Putting the emphasis on the employees in the different sections, who, with their competence and dedication, make a difference in the daily life of the stores. The new leaflets will be designed to meet the preferences and needs of our customers, also enhancing the quality of our products.

Recheio

In 2017 Recheio plans to open a new store in the North of the country, investing in the proximity with its customers. It will also remodel another store, in order to improve the shopping experience and its customer service and to develop the Perishable category, an area where the Company pretends to be an expert. Focus will also be on the expansion of the partnership with Traditional Retail and continue to contribute to the development of the Amanhecer chain.

Identified as the main drivers of Recheio's sale growth, *Food Service* and Exports areas will continue to evolve and consolidate in 2017.

At the same time, Recheio will continue to develop its information systems to simplify processes and strengthen relations with its customers.

Ara

In 2017, Ara plans to accelerate its expansion. Within this context of rapid growth, the recruitment, selection and training of future employees will be a priority, in order to reinforce the structure to address the business needs.

As far as expansion is concerned, the Bogota region will be the main priority for 2017, planning the opening of new sub-regions within this region. From a logistics point of view, this expansion will mean implementing new Distribution Centres.

With regard to the Private Brand, Ara aims to continue investing in launching new, innovative, differentiating products, attracting more suppliers to keep up with its pace of growth, and boosting the increase of its weight in the Company's sales.

Jeronymo & Hussel

In 2017, both banners will continue to be focused on the store operation and commercial dynamics as means of ensuring effective, permanent dialogue with their consumers.

Jeronymo will go ahead with identifying potential locations of interest for the opening of new stores and Hussel will invest in refurbishing some of its stores, adapting them to the new concept.

Agro Business

In 2017, it is envisaged that all of JMA's areas of operation will expand: i. building of the new Dairy Products factory, reinforcing efficiency and innovation in this area; ii. expansion of production of Aquaculture, on the Madeira Island and in other locations, for the production of sea bream and sea bass, and potentially other key species for the Group; and iii. increase the production of national angus in new operations.

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 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.

In accordance with the above-mentioned directives, in relation to the 2015 fiscal year, the gross dividend allocated to shareholders was 0.265 euros per share, paid in May 2016.

8. Results Appropriation Proposal

In the financial year 2016, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 593,218,203.38 euros and a profit in individual accounts of 350,645,129.42 euros.

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

- Legal Reserve .... 4,837,263.38 euros
- Free Reserves .... 169,045.04 euros
- Dividends .... 345,638,821.00 euros

The Board of Directors also proposes to Shareholders the distribution of free reserves in the amount of 34,563,882.10 euros, in addition to the referred distribution of profits for the year.

The proposed distribution of profits for the year and free reserves represents a **gross dividend payment of 0.605 euros** per share, excluding own shares in the portfolio, corresponding to a dividend yield of 4.1% on the close share price in 2016, which was 14.74 euros.

Lisbon, 21 February 2017

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 31.12.15		Increases during the year		Decreases during the year		Held on 31.12.16	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Alan Johnson [1]	30,075	-	-	-	-	-	n.a.	-
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) [2]	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 [3]	-	-	-	-	-	26,455 [3]	-
Nicolaas Pronk [1]	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [4]	31,464,750	-	-	-	-	-	n.a.	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

[1] Ceased duties as Director on 14 April, 2016.
[2] Sociedade Francisco Manuel dos Santos, B.V.
[3] Of which 1,500 shares held by spouse.
[4] Asteck, S.A.

Statutory Auditor

As at 31 December 2016, the Statutory Auditor PricewaterhouseCoopers & Associados, SROC, Lda., 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 2016.

List of Qualifying Holdings as at 31 December 2016

(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%
Aberdeen Asset Managers Limited Directly	31,482,477	5.003%	31,482,477	5.003%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
Genesis Asset Managers, LLP Directly	12,659,067	2.012%	12,659,067	2.012%

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.

III.

Consolidated Financial Statements

JERÓNIMO MARTINS

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	December 2016	December 2015	4th Quarter 2016	4th Quarter 2015
Sales and services rendered	3	14,621,738	13,727,960	3,883,514	3,553,372
Cost of sales	4	(11,508,992)	(10,790,486)	(3,045,356)	(2,784,611)
Gross profit		**3,112,746**	**2,937,474**	**838,158**	**768,761**
Distribution costs	4	(2,307,621)	(2,209,519)	(614,834)	(572,892)
Administrative costs	4	(237,555)	(222,795)	(63,105)	(57,529)
Exceptional operating profits/losses	4	(31,994)	(19,053)	(12,102)	(11,605)
Operating profit		**535,576**	**486,107**	**148,117**	**126,735**
Net financial costs	6	(17,356)	(26,497)	(4,964)	(6,790)
Gains in joint ventures and associates	13	10,271	16,608	(1)	1,998
Gains on disposal of business	7	220,678	-	(3,318)	-
Gains/ losses in other investments		(4,974)	(1,423)	(1,392)	(1,423)
Profit before taxes		**744,195**	**474,795**	**138,442**	**120,520**
Income tax	8	(129,969)	(116,587)	(44,392)	(34,064)
Profit before non-controlling interests		**614,226**	**358,208**	**94,050**	**86,456**
Attributable to:					
Non-controlling interests		21,008	24,866	2,414	5,338
Jerónimo Martins Shareholders		**593,218**	**333,342**	**91,636**	**81,118**
Basic and diluted earnings per share - Euros	19	0.9440	0.5304	0.1458	0.1291

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	December 2016	December 2015	4th Quarter 2016	4th Quarter 2015
Net profit		**614,226**	**358,208**	**94,050**	**86,456**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations	5.2	(643)	(817)	(643)	(817)
Related tax	8.3	145	184	145	184
		(498)	**(633)**	**(498)**	**(633)**
Items that may be reclassified to profit or loss					
Currency translation differences		(32,267)	15,234	(20,591)	(4,154)
Change in fair value of cash flow hedges	12	(411)	4,101	(186)	1,568
Change in fair value of hedging instruments on foreign operations	12	(390)	(14,645)	942	(30)
Change in fair value of available-for-sale financial assets	12	297	(94)	-	30
Changes in investments in joint ventures and associates		-	(96)	-	(96)
Related tax	8.3	298	(1,106)	133	(314)
		(32,473)	**3,394**	**(19,702)**	**(2,996)**
Other comprehensive income, net of income tax		**(32,971)**	**2,761**	**(20,200)**	**(3,629)**
Total comprehensive income		**581,255**	**360,969**	**73,850**	**82,827**
Attributable to:					
Non-controlling interests		21,007	25,463	2,413	5,467
Accionistas de Jerónimo Martins		560,248	335,506	71,437	77,360
Total comprehensive income		**581,255**	**360,969**	**73,850**	**82,827**

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

Euro thousand

	Notes	2016	2015
Assets			
Tangible assets	9	3,023,360	2,890,113
Intangible assets	10	786,983	809,796
Investment property	11	13,952	20,387
Investments in joint ventures and associates	13	-	76,478
Available-for-sale financial assets		1,000	1,758
Trade debtors, accrued income and deferred costs	15	112,836	118,604
Derivative financial instruments	12	-	122
Deferred tax assets	8.3	69,756	56,245
Total non-current assets		**4,007,887**	**3,973,503**
Inventories	14	718,618	638,339
Biological assets		1,181	409
Income tax receivable		2,037	1,373
Trade debtors, accrued income and deferred costs	15	311,130	277,275
Derivative financial instruments	12	1,277	128
Cash and cash equivalents	16	643,512	441,688
Total current assets		**1,677,755**	**1,359,212**
Total assets		**5,685,642**	**5,332,715**
Shareholders' equity and liabilities			
Share capital		629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Other reserves		(96,865)	(64,392)
Retained earnings	18	1,189,191	760,400
		1,738,011	**1,341,693**
Non-controlling interests		**252,500**	**251,526**
Total Shareholders' equity		**1,990,511**	**1,593,219**
Borrowings	20	114,829	534,422
Trade creditors, accrued costs and deferred income	22	793	813
Derivative financial instruments	12	293	-
Employee benefits	5.2	61,823	42,908
Provisions for risks and contingencies	21	21,582	83,947
Deferred tax liabilities	8.3	59,742	54,527
Total non-current liabilities		**259,062**	**716,617**
Borrowings	20	224,581	123,510
Trade creditors, accrued costs and deferred income	22	3,166,527	2,871,717
Derivative financial instruments	12	317	93
Income tax payable		44,644	27,559
Total current liabilities		**3,436,069**	**3,022,879**
Total Shareholders' equity and liabilities		**5,685,642**	**5,332,715**

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.								Non-controlling interests	Shareholders' equity
				Other reserves						
	Share capital	**Share premium**	**Own shares**	Cash flow hedge	Available-for-sale financial assets	Currency translation reserves	**Retained earnings**	**Total**		
Balance Sheet as at 1 January 2015	**629,293**	**22,452**	**(6,060)**	**(2,548)**	**(157)**	**(64,562)**	**817,398**	**1,395,816**	**242,875**	**1,638,691**
Equity changes in 2015										
Currency translation differences				(3)		14,946		14,943		14,943
Changes in investments in joint ventures and associates							(96)	(96)		(96)
Change in fair value of cash flow hedging				2,650				2,650	615	3,265
Change in fair value of hedging instruments on foreign operations						(14,645)		(14,645)		(14,645)
Change in fair value of available-for-sale financial investments					(73)			(73)		(73)
Remeasurements of post-employment benefit obligations							(615)	(615)	(18)	(633)
Other comprehensive income	-	-	-	2,647	(73)	301	(711)	2,164	597	2,761
Net profit							333,342	333,342	24,866	358,208
Total comprehensive income	**-**	**-**	**-**	**2,647**	**(73)**	**301**	**332,631**	**335,506**	**25,463**	**360,969**
Dividends							(389,629)	(389,629)	(16,812)	(406,441)
Balance Sheet as at 31 December 2015	**629,293**	**22,452**	**(6,060)**	**99**	**(230)**	**(64,261)**	**760,400**	**1,341,693**	**251,526**	**1,593,219**
Equity changes in 2016										
Currency translation differences				(3)		(31,977)		(31,980)		(31,980)
Change in fair value of cash flow hedging				(333)				(333)		(333)
Change in fair value of hedging instruments on foreign operations						(390)		(390)		(390)
Change in fair value of available-for-sale financial investments					230			230		230
Remeasurements of post-employment benefit obligations							(497)	(497)	(1)	(498)
Other comprehensive income	-	-	-	(336)	230	(32,367)	(497)	(32,970)	(1)	(32,971)
Net profit							593,218	593,218	21,008	614,226
Total comprehensive income	-	-	-	(336)	230	(32,367)	592,721	560,248	21,007	581,255
Dividends (note 18.3)							(166,535)	(166,535)	(17,428)	(183,963)
Acquisitions/Disposal of non-controlling interests							2,605	2,605	(2,605)	-
Balance Sheet as at 31 December 2016	**629,293**	**22,452**	**(6,060)**	**(237)**	**-**	**(96,628)**	**1,189,191**	**1,738,011**	**252,500**	**1,990,511**

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	2016	2015
Operating Activities			
Cash received from customers		16,487,933	15,476,390
Cash paid to suppliers		(14,351,132)	(13,437,431)
Cash paid to employees		(1,100,375)	(1,039,174)
Cash generated from operations	17	**1,036,426**	**999,785**
Interest paid		(15,756)	(31,043)
Income taxes paid		(177,388)	(108,356)
Cash flow from operating activities		**843,282**	**860,386**
Investment activities			
Disposals of tangible fixed assets		2,704	2,889
Disposals of intangible assets		1	1
Disposals of available-for-sale financial assets and investment property		2,887	-
Disposals of businesses, net of cash sold	7	302,135	-
Interest received		1,915	2,240
Dividends received		2,774	14,375
Acquisition of tangible fixed assets		(432,319)	(379,061)
Acquisition of intangible assets		(5,825)	(17,447)
Acquisition of financial investments and investment property		(358)	(602)
Collateral deposits associated to financial debt		-	(15,000)
Cash flow from investment activities		**(126,086)**	**(392,605)**
Financing activities			
Net change in loans	20	(320,078)	(46,175)
Dividends paid	18.3	(183,963)	(406,441)
Cash flow from financing activities		**(504,041)**	**(452,616)**
Net changes in cash and cash equivalents		**213,155**	**15,165**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		441,688	430,660
Net changes in cash and cash equivalents		213,155	15,165
Effect of currency translation differences		(11,331)	(4,137)
Cash and cash equivalents at the end of December	16	**643,512**	**441,688**

To be read with the attached notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	December 2016	December 2015	4th Quarter 2016	4th Quarter 2015
Cash Flow from operating activities	843,282	860,386	306,888	332,368
Cash Flow from investment activities	(126,086)	(392,605)	(143,967)	(107,628)
Cash Flow from financing activities	(504,041)	(452,616)	10,099	(268,696)
Cash and cash equivalents changes	213,155	15,165	173,020	(43,956)

Index to the Notes to the Consolidated Financial Statements

1 Activity

Jerónimo Martins, SGPS, S.A. (JMH), is the parent Company of Jerónimo Martins (Group), which includes the Companies detailed in notes 28 and 30. The activities of the Group and its performance during the year 2016 are detailed in Chapter II of this Annual Report.

Head Office: Rua Actor António Silva, n.º 7, 1649-033 Lisboa

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office and Tax Number: 500100144

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Consolidated Financial Statements on 21 February 2017.

2 Accounting policies

The most significant accounting policies are described in the notes to these Consolidated Financial Statements. The accounting policies identified in this note are applied across the preparation of the financial statements. These policies were consistently applied in comparative periods, except where otherwise stated.

2.1 Basis for preparation

All amounts are shown in thousand euros (EUR thousand) unless otherwise stated.

The amounts presented for quarters, and the corresponding changes are not audited.

The Consolidated Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2016.

The JMH Consolidated Financial Statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, biological assets, financial assets at fair value through profit or loss and available-for-sale financial assets, which were measured at fair value (market value).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. It is, however, firmly believed by The Management that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.6).

Change in accounting policies and basis for presentation:

2.1.1 New and amended standards adopted by the Group

In 2015 and 2016, the EU issued the following Regulations, which were adopted by the Group from 1 January 2016:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 28/2015	Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (amendment)	December 2013	1 February 2015
Regulation no. 29/2015	IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (amendment)	November 2013	1 February 2015
Regulation no. 2113/2015	IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (amendment)	June 2014	1 January 2016
Regulation no. 2173/2015	IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (amendment)	May 2014	1 January 2016
Regulation no. 2231/2015	IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)	May 2014	1 January 2016
Regulation no. 2343/2015	Annual Improvements to IFRS's 2012–2014 Cycle: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting (amendment)	September 2014	1 January 2016

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 2406/2015	IAS 1 Presentation of Financial Statements: Disclosure Initiative (amendment)	December 2014	1 January 2016
Regulation no. 2441/2015	IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements (amendment)	August 2014	1 January 2016
Regulation no. 1703/2016	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities - Applying the Consolidation exemption (amendment)	December 2014	1 January 2016

The Group adopted the new amendments, with no significant impact on its Consolidated Financial Statements.

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2016 and not early adopted

The EU adopted in 2016 several new standards, issued by the International Accounting Standards Board (IASB), to be applied in subsequent periods:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1905/2016	IFRS 15 Revenue from Contracts with Customers (new)	May 2014	1 January 2018
Regulation no. 2067/2016	IFRS 9 Financial Instruments (new)	July 2014	1 January 2018

These new standards are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these Consolidated Financial Statements. None of these standards is expected to have a significant impact on the Group's Consolidated Financial Statements.

2.1.3 New standards, amendments and interpretations issued by IASB and IFRIC, but not yet endorsed by EU

IASB issued in 2014 and 2016 the following standards, amendments and interpretations that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 14 Regulatory Deferral Accounts (New)	January 2014	To be decided[1]
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	September 2014	To be decided[2]
IFRS 16 Leases (new)	January 2016	1 January 2019
IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (amendment)	January 2016	1 January 2017
IAS 7 Statement of Cash Flows: Disclosure Initiative (amendment)	January 2016	1 January 2017
IFRS 15 Revenue from Contracts with Customers: Clarifications (amendment)	April 2016	1 January 2018
IFRS 2 Share-based Payment: Classification and Measurement of Transactions (amendment)	June 2016	1 January 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendment)	September 2016	1 January 2018
Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 12 Disclosure of Interests in Other Entities (amendment)	December 2016	1 January 2017
Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (amendment)	December 2016	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration (new)	December 2016	1 January 2018
IAS 40 Investment Property: Transfers (amendment)	December 2016	1 January 2018

[1] The EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
[2] The EU, as well as IASB, decided to defer indefinitely the endorsement of these changes.

The Management is currently evaluating the impact of adopting these new standards, amendments and interpretations to standards already in place, not being expected so far a significant impact on the Group's Consolidated Financial Statements, except on the new standard IFRS 16 Leases.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees, as is required by IAS 17 and, instead, introduces a single accounting model, very similar to the current treatment that is given to finance leases in lessee accounts.

This single accounting model provides for the lessee the recognition of: i. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, regardless of the lease term; and ii. depreciation of lease assets separately from interest on lease liabilities in the income statement.

The management is assessing the impacts that will result from adopting this new standard, being already expected that its adoption will have a significant impact on the Group's Consolidated Financial Statements, as result of the incorporation of the assets which are currently under operating leases and their respective responsibilities.

Despite not responding to the criteria established for the capitalization of operating leases as foreseen in the new IFRS 16, the information in note 24, enables the possibility to realize the impacts of its application.

2.1.4 Change of accounting policies

In addition to the above, the Group has not changed its accounting policies during 2016, nor were identified errors regarding previous years, which compel the restatement of financial statements.

2.2. Basis for consolidation

Reference dates

The Consolidated Financial Statements include, as at 31 December 2016, assets, liabilities and profit or loss of Group Companies, i.e. the ensemble consisting of JMH and its subsidiaries, joint ventures and associates, which are presented in notes 28 and 30, respectively.

Business combinations

For business combinations involving entities under common control, assets and liabilities are valued at book value and there are no impacts recognised in profit and loss.

Investments in subsidiaries

Subsidiaries are all entities over which JMH has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

In cases where the share capital of subsidiaries is not held at 100%, a non-controlling interest is recognised relative to the portion of results and net value of assets attributable to third parties.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

The accounting policies used by the subsidiaries to comply with legal requirements, whenever necessary have been changed to ensure consistency with the policies adopted by the Group.

Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The Group's investment in associates includes Goodwill identified on acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements (see note 2.6) and, for those determined as joint ventures, they are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

Goodwill represents the surplus of acquisition cost over the fair value of identifiable assets and liabilities attributable to the Group at the date of acquisition or first consolidation. If the cost of acquisition is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the income statement.

Goodwill impairment reviews are undertaken by the Group, annually or more frequently, if events or changes in circumstances indicate a potential impairment. The carrying value of Goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Whenever the carrying value of Goodwill exceeds its recoverable amount, an impairment is recognised immediately as an expense and is not subsequently reversed (note 2.5.1).

The gain or loss on the disposal of an entity includes the carrying amount of Goodwill related to the entity sold, unless the business to which that Goodwill is related is maintained and generates benefits to the Group.

Non-controlling interests

Non-controlling interests are the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries that are not directly or indirectly attributable to JMH.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loss of control or significant influence

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the measurement of the retained interest as a financial asset.

Foreign currency translation

The Financial Statements of foreign entities are translated into euros based on the closing exchange rate for assets and liabilities and historical exchange rates for equity. Income and expenses are translated at the average monthly exchange rate, which is approximately the exchange rate on the date of the respective transactions.

Exchange differences arising in the translation are entered directly in equity net of the effect generated by the respective hedging instrument (see accounting policy described in note 12).

Whenever a foreign entity is sold, accumulated exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Balances and transactions between Group Companies

Inter-company transactions, balances and unrealised gains between subsidiaries and between these and the Parent Company are eliminated in the consolidation process. Unrealised losses are also eliminated unless the cost cannot be recovered.

Unrealised gains arising from transactions with associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated except when providing proof of impairment of the asset transferred.

2.3 Transactions in foreign currencies

Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date and exchange differences arising from this conversion are recognised in the income statement. When qualifying as cash flow hedges or hedges on investments in foreign subsidiaries, the exchange differences are deferred in equity or when classified as available-for-sale financial assets, which are equity instruments.

The main exchange rates applied on the balance sheet date are those listed below:

Euro foreign exchange reference rates (x foreign exchange units per 1 euro)	**Rate on 31 December 2016**	**Average rate for the year**
Polish zloty (PLN)	4.4103	4.3627
Swiss franc (CHF)	1.0739	-
Colombian peso (COP)	3,128.3800	3,355.5700

2.4 Financial assets

Financial assets are recognised in the Group's balance sheet on their trade or contracting date, which is the date on which the Group commits to acquire an asset. Financial assets are initially recognised at their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: i. the Group's contractual rights to receive their cash flows expire; ii. the Group has substantially transferred all the risks and rewards of ownership; or iii. although it retains a portion but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

Financial assets and liabilities are offset and presented by their net value only when the Group has the right to offset the amounts recognised and has the intention to settle on a net basis.

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which they were acquired.

Financial assets at fair value through profit or loss

A financial asset is recognised in this category if it was classified as held for trading or is designated as such on initial recognition. Financial assets are held for trading if acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting. The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss are recognised in the results of the year in which they occur in net financial costs, where interest received and dividends are also included.

Loans and receivables

These correspond to non-derivative financial assets, with fixed or determined payments, that are not quoted in an active market. The assets are those that result from the normal operational activities of the Group, in the supply of goods or services, and that the Group has no intention of selling. Subsequently loans and receivables are measured at amortised cost in accordance with the effective interest rate method.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

The available-for-sale financial assets are non-derivative financial assets that: i. the Group intends to maintain for an indeterminate period of time; ii. are designated as available for sale when they are first recognised; or iii. they do not fit into the above mentioned categories. They are recognised as non-current assets, unless there is the intention to sell them within 12 months of the balance sheet date.

Equity holdings other than in subsidiaries, joint ventures or associates, are classified as available-for-sale financial assets and included within non-current assets.

These financial assets are initially recognized at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves, until the financial asset is derecognised, at which time the accumulated gain or loss previously recognised in equity is included in income for the period. The dividends of equity holdings classified as available-for-sale are recognised in gains in other investments, when the right to receive the payment is established.

Available-for-sale financial assets related to equity holdings are recognised at cost when the fair value cannot be reliably determined.

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 11), inventories (note 14) and deferred tax assets (note 8), all Group assets are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset's recoverable amount is estimated.

Irrespective of whether there is any indication of impairment, for Goodwill, intangible assets not yet available for use and other intangible assets with indefinite useful life, the recoverable amount is determined annually at the balance sheet date.

The recoverable amount of the Group's assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset, or the cash-generating unit to which the same belongs, exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment loss recognised in the income statement.

Regarding cash-generating units in operation for less than two to three years (depending on the business segment), the Group monitors its performance. However since the respective businesses have not yet reached sufficient maturity, impairment losses are recognised when there are unequivocal indicators that its recoverability is considered remote.

The total assets in the above-mentioned situation corresponds to a current investment amounting to EUR 434,697 thousand (2015: EUR 541,873 thousand), which includes mostly real estate, equipment related to the operational activity of stores and improvements made in leasehold properties.

Determining the recoverable amount of assets
The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

The value in use of an asset is calculated as the present value of estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

The recoverable amount of assets that do not generate independent cash flow is determined together with the cash-generating unit to which these assets belong.

Reversal of impairment losses
An impairment loss recognised as related to Goodwill is not reversed.

Impairment losses for other assets are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed to the extent of the amount, net of amortisation or depreciation, that would have been determined for the asset if no impairment loss were recognised.

2.5.2 Impairment of financial assets

At each reporting date the Group analyses if there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of receivables corresponds to the present value of estimated future cash inflows, using as a discount rate the actual interest rate implicit in the original operation.

An impairment loss recognised in a medium and long-term receivable is only reversed if justification for the increase in the respective recoverable amount is based on an event taking place after the date the impairment loss was recognised.

Available-for-sale financial assets
In the case of equity investments classified as available-for-sale, a prolonged or significant decline in the fair value of the instrument below its cost is considered to be an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through the income statement.

Clients, debtors and other financial assets
Impairment losses are recognised when there are objective indicators that the Group will not receive the entire amounts it is due according to the original terms of established contracts. When identifying situations of impairment, various indicators are used, such as:

I. Analysis of breach;
II. Breach for more than three months;
III. Financial difficulties of the debtor;
IV. Probability of the debtor's bankruptcy.

Impairment losses are determined by the difference between the recoverable amount and the carrying amount of the financial assets and are recognised in the profit and loss. The carrying amount of these assets is reduced to the recoverable amount by using an impairment account. When an amount receivable from customers and debtors is considered to be unrecoverable, it is written-off using the impairment account. Subsequent recovery of amounts that had been written-off is recognised as a gain.

Whenever overdue receivable amounts from clients and other debtors are subject to renegotiation of its terms, they are no longer considered as overdue and are considered as new credits.

2.6 Critical accounting estimates and judgments on the preparation of the Financial Statements

Tangible and intangible assets, and investment property

Determining the fair value of investment property, as well as the useful life of assets, is based on Management estimates. Determining impairment losses of these tangible and intangible assets also involves the use of estimates. The value in use or the fair value of these assets (including Goodwill) are normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

If the cash flow assumptions were reduced by 10% compared to the estimates, or if the discount rate was higher by 100 bps, according to current projections of the business areas the Goodwill would still be recoverable and there would be no risk of impairment (see note 10.4).

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods. The use of valuation methodologies requires the use of assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported (see note 12).

Deferred taxes

Recognising deferred taxes assumes the existence of results and future taxable income. Deferred tax assets and liabilities were determined based on tax legislation currently effective for the Group Companies, or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

If the rates used to recognise deferred taxes increase by 1 p.p., the impact in Group accounts would be the following:

	Impact on Group accounts	
	Income statement	**Other comprehensive income**
Portugal	563	54
Poland	(254)	3

A positive amount means a gain in Group accounts.

Impairment losses of clients and debtors

The Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the reasonableness of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history, and changes in the client's payment terms. If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining obligations for pension and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and obligations for the benefit plans.

In determining the appropriate discount rate, Management considers the interest rates of corporate bonds with an 'AA' rating or above, as set by an internationally acknowledged rating agency. These rates are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The definition of the criteria to select the corporate bonds to include in the population from which the yield curve is derived requires significant judgement, the most significant being the selection of the size of the population, the bond issue size, the quality of the bonds, and identification of outliers data to exclude.

Considering the information available from Bloomberg and some necessary estimation to derive the yield curve, the Group defined the following ranges:

- Narrow range [1.20% - 1.60%]
- Extended range [1.00% - 1.80%]

Based on these results the Group has decided to reduce its discount rate from 1.75 to 1.40%.

The table below shows the impacts on the obligations with defined benefit plans of the Group, resulting from changes in the following assumptions:

	Assumption used		Impact on defined benefit obligations		
			Change in assumption	Increase in assumption	Decrease in assumption
	PT	PL			
Discount rate	1.40%	2.90%	0.50%	(2,313)	2,467
Salary growth rate	2.50%	4% - 6%	0.50%	1,597	(1,517)
Pension growth rate	2.50%		0.50%	836	(780)
Life expectancy	TV 88/90	GUS 2013	1 year	1,266	(1,214)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

The Group exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful, or to record a liability. Provisions are recognised when the Group expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, actual losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Changes to estimates of potential losses on proceedings under way may significantly affect future results.

Investment in associates

Management has assessed the level of influence that the Group had on Perfumes e Cosméticos Puig Portugal Distribuidora, S.A., and determined that it had significant influence, even though the shareholding was 27.55%, due to the Board of Directors representation and contractual terms. Consequently, this investment was classified as an associate until the date it was sold, on 30 September 2016 (note 30).

The Management also assessed the level of influence that the Group has on Novo Verde – Sociedade Gestora de Resíduos de Embalagens, S.A., with a percentage of control of 30% and a percentage of interest of 15.3%. Given the legal regime applicable to waste management companies, which prevent this type of company from distributing reserves and retained earnings to its shareholders, this investment cannot be classified in the Group's accounts as an associate and has therefore been classified as available-for-sale financial asset.

Investment in joint arrangements

The Group holds 51% of the voting rights of its joint arrangement in JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR). Based on the contractual arrangements with the other Investor, the Group has the power to appoint and remove the majority of members of the Board of Directors. In addition, all key management personnel with the powers to conduct the relevant activities of JMR are employees of another company 100% owned by Jerónimo Martins. For these reasons, the Management concluded that the Group has the practical ability to direct the relevant activities of JMR and hence has the control over the Company. Therefore JMR is classified as a subsidiary, as well as all entities directly controlled by JMR.

The Group held 45% of the voting rights of its joint arrangement in Unilever Jerónimo Martins, Lda. and Gallo Worldwide, Lda.. The Group had joint control over this arrangement as under the contractual agreements unanimous consent is required from all parties to the agreements for all relevant decisions and activities. The joint arrangements were structured as limited companies and provided the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, these arrangements were classified as joint ventures until the date they were sold on 30 September 2016 (note 30).

2.7 Fair value of financial instruments

To determine the fair value of a financial asset or liability, the market price is applied, if such a market exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis (level 1). Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions.

The Group applies valuation techniques for unlisted financial instruments, such as derivatives, fair value financial instruments held for sale and biological assets through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility (level 2). For derivatives valuation, the Group also uses the valuations provided by the counterparties.

Cash and cash equivalents, debtors and accruals

These financial instruments include mainly short-term financial assets and for that reason their accounting value at the reporting date is considered approximately their fair value.

Available-for-sale financial assets

Listed financial instruments are recognised in the balance sheet at their fair value. The other available-for-sale financial assets are stated at cost, reduced by any impairment loss, since its fair value cannot be reliably measured.

Borrowings

The fair value of borrowings is obtained from the discount cash flow of all expected payments. The expected cash flows are discounted using actual market interest rates. At the reporting date the carrying value is approximately its fair value.

Creditors and accruals

These financial instruments include mainly short-term financial liabilities, and for that reason their accounting value at the reporting date is considered approximately their fair value.

2.8 Fair value hierarchy

The following table shows the Group's assets and liabilities that are measured at fair value at 31 December according to the following hierarchy levels:

- Level 1: The fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted on Euronext Lisbon;
- Level 2: The fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, which may involve other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data. This level includes biological assets, available for sale financial assets and the over-the-counter derivatives entered into by the Group, whose valuations are provided by the respective counterparties;
- Level 3: The fair value is not based on quoted prices obtained in active markets, but determined by using valuation models whose main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts.

2016	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	13,952	-	-	13,952
Available-for-sale financial assets				
Equity investments	80	80	-	-
Biological assets				
Consumable biological assets	1,181	-	1,181	-
Derivative financial instruments				
Derivatives used for hedging	1,277	-	1,277	-
Total assets	**16,490**	**80**	**2,458**	**13,952**
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives used for hedging	610	-	610	-
Total liabilities	**610**	**-**	**610**	**-**

2015	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Investment property	20,387	-	-	20,387
Available-for-sale financial assets				
Equity investments	274	274	-	-
Biological assets				
Consumable biological assets	409	-	409	-
Derivative financial instruments				
Derivatives used for hedging	250	-	250	-
Total assets	**21,320**	**274**	**659**	**20,387**
Liabilities measured at fair value				
Derivative financial instruments				
Derivatives used for hedging	93	-	93	-
Total liabilities	**93**	**-**	**93**	**-**

2.9 Financial instruments by category

	Derivatives defined as hedging instruments	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non-financial assets and liabilities	Total assets and liabilities
2016							
Assets							
Cash and cash equivalents	-	643,512	-	-	**643,512**	-	**643,512**
Available-for-sale financial assets	-	-	1,000	-	**1,000**	-	**1,000**
Debtors, accruals and deferrals	-	322,025	-	-	**322,025**	101,941	**423,966**
Derivative financial instruments	1,277	-	-	-	**1,277**	-	**1,277**
Other non-financial assets	-	-	-	-	**-**	4,615,887	**4,615,887**
Total assets	**1,277**	**965,537**	**1,000**	**-**	**967,814**	**4,717,828**	**5,685,642**
Liabilities							
Borrowings	-	-	-	339,410	**339,410**	-	**339,410**
Derivative financial instruments	610	-	-	-	**610**	-	**610**
Creditors, accruals and deferrals	-	-	-	2,945,327	**2,945,327**	221,993	**3,167,320**
Other non-financial liabilities	-	-	-	-	**-**	187,791	**187,791**
Total liabilities	**610**	**-**	**-**	**3,284,737**	**3,285,347**	**409,784**	**3,695,131**
2015							
Assets							
Cash and cash equivalents	-	441,688	-	-	**441,688**	-	**441,688**
Available-for-sale financial assets	-	-	1,758	-	**1,758**	-	**1,758**
Debtors, accruals and deferrals	-	288,212	-	-	**288,212**	107,667	**395,879**
Derivative financial instruments	250	-	-	-	**250**	-	**250**
Other non-financial assets	-	-	-	-	**-**	4,493,140	**4,493,140**
Total assets	**250**	**729,900**	**1,758**	**-**	**731,908**	**4,600,807**	**5,332,715**
Liabilities							
Borrowings	-	-	-	657,932	**657,932**	-	**657,932**
Derivative financial instruments	93	-	-	-	**93**	-	**93**
Creditors, accruals and deferrals	-	-	-	2,682,665	**2,682,665**	189,865	**2,872,530**
Other non-financial liabilities	-	-	-	-	**-**	208,941	**208,941**
Total liabilities	**93**	**-**	**-**	**3,340,597**	**3,340,690**	**398,806**	**3,739,496**

3 Segments reporting

Operating segments are reported consistently with the internal reporting that is provided to the Governing Bodies, including the Managing Committee and the Board of Directors. Based on this report, the Governing Bodies evaluate the performance of each segment and allocate the available resources.

Management monitors the performance of the business based on a geographical and business perspective. In accordance with this, the segments are defined as Portugal Retail, Portugal Cash & Carry and Poland Retail. Apart from these there are also other businesses but due to their low materiality they are not reported separately

Management evaluates the performance of segments based on Earnings Before Interest and Taxes (EBIT). This indicator excludes the effects of exceptional operating profits/losses

Revenue recognition

Revenues from sales are recognised in the income statement when significant risks and rewards of ownership are transferred to the buyer.

In the Retail segment, sales are recognised when delivered directly to the client in store, against cash collected. The costs to be incurred related to returns of products for lack of quality, are estimated at the date of the sale based on historical data.

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date. Gains related to commercial discounts obtained in the purchase of goods for resale are recognised when these are sold, as a deduction to the cost of goods sold.

The identified operating segments are:

- Portugal Retail: comprises the business unit of JMR (Pingo Doce supermarkets);
- Portugal Cash & Carry: includes the wholesale business unit Recheio;
- Poland Retail: the business unit with the brand Biedronka;
- Others, eliminations and adjustments: includes i. business units with reduced materiality (Marketing Services and Representations – until July -, Restaurants, Agro business in Portugal, Health and

Beauty Retail in Poland, Retail business in Colombia; ii. the Holding Companies; and iii. Group's consolidation adjustments.

Detailed information by operating segments as at December 2016 and 2015

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales and services	**3,914,632**	**3,729,140**	**880,826**	**832,208**	**9,781,348**	**9,205,708**	**44,932**	**(39,096)**	**14,621,738**	**13,727,960**
Inter-segments	351,085	315,834	3,906	4,007	1,487	1,617	(356,478)	(321,458)	-	-
External customers	3,563,547	3,413,306	876,920	828,201	9,779,861	9,204,091	401,410	282,362	14,621,738	13,727,960
Operational cash flow (EBITDA)	**191,626**	**187,880**	**47,140**	**43,908**	**707,421**	**641,143**	**(84,368)**	**(73,287)**	**861,819**	**799,644**
Depreciations and amortisations	(95,095)	(95,299)	(12,908)	(12,090)	(169,922)	(172,990)	(16,324)	(14,105)	(294,249)	(294,484)
Operational result (EBIT)	**96,531**	**92,581**	**34,232**	**31,818**	**537,499**	**468,153**	**(100,692)**	**(87,392)**	**567,570**	**505,160**
Exceptional operating profits/losses									(31,994)	(19,053)
Financial results and gains in investments									**208,619**	**(11,312)**
Income tax									(129,969)	(116,587)
Net result attributable to JM									**593,218**	**333,342**
Total assets	**1,733,533**	**1,699,610**	**351,026**	**335,979**	**3,063,023**	**2,920,437**	**538,060**	**376,689**	**5,685,642**	**5,332,715**
Total liabilities	**1,226,101**	**1,186,485**	**305,006**	**284,181**	**2,210,170**	**2,126,974**	**(46,146)**	**141,856**	**3,695,131**	**3,739,496**
Investments in fixed assets	**136,839**	**133,152**	**30,420**	**18,332**	**232,895**	**204,132**	**82,292**	**56,678**	**482,446**	**412,294**

Reconciliation between EBIT and operating profit

	2016	2015
EBIT	567,570	505,160
Non recurrent results	(31,994)	(19,053)
Operational result	**535,576**	**486,107**

Financial assets with credit risk per segment

The table below shows the Group's exposure according to the accounting value of the financial assets, set out by operating segments.

	Portugal Retail		Portugal Cash & Carry		Poland Retail		Others, eliminations and adjustments		Total JM Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Cash and cash equivalents	43,950	51,264	16,449	9,386	268,119	211,084	314,994	169,954	643,512	441,688
Available-for-sale financial assets	219	183	696	1,296	-	-	85	279	1,000	1,758
Debtors, accruals and deferrals	90,943	85,690	43,428	39,287	215,376	169,040	(27,722)	(5,805)	322,025	288,212
Derivative financial instruments	-	-	-	-	-	122	1,277	128	1,277	250
Total	**135,112**	**137,137**	**60,573**	**49,969**	**483,495**	**380,246**	**288,634**	**164,556**	**967,814**	**731,908**

4 Operating costs by nature

Operating costs by nature

Operating costs by nature include:

- costs of goods sold less vendor allowances based on volume purchased and promotional allowances for commercial activity and in store advertisement. Includes also materials consumed in the production of goods by the companies;
- distribution costs, related with retail main activity in store, logistics and warehousing; and
- administrative costs, corresponding to supporting central offices activities.

Exceptional operating profits/losses

The exceptional operating profits/losses (non-recurrent), that due to their nature or to their materiality, might distort the financial performance of the Group as well as their comparability, are presented in a separate line of the consolidated income statement by function. These results are excluded from the operational performance indicators adopted by Management.

	2016	2015
Cost of goods sold and materials consumed	11,491,109	10,748,646
Changes in inventories of finished goods and work in progress	(930)	(478)
Net cash discount and interest paid to suppliers	(24,240)	2,542
Electronic payment commissions	24,543	20,413
Other supplementary costs	5,274	8,492
Supplies and services	546,416	516,433
Advertising costs	88,300	76,237
Rents	331,922	330,767
Staff costs	1,153,063	1,073,053
Depreciations and amortisations	294,327	294,599
Profit/loss with tangible and intangible assets	15,133	6,636
Transportation costs	150,824	147,558
Other operational profit/loss	10,421	16,955
Total	**14,086,162**	**13,241,853**

4.1 Exceptional operating profits/losses

Operating costs by nature include the following exceptional operating profits/losses:

	2016	2015
Legal contingencies	(77)	(291)
Losses from organizational restructuring programmes	(5,763)	(11,515)
Assets write-offs and gains/losses in sale of tangible assets	(9,041)	(2,910)
Changes to benefit plans and actuarial assumptions	(15,362)	(4,545)
Others	(1,751)	208
Exceptional operating profits/losses	**(31,994)**	**(19,053)**

5 Employees

5.1 Staff costs

	2016	2015
Wages and salaries	893,853	839,004
Social security	172,576	162,966
Employee benefits (note 5.2)	23,289	3,046
Other staff costs	63,345	68,037
	1,153,063	**1,073,053**

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities.

The average number of Group employees during the year was 91,943 (2015: 87,494).

The number of employees at the end of the year was 96,233 (2015: 89,027).

5.2 Employees benefits

Post-employment benefits (retirement)

Defined contribution plans

Defined contribution plans are pension plans for which the Group makes defined contributions to independent entities (funds), and for which it has no legal or constructive obligation to pay any additional contribution at the time when the employees come into use of those benefits.

The contributions are based on a percentage of the fixed and variable remuneration of the employees included in the plan, which is defined in the respective Regulation and only changes according to the seniority of the beneficiaries.

The Group encourages the employees to participate in their own pension scheme. Therefore, the funds are open to employee private contributions, with no guarantees given by the Group over those contributions.

Group contributions to defined contribution plans are recognised as expenses at the time they are due.

Defined benefit plans

Defined benefit plans are pension plans where the Group guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by the Group.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using life annuity method, taking into account that the plans only include retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

No service costs are recognised since the current defined benefit plans only include retired employees. The net interest is recognised in the income statement on a yearly basis.

Remeasurements (actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

At the time of amendments to the defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Seniority awards

The programme of seniority awards which exists in some of the Group's Companies includes a component of defined contribution and a defined benefit.

The defined contribution component consists in a life insurance granted to the employees covered by this programme, starting from a specific number of years of service. This benefit is awarded only when employees reach the age defined in the programme and the costs related to this component are recognised in the year to which they relate.

The component of defined benefit consists of an award in the year that employees complete a number of years of service. Accordingly, the liabilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

The cost of current services, net interest as well remeasurements (actuarial gains or losses) are recognised as costs of the year.

In 2016 the defined benefit component of the seniority awards program was extended to Polish subsidiaries, and the amount of provisions for employee benefits - Seniority Awards was increased, as a result of the recognition of past services.

Amounts of employee benefits in the balance sheet:

	2016	2015
Retirement benefits - defined benefit plan paid by the Group	19,636	21,843
Seniority awards	42,187	21,065
Total	**61,823**	**42,908**

Amounts recognised in the income statement in staff costs and remeasurements reflected in other comprehensive income:

	Income statement		Other comprehensive income	
	2016	2015	2016	2015
Retirement benefits - defined contribution plan	585	489	-	-
Retirement benefits - defined benefit plan paid for by the Group	359	429	643	817
Seniority awards	22,345	2,128	-	-
	23,289	**3,046**	**643**	**817**

A brief description of the changes in each plan are detailed below:

	Defined contribution plans for active employees		Defined benefit plans for former employees		Other long term benefits granted to employees	
	2016	2015	2016	2015	2016	2015
Balance on 1 January	**-**	**-**	**21,843**	**22,307**	**21,065**	**20,153**
Acquisitions/Disposals of business	-	-	(1,585)	-	(155)	-
Interest costs	-	-	359	429	393	429
Past service cost	-	-	-	-	19,679	-
Current service cost	585	489	-	-	1,999	1,936
Actuarial (gains)/losses	-	-	-	-	-	-
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	552	458	570	421
Changes in experience	-	-	91	359	(296)	(658)
Contributions or retirement pensions paid	(585)	(489)	(1,624)	(1,710)	(857)	(1,216)
Currency translation differences	-	-	-	-	(211)	-
Balance on 31 December	**-**	**-**	**19,636**	**21,843**	**42,187**	**21,065**

Actuarial assumptions used in the calculation of the responsibilities for defined benefit plans and other long term benefits:

	Portugal		Poland	
	2016	2015	2016	2015
Mortality table	TV 88/90	TV 88/90	GUS 2013	-
Discount rate	1.40%	1.75%	2.90%	-
Pension and salaries growth rate	2.50%	2.50%	4% - 6%	-

The mortality assumptions used are those most commonly adopted in Portugal and Poland, and are based on actuarial advice in accordance with published statistics and experience in each country. The assumption's sensitivity analysis is described in note 2.6.

Expected future payments

The expected maturity for the next 10 years for the liabilities associated with defined benefit plans is as follows:

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years
Retirement benefits - defined benefit plan paid for by the Group	1,477	5,222	4,835
Seniority awards	2,274	16,154	36,786
Total	**3,751**	**21,376**	**41,621**

6 Net financial costs

Net financial costs represent interest on borrowings, interest on investments made, dividends, foreign exchange gains and losses in financial operations, gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit and loss, and costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

Receivable dividends
Receivable dividends are recognised as revenues when the right to receive payment is established.

	2016	2015
Interest expense	(12,833)	(24,727)
Interest received	1,909	2,277
Dividends	63	68
Net foreign exchange	(3,090)	(125)
Other financial costs and gains	(3,405)	(3,990)
	(17,356)	**(26,497)**

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 12).

Other financial costs and gains include costs with debt issued by the Group, recognised in results through effective interest method.

7 Gains in disposal of business

As described in note 28, on 30 September 2016, the Group sold its subsidiary Monterroio - Industry & Services Investments B.V., and subsequently repurchased its interest in two subsidiaries of the latter: Jerónimo Martins - Restauração e Serviços, S.A. (100%) and Hussel Ibéria – Chocolates e Confeitaria, S.A. (51%).

The Group recognised a gain with these transactions of EUR 220,678 thousand, as presented below:

	2016
Proceeds net of cost to sell	303,464
Net assets divested	(81,457)
Cash and cash equivalents of divested business	(1,329)
Gains in disposal of business	**220,678**

From the total of net assets divested, EUR 83,367 thousand are related to joint ventures Unilever Jerónimo Martins and Gallo Worldwide (note 13).

8 Taxes

Income tax includes current and deferred taxes. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in the same heading.

Tax on current income is calculated in accordance with tax criteria prevailing as of the balance sheet date.

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base. No deferred tax is calculated on Goodwill and initial recognition differences of an asset and liability if it does not affect statutory or tax results.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Group estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be used. Deferred tax assets are revised on an annual basis and derecognised when it is no longer probable that they may be used.

8.1 Income tax

	2016	**2015**
Current income tax		
Current tax of the year	(129,693)	(123,787)
Adjustment to prior year estimation	1,879	1,218
	(127,814)	**(122,569)**
Deferred tax		
Temporary differences created and reversed	9,195	10,937
Change to the recoverable amount of tax losses and temporary differences from previous years	(625)	(756)
	8,570	**10,181**
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	(10,725)	(4,199)
	(10,725)	**(4,199)**
Total income tax	**(129,969)**	**(116,587)**

8.2 Reconciliation of effective tax rate

	2016		2015	
Profit before tax		**744,195**		**474,795**
Income tax using the Portuguese corporation tax rate	**22,5%**	**(167,444)**	**22.5%**	**(106,829)**
Fiscal effect due to:				
Different tax rates in foreign jurisdictions	(3.7%)	27,173	(4.8%)	22,812
Non-taxable or non-recoverable results	(1.6%)	12,062	5.9%	(27,902)
Non-deductible expenses and fiscal benefits	0.2%	(1,526)	0.6%	(2,836)
Adjustment to prior years estimation	(0.3%)	1,879	(0.3%)	1,218
Equity method	(0.2%)	1,600	(0.5%)	2,483
Change to the recoverable amount of tax losses and temporary differences of prior years	(0.0%)	198	(0.1%)	245
Results subject to special taxation	0.5%	(3,911)	1.2%	(5,778)
Income tax	**17,5%**	**(129,969)**	**24.6%**	**(116,587)**

In 2016 the effective tax rate is significantly influenced by the gain as a result of the divestment in Monterroio - Industry & Services Investments B.V. (note 7). Excluding the effect of this gain the effective tax rate in 2016 would be of 24,8%.

In 2016 and 2015, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21%. For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively, as applied in 2015.

In Poland, for 2016 and 2015, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 34% in 2016 and 2015. If a taxable loss is determined, a tax rate of 3% is levied on the net asset value.

8.3 Deferred tax assets and liabilities

	2016	2015
Opening balance	**1,718**	**(7,541)**
Currency translation difference	287	(291)
Revaluation and reserves	156	(631)
Acquisition/disposal of business	(717)	-
Result of the year (note 7.1)	8,570	10,181
Closing balance	**10,014**	**1,718**

Deferred taxes are presented in the balance sheet as follows:

	2016	2015
Deferred tax assets	69,756	56,245
Deferred tax liabilities	(59,742)	(54,527)
	10,014	**1,718**

2016	Opening balance	Impact on results	Impact on equity	Acquisition/ disposal of business	Currency translation differences	Closing balance
Deferred tax liabilities						
Revaluation of assets	665	(2)	-	-	-	663
Deferred income for tax purposes	38,315	7,394	-	-	(1,191)	44,518
Differences on accounting policies in other cou	12,423	-	-	-	(412)	12,011
Derivative instruments	23	-	(78)	-	(1)	(56)
Other temporary differences	3,101	(494)	-	-	(1)	2,606
	54,527	**6,898**	**(78)**	**-**	**(1,605)**	**59,742**
Deferred tax assets						
Excess over legal provisions	34,251	15,119	-	(132)	(1,155)	48,083
Revaluation of assets	2,936	1,998	-	-	-	4,934
Employee benefits	9,234	516	145	(391)	-	9,504
Other temporary differences	9,824	(2,165)	(67)	(194)	(163)	7,235
	56,245	**15,468**	**78**	**(717)**	**(1,318)**	**69,756**
Net change in deferred tax	**1,718**	**8,570**	**156**	**(717)**	**287**	**10,014**

2015	Opening balance	Impact on results	Impact on equity	Currency translation differences	Closing balance
Deferred tax liabilities					
Revaluation of assets	1,074	(409)	-	-	665
Deferred income for tax purposes	42,746	(4,610)	-	179	38,315
Differences on accounting policies in other cou	12,394	2	-	27	12,423
Derivative instruments	-	-	23	-	23
Other temporary differences	2,676	425	-	-	3,101
	58,890	**(4,592)**	**23**	**206**	**54,527**
Deferred tax assets					
Excess over legal provisions	27,157	7,186	-	(92)	34,251
Revaluation of assets	3,821	(885)	-	-	2,936
Employee benefits	9,102	(52)	184	-	9,234
Derivative instruments	812	-	(813)	1	-
Other temporary differences	10,457	(660)	21	6	9,824
	51,349	**5,589**	**(608)**	**(85)**	**56,245**
Net change in deferred tax	**(7,541)**	**10,181**	**(631)**	**(291)**	**1,718**

8.4 Unrecognised deferred taxes on tax losses

The Group did not recognise deferred tax assets related to tax losses in respect of which, with reasonable accuracy, no sufficient future taxable profits are expected to guarantee the recovery of deferred tax assets in the short and/or medium-term. Total unrecognised tax assets is presented below:

Expiring date	Tax	
	2016	**2015**
2017	748	844
2018	3,387	2,898
2019	4,742	6,003
2020	6,618	4,793
2021 or further	61,814	40,001
	77,308	**54,538**

9 Tangible assets

Tangible assets are recognised at historical cost net of accumulated depreciation and impairment losses.

Historical cost includes the purchase price and any other expenditure that is directly attributable to the acquisition of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating profit.

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred. The cost of major store remodellings is included in the carrying amount of the asset when it is probable that additional economic benefits will flow to the Group. Whenever it is capitalised, the useful life of the asset is reviewed according with the characteristics of the remodelling. If the store is leased, the useful life does not exceed the period of the lease.

Depreciation

Depreciation is calculated by the straight-line method, on a monthly basis on acquisition cost according to the useful life estimated for each class of asset. The most important annual depreciation rates, in percentage, are as follows:

	%
Land	Not depreciated
Buildings and other constructions	2-4
Plants and machinery	10-20
Transport equipment	12.5-25
Office equipment	10-25

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date. Residual values are not taken in consideration, as it is the Group's intention to use the assets until the end of their economic life.

9.1 Changes occurred during the year

2016	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	**447,317**	**2,649,510**	**1,524,879**	**219,960**	**224,452**	**5,066,118**
Foreign exchange differences	(7,296)	(41,799)	(20,758)	(2,729)	(981)	(73,563)
Increases	3,220	175,799	111,621	23,603	162,338	476,581
Disposals and write offs	(101)	(11,661)	(58,403)	(13,293)	(1,981)	(85,439)
Transfers and reclassifications	11,629	62,219	14,464	5,527	(94,675)	(836)
Acquisitions/Disposals of business	-	(715)	(5)	(397)	-	(1,117)
Closing balance	**454,769**	**2,833,353**	**1,571,798**	**232,671**	**289,153**	**5,381,744**
Depreciation and impairment losses						
Opening balance	**-**	**980,185**	**1,018,510**	**177,310**	**-**	**2,176,005**
Foreign exchange differences	-	(14,852)	(11,648)	(2,344)	-	(28,844)
Increases	-	136,482	128,400	15,534	-	280,416
Disposals and write offs	-	(8,908)	(53,499)	(13,184)	-	(75,591)
Transfers and reclassifications	-	(371)	(293)	(2)	-	(666)
Acquisitions/Disposals of business	-	(602)	(5)	(344)	-	(951)
Impairment losses	8,015	-	-	-	-	8,015
Closing balance	**8,015**	**1,091,934**	**1,081,465**	**176,970**	**-**	**2,358,384**
Net value						
As at 1 January 2016	**447,317**	**1,669,325**	**506,369**	**42,650**	**224,452**	**2,890,113**
As at 31 December 2016	**446,754**	**1,741,419**	**490,333**	**55,701**	**289,153**	**3,023,360**

2015	Land and natural resources	Buildings and other constructions	Plants, machinery and tools	Transport equipment and others	Work in progress and advances	Total
Cost						
Opening balance	**407,978**	**2,477,980**	**1,427,135**	**209,560**	**203,771**	**4,726,424**
Foreign exchange differences	(19)	(6,664)	(2,246)	(960)	(2,736)	(12,625)
Increases	8,165	152,554	122,542	11,967	99,618	394,846
Disposals and write offs	(370)	(24,234)	(32,045)	(5,740)	(1,396)	(63,785)
Transfers and reclassifications	12,363	47,316	9,493	5,133	(74,805)	(500)
Transfers from/to investment property	19,200	2,558	-	-	-	21,758
Closing balance	**447,317**	**2,649,510**	**1,524,879**	**219,960**	**224,452**	**5,066,118**
Depreciation and impairment losses						
Opening balance	**-**	**865,206**	**919,415**	**168,479**	**-**	**1,953,100**
Foreign exchange differences	-	(1,391)	(1,215)	(254)	-	(2,860)
Increases	-	133,237	131,689	14,788	-	279,714
Disposals and write offs	-	(17,522)	(31,317)	(5,640)	-	(54,479)
Transfers and reclassifications	-	(27)	(62)	(63)	-	(152)
Transfers from/to investment property	-	682	-	-	-	682
Closing balance	**-**	**980,185**	**1,018,510**	**177,310**	**-**	**2,176,005**
Net value						
As at 1 January 2015	**407,978**	**1,612,774**	**507,720**	**41,081**	**203,771**	**2,773,324**
As at 31 December 2015	**447,317**	**1,669,325**	**506,369**	**42,650**	**224,452**	**2,890,113**

There are no financial charges capitalised in tangible fixed assets.

9.2 Guarantees

No tangible assets have been pledged as security for the fulfilment of bank or other obligations.

9.3 Tangible assets in progress

Amounts in work in progress are mostly related to the implementation and refurbishment of stores and distribution centres.

10 Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses (note 2.5).

Costs associated with internally generated Goodwill and Private Brands are taken to the income statement as they are incurred.

Research and development expenditure

Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and the Group has the intention and capacity to complete their development and start trading or using them.

Capitalised development expenditure includes the cost of materials used and direct labour costs.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, being amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred, except if those costs are directly associated with development projects that will probably generate future economic benefits (reliably measured), they are recognised as development expenditure in intangible assets.

Other intangible assets

Expenses to acquire key money, trademarks, patents and licences are capitalised when they are expected to generate future economic benefits and are expected to be used by the Group.

Intangible assets with indefinite useful life

The trademark Pingo Doce is, besides Goodwill, the only intangible asset with indefinite useful life, since there is no foreseeable limit for the period over which this asset is expected to generate economic benefits to the Group. Goodwill and the intangible assets with indefinite useful life are tested for impairment at the balance sheet date, and whenever there is an indication that the carrying amount may not be recoverable.

Amortisations

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33
Key money	5-6.66

The estimated useful life of assets is reviewed and adjusted when necessary, at the balance sheet date.

10.1 Changes occurred during the year

2016	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**640,187**	**31,229**	**114,644**	**136,326**	**9,571**	**931,957**
Foreign exchange differences	(10,285)	(759)	(3,162)	(3,048)	(256)	(17,510)
Increases	-	1,586	2,278	357	1,644	5,865
Disposals and write offs	-	(128)	(133)	(1,228)	(5)	(1,494)
Transfers and reclassifications	-	488	5,551	382	(6,270)	151
Acquisitions and bussiness restructuring	-	-	(76)	-	-	(76)
Closing balance	**629,902**	**32,416**	**119,102**	**132,789**	**4,684**	**918,893**
Amortisation and impairment losses						
Opening balance	**-**	**28,545**	**14,692**	**78,924**	**-**	**122,161**
Foreign exchange differences	-	(716)	(210)	(1,666)	-	(2,592)
Increases	-	1,570	3,217	9,124	-	13,911
Disposals and write offs	-	(114)	(133)	(1,228)	-	(1,475)
Transfers and reclassifications	-	-	(2)	(17)	-	(19)
Acquisitions/Disposals of business	-	-	(76)	-	-	(76)
Closing balance	**-**	**29,285**	**17,488**	**85,137**	**-**	**131,910**
Net value						
As at 1 January 2016	**640,187**	**2,684**	**99,952**	**57,402**	**9,571**	**809,796**
As at 31 December 2016	**629,902**	**3,131**	**101,614**	**47,652**	**4,684**	**786,983**

2015	Goodwill	Develop. Expenses	Software, ind. property and other rights	Key money	Work in progress	Total
Cost						
Opening balance	**639,512**	**29,972**	**109,930**	**129,603**	**5,604**	**914,621**
Foreign exchange differences	675	39	35	128	(72)	805
Increases	-	771	2,385	7,164	7,128	17,448
Disposals and write offs	-	(80)	(256)	(857)	(91)	(1,284)
Transfers and reclassifications	-	527	2,550	288	(2,998)	367
Closing balance	**640,187**	**31,229**	**114,644**	**136,326**	**9,571**	**931,957**
Amortisation and impairment losses						
Opening balance	**-**	**26,949**	**11,715**	**69,763**	**-**	**108,427**
Foreign exchange differences	-	36	(66)	(77)	-	(107)
Increases	-	1,630	3,289	9,964	-	14,883
Disposals and write offs	-	(80)	(255)	(726)	-	(1,061)
Transfers and reclassifications	-	10	9	-	-	19
Closing balance	**-**	**28,545**	**14,692**	**78,924**	**-**	**122,161**
Net value						
As at 1 January 2015	**639,512**	**3,023**	**98,215**	**59,840**	**5,604**	**806,194**
As at 31 December 2015	**640,187**	**2,684**	**99,952**	**57,402**	**9,571**	**809,796**

The Group identified as intangible assets of indefinite useful life, besides Goodwill, the trademark Pingo Doce, with net value of EUR 9,228 thousand.

Development expenses mainly relate to IT implementations.

10.2 Guarantees

No intangible assets have been pledged as security for the fulfilment of bank or other obligations.

10.3 Intangible assets in progress

Intangible assets in progress the implementation of projects for processes simplification, usage rights and key money.

10.4 Impairment tests for Goodwill and other intangible assets

Goodwill is allocated to the Groups' business areas as presented below:

Business areas	2016	2015
Portugal Retail	246,519	246,519
Portugal Cash & Carry	83,836	83,836
Poland Health and Beauty Retail	8,797	9,099
Poland Retail	290,750	300,733
	629,902	**640,187**

As a consequence of the currency translation adjustment of the assets in the Group's businesses in Poland:

- the Goodwill related to the business in Poland (Biedronka), totalling PLN 1,282,278 thousand, was updated negatively by EUR 9,983 thousand;
- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated negatively by EUR 302 thousand.

In 2016, evaluations were made based on the value in use according to Discounted Cash Flows (DCF) evaluation models, thereby sustaining the recoverability of Goodwill value.

The values of these evaluations are determined by past performance and the expectation of market development, with future cash-flow projections, for a five year period, being drawn up for each of the businesses, based on medium/long term plans approved by the Board of Directors.

These estimates were made considering a discount rate between 7% and 8.3% for Portugal (2015: 7% and 8.3%) and between 8.5% and 10.1% for Poland (2015: 8.5% and 10.1%), and a perpetual growth rate between 0% and 1.5% for the various businesses (2015: 0% and 1.5%).

Pingo Doce brand is not being amortised but subject to impairment tests annually, with the same assumptions that are used for Goodwill. The same applies to intangible assets in progress.

11 Investment property

Investment property are land and buildings that are accounted at fair value, determined by specialised independent entities, with appropriate recognised professional qualifications and experience in valuing assets of this nature.

The fair value is based on market values, being the amount at which two independent willing parties would be interested in making a transaction of the asset.

The methodology adopted in the valuation and determination of fair value consists of applying the market's comparative method, in which the asset under valuation is compared with other similar assets that perform the same function, negotiated recently in the same location or in comparable zones. The known transaction values are adjusted to make a proper comparison, and the variables of size, location, existing infrastructure, state of conservation, as well as other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which it is difficult to make a comparison with transactions that have occurred, an income approach is used. It is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. Thus, the assumptions used in the evaluation of each asset vary according to its location and technical characteristics, using an average yield between 8% and 9%.

Changes to fair value of investment property are recognised in the income statement, in gains/losses in other investments, since it is related with assets owned for appreciation.

Whenever, as a result of changes in their expected use, tangible assets are transferred to investment property, the assets are measured at their fair value and any difference to their carrying amount is recognised in the income statement as revaluation surplus. Gains and losses in subsequent revaluations (fair value) are recognised in the income statement, in accordance with IAS 40.

If an investment property starts to be used by the business operations of the Group, it is transferred to tangible assets and its fair value at the date of transfer becomes its acquisition cost for accounting purposes.

	2016	2015
Opening balance	**20,387**	**42,947**
Increases due to acquisitions	-	2
Transfers	-	(21,075)
Changes in fair value	(3,562)	(1,487)
Disposals	(2,873)	-
Closing balance	**13,952**	**20,387**

The investment property relates to plots of land and buildings initially acquired for use in Group operations, and others actually used for that purpose for a period of time but which became redundant, either because they could not be used to build cash-generating units or because they are no longer in use as a result of the restructuring of operations carried out in them.

This category also includes recently acquired land, whose use has still not been determined, but whose market value is expected to increase.

Non-current assets are all the investment property that are not expected to be sold within a period of less than 12 months.

In 2016 the amount of income from investment property amounted to EUR 73 thousand (EUR 103 thousand in 2015), and costs were recognised in the amount of EUR 33 thousand (EUR 57 thousand in 2015).

12 Derivative financial instruments

The Group uses derivatives with the sole intention of managing any financial risks to which it is exposed. In accordance with its financial policies, the Group does not enter into speculative positions.

Whenever available, fair values are estimated based on quoted instruments. In the absence of market prices, fair values are estimated through discounted cash flow methods and option valuation models, in accordance with generally accepted assumptions.

Derivative financial instruments are recognised on the date they are negotiated (trade date), at their fair value. Subsequently, the fair value of derivative financial instruments is valuated on a regular basis, and the gains or losses resulting from this valuation are recorded directly in the income statement, except in relation to cash flow hedge derivatives, whose changes in fair value are recorded in equity, in the cash flow hedge reserve. Recognition of changes in the fair value of hedge instruments depends on the nature of the hedged risk and the type of hedge used.

Derivatives held for trading

Although derivatives entered by the Group correspond to effective economic hedges against risks to be hedged, not all of them qualify as hedge instruments for accounting purposes, according to IAS 39 rules.

Those that do not qualify as hedge instruments are booked on the balance sheet at fair value and changes to that amount are recognised in the profit and loss.

Hedge accounting

Derivative financial instruments used for hedging may be classified, from an accounting point of view, as hedge instruments, as long as they comply with all of the following conditions:

(i) At the starting date of the transaction, the hedge relationship is identified and formally documented, including identification of the item hedged, the hedge instrument, and evaluation of the effectiveness of the hedge;

(ii) There is the expectation that the hedge relationship will be highly effective on the initial transaction date and throughout the life of the operation;

(iii) The effectiveness of the hedge may be reliably measured on the initial transaction date and throughout the life of the operation;

(iv) For cash flow hedge operations, those cash flows must have a high probability of occurring.

Interest rate risk (cash flow hedge)

Whenever expectations surrounding movements in interest rates so justify, the Group tries to anticipate any adverse impact through the use of derivatives. The selection process that each instrument is subject to, favours economic contribution more than anything else. The implications of adding any new instrument to a portfolio of derivatives are also taken into account, namely, in terms of volatility impact on earnings.

The instruments that qualify as cash flow hedging instruments are booked at fair value on the balance sheet, and to the degree that they are considered effective, changes to their fair value are recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast transaction or event that is hedged takes place). However, in the case of a hedge of a forecast transaction that results in the recognition of a non-financial asset (for example: inventory), the gains or losses previously deferred in equity are transferred and included in the initial measurement of the asset.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This way, in net terms, all costs associated to the underlying exposure are carried at the interest rate of the hedging instruments.

When a hedge instrument expires or is sold, or when the hedge ceases to meet the criteria required for hedge accounting, the changes in the fair value of the derivative, that are accumulated in other comprehensive income, are recognised in the results when the hedged operation also affects the results.

Foreign exchange risk (net investments in foreign entities hedge)

With respect to foreign exchange risks, the Group follows a natural hedge policy, raising debt in local currency whenever market conditions are judged to be convenient (namely, taking into consideration the level of interest rates).

Exchange rate fluctuations in loans contracted in foreign currencies for the purpose of funding investments in foreign operations are taken directly to the currency translation reserve in other comprehensive income (note 2.2).

Cross currency swaps that are entered into with the purpose of hedging investments in foreign entities that qualify as hedging instruments are booked at fair value on the balance sheet. To the degree that they are considered effective, changes to their fair value are recognised directly in the currency translation reserve (note 2.2). The cumulative gains and losses recognised in other comprehensive income are transferred to results of the year when foreign entities are disposed.

	2016					Dec 2015				
	Notional	Assets		Liabilities		Notional	Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Cash flow hedging derivatives										
Interest rate swap (PLN)	200 million PLN	-	-	-	293	212 million PLN	-	122	-	-
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	538 million PLN	1,277	-	317	-	338 million PLN	128	-	93	-
Total hedging derivatives		**1,277**	**-**	**317**	**293**		**128**	**122**	**93**	**-**
Total assets/liabilities derivatives		**1,277**	**-**	**317**	**293**		**128**	**122**	**93**	**-**

At 31 December 2016, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 1 thousand (2015: EUR 1 thousand).

Cash flow hedge

Interest rate swap

The Group fixes a portion of future interest payments on loans, through entering into interest rate swaps. The hedged risk is the variable interest rate index associated with the loans. The purpose of the hedge is to convert the loans with variable interest rate into fixed interest rate. The credit risk of the borrowing is not hedged. Nevertheless, the evaluation of JMH own credit risk and its incorporation in the fair value of derivative financial instruments recognised on the balance sheet would result in an immaterial impact as of 31 December 2016 and 2015. The Group had interest rate swaps in zlotys.

In summary:

	Currency	Loan amount	Hedged amount	Index hedged	Rate review date	Loan and hedge maturity
JMNK/2020	PLN	400,658	200,329	Wibor 3 months	March	June 2020

Hedging of investments in foreign entities

Currency forwards

The Group hedges the economic risk of its exposure to the exchange rate of zloty. To do so the Group entered into currency forwards, with maturities in April 2017.

Impacts on the Financial Statements

	2016	2015
Fair value of financial instruments as at 1 January	**157**	**(1,769)**
(Receipts) / payments made	1,377	16,755
Change in the fair value of cash flow hedge derivatives (others reserves)	(411)	4,101
Change in the fair value of cash flow hedge derivatives (foreign exchange differences)	(4)	(6)
Change in the fair value of net investment hedging derivatives (currency translation reserves)	(390)	(14,645)
Interest expenses from financial instruments that qualify as hedge accounting (income statement)	(62)	(4,279)
Fair value of financial instruments as at 31 December	**667**	**157**

13 Investments in joint ventures and associates

The joint ventures and associates are listed in note 30, and changes in these investments were as follows:

	Joint ventures		Associates		Total	
	2016	2015	2016	2015	2016	2015
Opening balance	**75,789**	**73,537**	**689**	**735**	**76,478**	**74,272**
Equity method:						
Net result	10,288	16,450	(17)	158	10,271	16,608
Dividends and other income received	(2,711)	(14,102)	-	(204)	(2,711)	(14,306)
Other comprehensive income	-	(96)	-	-	-	(96)
Disposals of business (nota 30)	(83,367)	-	(672)	-	(84,039)	-
Acquisitions of business	1	-	-	-	1	-
Closing balance	**-**	**75,789**	**-**	**689**	**-**	**76,478**

14 Inventories

Inventories are valued at the lower of cost or net realisable value. The net realisable value corresponds to the selling price in the ordinary course of business, less the estimated selling expenses.

Inventories are normally valued at the last acquisition cost, which considering the high rotation of inventories corresponds approximately to the actual cost that would be determined based on the FIFO method.

The cost of finished goods and work in progress comprises raw materials, direct labour, and other direct costs.

	2016	2015
Raw and subsidiary materials and consumables	3,928	3,657
Goods available for sale	749,951	663,095
Work in progress and finished goods	906	987
	754,785	**667,739**
Net realisable adjustment	(36,167)	(29,400)
Net inventories	**718,618**	**638,339**

No inventories have been pledged as guarantee for the fulfilment of contractual obligations.

15 Trade debtors, accrued income and deferred costs

Customers and debtor balances are amounts to be received regarding goods sold or services rendered in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses (note 2.5).

	2016	2015
Non-current		
Other debtors	75,987	80,849
Collateral deposits associated to financial debt	34,367	34,367
Deferred costs	2,482	3,388
	112,836	**118,604**
Current		
Commercial customers	45,928	53,501
Other debtors	93,117	87,770
Other taxes receivable	11,364	11,754
Accrued income and deferred costs	160,721	124,250
	311,130	**277,275**

Non-current debtors include EUR 75,282 thousand relating to additional tax liquidation as well as pre-paid tax. The Group has already contested the amounts paid and made a legal claim for reimbursement (note 26).

The Group has EUR 34,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions, which is being used as a collateral guarantee for financial loans.

Accrued income includes basically supplementary gains contracted with suppliers, in the amount of EUR 148,502 thousand (2015: EUR 111,581 thousand).

The deferred costs include EUR 6,434 thousand of pre-paid rents, EUR 2,329 thousand of insurance costs and EUR 5,827 thousand of other costs attributable to future years and paid in 2016, or, if not yet paid, already charged by the entities.

Other debtors include an amount of EUR 17,713 thousand (2015: EUR 18,186 thousand), of guarantees mostly to landlords of stores.

Current debtors that are less than three months past their due date are not considered impaired. The ageing analysis of debtors that are past their due date is as follows:

	2016	2015
Debtors balances not considered impaired		
Less than 3 months past due	23,516	28,411
More than 3 months past due	21,912	17,258
	45,428	**45,669**
Debtors balances considered impaired		
Less than 3 months past due	284	549
More than 3 months past due	8,513	17,035
	8,797	**17,584**

Of the debtors balances not considered impaired, EUR 18,919 thousand (2015: EUR 6,595 thousand) are covered by credit guarantees and credit insurance.

Movements on impairment of trade receivables are as follows:

	2016	2015
Balance as at 1 January	**23,863**	**24,122**
Set up, reinforced and transfers	2,562	5,143
Unused and reversed	(1,189)	(4,506)
Foreign exchange difference	(232)	31
Used	(1,111)	(927)
Acquisitions and bussiness restructuring	(179)	-
Balance as at 31 December	**23,714**	**23,863**

16 Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and other short-term highly liquid investments with initial maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

	2016	2015
Bank deposits	524,941	129,946
Short-term investments	114,974	306,932
Cash and cash equivalents	3,597	4,810
	643,512	**441,688**

Bank deposits correspond to values in banks to meet current cash requirements as well as receipts from customers in transit.

Short-term investments correspond to time deposits in financial institutions.

Ratings of bank deposits and short-term investments are detailed in note 31.2.1.

17 Cash generated from operations

	2016	2015
Net results	**593,218**	**333,342**
Adjustments for:		
Non-controlling interests	21,008	24,866
Income tax	129,969	116,587
Depreciations and amortisations	294,327	294,599
Provisions and other operational gains and losses	31,619	10,767
Net financial costs	17,356	26,497
Gains/Losses on disposal of business	(220,678)	-
Gains/Losses in associated companies	(10,271)	(16,608)
Gains/Losses in other investments	4,974	1,423
Profit/ Losses in tangible and intangible assets	15,133	6,636
	876,655	**798,109**
Changes in working capital:		
Inventories	(99,646)	(77,220)
Trade debtors, accrued income and deferred costs	(2,160)	(3,936)
Trade creditors, accrued costs and deferred income	261,577	282,832
	1,036,426	**999,785**

18 Capital and reserves

Share capital

Share capital corresponds to the nominal value of the ordinary shares issued.

Share premium is recognised when the issued share price exceeds its nominal value. Costs incurred with the issuance of new shares are recognised directly in this heading, net of respective taxes.

Own shares purchased are shown at cost as a deduction in equity. When they are disposed, the amount received, net of costs related with the transaction and taxes, is recognised directly in equity.

Payable dividends

Payable dividends are recognised as a liability in the Group's Financial Statements in the period in which they are approved for distribution by the shareholders.

18.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2015: 629,293,220).

The holders of ordinary shares have the right to receive dividends as established at the General Shareholder's Meeting and have the right to one vote for each share held. There are no preferential shares and the own shares rights are suspended until these shares are sold in the market.

During the year no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

18.2 Own shares

At 31 December 2016, the Group held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2016.

18.3 Dividends

Dividends distributed in 2016 totalling EUR 183,963 thousand, were paid to JMH shareholders in the amount of EUR 166,535 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 17,428 thousand.

18.4 Other reserves and retained earnings

In the individual accounts of JMH duly states all conditions related to the use of reserves to be distributed comprised in Company equity. We therefore recommend reading this information.

19 Earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders divided by the weighted average of outstanding ordinary shares.

19.1 Basic and diluted earnings per share

	2016	2015
Ordinary shares issued at the beginning of the year	629,293,220	629,293,220
Own shares at the beginning of the year	(859,000)	(859,000)
Shares issued during the year	-	-
Weighted average number of ordinary shares	**628,434,220**	**628,434,220**
Diluted net results of the year attributable to ordinary shares	593,218	333,342
Basic and diluted earnings per share – Euros	**0.9440**	**0.5304**

20 Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method.

Borrowings are classified as current liabilities, unless the Group has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

In the first nine months of the year the Group financing needs for the Portuguese companies were supported by short-term instruments, mainly of commercial paper issues that were fully reimbursed by the end of September with the receipt from the sale of the subsidiary Monterroio.

For the Portuguese Companies, the Group uses grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one company. The amount of credit lines which are not being used, amount to EUR 137,000 thousand (2015: EUR 147,000 thousand).

In Poland, Jeronimo Martins Polska early repaid three loans in a total amount of PLN 700,000 thousand, which had initial maturity in 2017. The financing needs of the company were supported by loans from other Group companies and by short term bank credit lines which were increased in more than PLN 500,000 thousand.

The Jeronimo Martins Colombia renegotiated the terms and conditions of the credit lines which already held and increased the limits of its short term credit lines in COP 117,500,000 thousand.

20.1 Current and non-current loans

	2016	2015
Non-current loans		
Bank loans	111,823	384,291
Bond loans	-	150,000
Financial lease liabilities	3,006	131
	114,829	**534,422**
Current loans		
Bank overdrafts	-	8,831
Bank loans	73,622	114,491
Bond loans	150,000	-
Financial lease liabilities	959	188
	224,581	**123,510**

20.2 Loan terms and maturities

2016	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Loans in PLN	2.35%	90,846	5,191	85,655	-
Loans in COP	8.60%	94,599	68,431	25,166	1,002
Bond Loans					
Loans	0.56%	150,000	150,000	-	-
Financial lease liabilities	2.70%	3,965	959	2,360	646
	-	**339,410**	**224,581**	**113,181**	**1,648**

2015	Average rate	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank loans					
Commercial paper in EUR	2.31%	155,000	55,000	100,000	-
Loans in EUR	-	-	-	-	-
Loans in PLN	2.75%	263,503	5,369	258,134	-
Loans in COP	6.68%	80,279	54,122	15,250	10,907
Bond Loans					
Loans	3.45%	150,000	-	150,000	-
Bank overdrafts	3.02%	8,831	8,831	-	-
Financial lease liabilities	3.23%	319	188	131	-
	-	**657,932**	**123,510**	**523,515**	**10,907**

As a result of JMR bond loan refinancing, in December, and re-negotiation of Commercial Paper conditions, the average rates of these loans reduced significantly in 2016, from 3.45% to 0.56% and from 2.22% to 0.60%, respectively.

20.3 Bond loans

	2016	2015
Non-convertible bonds	150,000	150,000

In December 2015, JMR issued a bond loan in the amount of EUR 150,000 thousand, to be redeemed in December 2017. The interest rate is variable, and is indexed to the 6-month Euribor, being reviewed when the interest payment occurs, every six months, in December and June.

20.4 Financial debt

As the Group contracted several foreign exchange rate risk and interest risk hedging operations, as well as short-term investments, the net consolidated financial debt as at 31 December is:

	2016	2015
Non-current loans (note 20.1)	114,829	534,422
Current loans (note 20.1)	224,581	123,510
Derivative financial instruments (note 12)	(667)	(157)
Interest on accruals and deferrals	1,035	473
Bank deposits (note 16)	(524,941)	(129,946)
Short-term investments (note 16)	(114,974)	(306,932)
Collateral deposits associated to financial debt (note 15)	(34,367)	(34,367)
	(334,504)	**187,003**

21 Provisions

Provisions are recognised in the balance sheet whenever the Group has a present obligation (legal or implicit) as a result of a past event and it is probable that a rationally estimated outflow of resources embodying economic benefits will be required to settle the obligation.

Restructuring provision

Provisions for restructuring costs are set up whenever a formal restructuring plan has been approved by the Group and the restructuring has started to be implemented or has been announced publicly.

Provisions for restructuring include all liabilities to be paid with the implementation of the plan, including employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Legal claims provision

Provisions related with litigation against Group Companies are set up in accordance with risk assessments carried out by the Group, with the support and advice of its legal advisers.

	2016	2015
Balance as at 1 January	**83,947**	**81,828**
Set up, reinforced and transfers	14,805	8,872
Unused and reversed	(9,410)	(3,495)
Foreign exchange difference	(77)	(14)
Used	(67,474)	(3,244)
Acquisitions/Disposals of business	(209)	-
Balance at 31 December	**21,582**	**83,947**

The provisions for risks and contingencies consists of provisions for possible compensation to be paid by the Group regarding guarantees provided in business sales agreements contracted over the last few years, provisions for restructuring plans, and provisions for litigation processes where there is no prospect of resolution in less than one year.

In 2016, the Group decided to replace part of the bank guarantees issued in favour of the Portuguese Tax Authority by the Special Programme for Reducing the Indebtedness to the State (PERES Plan) launched by the Portuguese Government. This replacement, definitively, delimits the value of the contingencies associated with the cases in question, as well as, it reduces the amount of interest and fines if the disputes in court do not have a favourable outcome.

As a result, the provisions related to the matters covered by this payment were used. The Board of Directors firmly believes in its arguments, and the processes follow their course in court.

22 Trade creditors, accrued costs and deferred income

Suppliers and other creditor's balances are obligations to pay goods or services that have been acquired in the ordinary course of the business. They are initially recognised at the fair value and subsequently at the amortised cost, in accordance with the effective interest rate method.

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

	2016	2015
Non-current		
Other commercial creditors	5	1
Accrued costs and deferred income	788	812
	793	**813**
Current		
Other commercial creditors	2,560,840	2,359,812
Other non-commercial creditors	228,713	182,184
Other taxes payables	79,272	76,024
Accrued costs and deferred income	297,702	253,697
	3,166,527	**2,871,717**

The accrued costs, totalling EUR 284,049 thousand include salaries and wages to be paid to the employees, in the amount of EUR 132,961 thousand, interest payable in the amount of EUR 34,891 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 12,441 thousand. The remaining EUR 103,757 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others) for 2016, which had not been invoiced by the respective entities prior to the end of the year.

Deferred income totalling EUR 14,441 thousand comprises basically supplementary gains received in the amount of EUR 8,876 thousand, which are attributable to future years.

23 Guarantees

The bank guarantees are as follows:

	2016	2015
Guarantees provided to suppliers	18,779	17,900
Guarantees for Portuguese tax authorities	156,422	138,467
Financing bank guarantees	32,919	31,873
Other State guarantees	12,277	6,487
Other guarantees provided	4,599	3,551
Total of guarantees	**224,996**	**198,278**

Following the adhesion to PERES plan (note 21), the Group initiated the administrative procedures with the Portuguese Tax Authority to cancel the corresponding bank guarantees, which amount to EUR 85,242 thousand.

24 Operational lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made for these contracts are recognised in the income statement on a straight-line basis over the period of the leases.

The Group has liabilities relating to medium and long-term contracts which have penalty clauses if broken.

The future payments associated to the total of such contracts, are as follows:

	2016	2015
Payments in less than 1 year	97,007	85,228
Payments between 1 and 5 years	501,934	410,864
Payments in more than 5 years	2,029,321	1,895,389
	2,628,262	**2,391,481**

These amounts relate to store and warehouse rent contracts, with initial terms between five and 20 years, with an option to renegotiate after that period. The payments are updated annually reflecting inflation and/or market valuation.

As mentioned all these contracts are breakable, the majority of them with the payment of penalties. The liabilities relating to these penalties correspond mainly to the remaining rents until the end of the contract, which at the end of 2016, were of EUR 1,885,549 thousand (2015: EUR 1,913,435 thousand).

The operational lease contracts recognised as costs are analysed as follows:

	2016	2015
Buildings	301,326	299,639
Plants & machinery	10,823	10,599
Transport equipment	15,833	15,596
IT equipment	664	626
Others	3,149	4,056
	331,795	**330,516**

The difference to the rents stated in note 4 are costs with occasional renting in the amount of EUR 127 thousand (2015: EUR 140 thousand) deducted from rents related to exceptional operating gains/losses in the amount of EUR 0 thousand (2015: EUR 111 thousand).

25 Capital commitments

Capital expenditure contracted for at the balance sheet date amounted to EUR 60,103 thousand and refers, essentially, to work in progress, preliminary agreement for the acquisition of land, buildings and equipment whose public deeds will occur in due time.

There are no capital commitments assumed by the Group in relation to joint ventures and associates.

26 Contingencies

- Under non-current debtors (note 15), an amount of EUR 74,343 thousand relates to tax liquidations claimed by the Tax Administration.

The Board of Directors, supported by its tax and legal advisers, believes the Company has acted within the law and maintains the administrative and judicial claims filed against such settlements expecting their full recovery.

In this context, the Group immediately demanded total reimbursement of the amounts paid, as well as indemnity interest at the legal rate for the period between the payment date and its effective restitution date.

In 2012 one of the judicial proceedings was held to be well-grounded by the Court of Appeal (Tribunal Central Administrativo Sul), which ruled the cancellation of the referred liquidations and the payment of compensatory interests and of a compensation for the guarantees granted within the proceedings. The Group recognised the amount of compensatory interest due on this credit.

- The 2016 Portuguese State Budget law includes a transitory rule that could have a material impact for our Group and, in particular, for the JMR and Recheio subsidiaries.

According to this law 1/4 (one quarter) of all the book gains derived from internal transactions (i.e. transactions between affiliated companies within the same fiscal group) - that under the previous legal framework were not taxable unless i. a transaction with third parties took place or ii. the tax group was dissolved – are to be added to the 2016 collectable income and subject to Corporate Income Tax, with an advanced payment in July 2016.

In the late nineties, JMR and Recheio and its respective subsidiaries went through a significant restructuring process following several acquisitions and the decision to reorganise the Group's assets. The transactions between the several companies within the JMR and Recheio Groups were made according to the existing legal framework and in line with best practices (arm’s length at market value) having generated suspended internal book gains.

Considering that the transactions were all internal, these book gains are obviously eliminated in the consolidation process while still being reflected in the individual accounts.

Based on the assessment of our legal and fiscal advisors, we firmly believe that there is sufficient ground to oppose the said rule. Therefore, we are not incorporating the considered amount that results from the application of this 2016 transitory rule - c. EUR 50,000 thousand in taxes – in Jerónimo Martins’ results.

The 2017 Portuguese State Budget law included, once again, an identical rule, which may generate a similar impact for the Group. Likewise, we firmly believe that there are sufficient grounds to oppose to that rule.

- There are several disputes arising out of the ordinary course of the Group’s businesses, and the most significant issues mentioned below are also pending resolution. With respect to these issues the Board of Directors, supported by the opinion of its tax and legal advisors, considers that there is enough ground for its appeal in court assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur a provision has been made in the respective amount, or, proceeding to its payment (see note 21), when it considers that is the best way to protect the Group's interests:

a) The Portuguese Tax Authorities claim from Recheio, SGPS, S.A. (Recheio SGPS) the amount of EUR 2,503 thousand concerning an additional assessment of Value Added Tax (VAT). The Tax Authorities challenged the VAT deduction method adopted by Recheio SGPS. Meanwhile, the Lisbon Tax Court ruled in favour of Recheio SGPS, amounting to EUR 1,753 thousand. Consequently the amount in dispute is now EUR 750 thousand;

b) The Portuguese Tax Authorities have informed Recheio SGPS that it should restate the dividends received, amounting to EUR 81,952 thousand, from its subsidiary in the Madeira Free Zone in the years 2000 to 2003, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to Corporate Income Tax (CIT) as opposed to dividends received that are exempt. The Portuguese Tax Authorities have issued additional assessments, amounting to EUR 20,888 thousand, of which EUR 19,581 thousand is still in dispute. In spite of a judicial claim that was ruled in favour of the Portuguese tax authorities, the Board of Directors maintains its convictions and claimed against them judicially;

c) The Portuguese Tax Authorities carried out some corrections to the CIT amount from Companies included in the perimeter of the Tax group headed by JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR SGPS), which led to additional assessments concerning 2002 to 2013, amounting to EUR 71,957 thousand, of which is still in dispute an amount of EUR 65,163 thousand. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR regarding the 2002, 2004, 2005 and 2007 assessments;

d) The Portuguese Tax Authorities assessed Feira Nova – Hipermercados, S.A. (Feira Nova) and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) regarding 2002 to 2004, the amount of EUR 4,845 thousand. These additional assessments relate to the amount booked by these Companies as shrinkage (loss of inventory through crime or wastage) which was not accepted as a tax deductible cost for CIT purposes, and also the associated VAT since there was no evidence that the goods were not sold. Meanwhile, the Lisbon Tax Court ruled in favour of Feira Nova regarding all VAT assessments, amounting to about EUR 2,813 thousand. The remaining judicial claims are still under discussion in Court;

e) The Portuguese Tax Authorities have informed Jerónimo Martins, SGPS, S.A. (Jerónimo Martins), to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;

f) The Portuguese Tax Authorities carried out some corrections of VAT rates applied to certain goods sold by some Group Companies. With these corrections the total amount of assessments for the years 2005 to 2013 in Pingo Doce, Feira Nova and Recheio amounted to EUR 1,820 thousand, EUR 1,300 thousand and EUR 551 thousand, respectively;

g) The Portuguese Tax Authorities carried out some corrections to the CIT from Companies included in the perimeter of the Tax Group headed by Recheio SGPS. With these corrections the total assessments concerning 2007 to 2013, amount to EUR 14,936 thousand, of which is still in dispute an amount of EUR 14,186 thousand. The Lisbon Tax Court has already ruled in favour of Recheio SGPS regarding the 2008 assessment. However Tax Authorities have appealed the said decision;

h) The Portuguese Tax Authorities have informed Jerónimo Martins that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses regarding 2007, and an amount of tax estimated of EUR 6,800 thousand;

i) Sociedade Ponto Verde (SPV) claimed through a judicial proceeding against Pingo Doce, in September 2014, an amount of EUR 3,397 thousand (including outstanding interest), related to the Management of the secondary and tertiary packaging waste system. Pingo Doce contested considering that SPV does not manage that kind of waste and therefore no amount is due. The Court decided in favour of Pingo Doce, however SPV filed an appeal;

j) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce, Recheio and Hussel an amount of EUR 11,207 thousand, EUR 868 thousand and EUR 25 thousand, respectively, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012 to 2016. The values at stake have been challenged in Court, since it is understood that this tax is not due, namely on the grounds of the unconstitutional nature of the Statute that approved the TSAM. The disputes are still running its course. Despite, in two cases, the court having decided that the Food Safety Tax is not unconstitutional, the Companies maintain their understanding and have presented the respective appeal to higher courts.

27 Related parties

A related party is a person or entity that is related to the Group, including those that have or are subject to the influence or control of the Group.

27.1 Balances and transactions with related parties

56.136% of the Group is owned by the Sociedade Francisco Manuel dos Santos, B.V., with which the Group carried out the transactions described in note 28. Besides this, no other transactions occurred between this Company and any other company of the Group in 2016, neither were there any amounts payable or receivable between them on 31 December 2016.

Balances and transactions of Group Companies with related parties are as follows:

	Joint ventures (note 30)		Other related parties (*)	
	2016	**2015**	**2016**	**2015**
Sales and services rendered	7	47	167	89
Stocks purchased and services supplied	58,673	97,907	49,028	257

	Joint ventures (note 30)		Other related parties (*)	
	2016	**2015**	**2016**	**2015**
Trade debtors, accrued income and deferred costs	-	232	456	54
Trade creditors, accrued costs and deferred income	-	5,556	8,329	9

(*) Entities controlled by the major Shareholder of Jerónimo Martins and entities owned or controlled by members of the Board of Directors. Includes balances and transactions with Monterroio and its subsidiaries, starting on 1 August 2016.

All the transactions with related parties were made under normal market conditions, meaning, the transaction value corresponds to prices that would be applicable between non-related parties.

Outstanding balances between Group Companies and related parties, as a result of trade agreements, are settled in cash, and are subject to the same payment terms as those applicable to other agreements contracted between Group Companies and their suppliers.

There are no provisions for doubtful debts and no costs were recognised during the year related with bad debts or doubtful debts with these related parties.

27.2 Remuneration paid to Directors and Senior Managers

The costs incurred with fixed and variable remuneration and contributions to the pension plans attributed to the Directors and Senior Managers were as follows:

	2016	**2015**
Salaries and other short-term employee benefits	20,069	16,647
Post-employment benefits	447	379
Other benefits	1,559	1,391
Total	**22,075**	**18,417**

The Board of Directors of the Company consisted of 9 Members at the end of 2016. The average number of Senior Managers of the Group was 78 (2015: 76).

Senior Managers are considered to be the Members of the Managing Committee and leading teams of the Group's business units and the Directors of the Corporate Centre.

The remuneration policy of the Board of Directors and of the Supervisory Board are stated in this Annual Report in the Corporate Governance Chapter.

The post-employment benefits granted to the Directors and the Senior Managers are part of the defined contribution plan described in note 5.2.

The cost incurred with other benefits refer to long-term benefits and are described in note 5.2.

28 Group subsidiaries

Group control is ensured by the parent Company, Jerónimo Martins, SGPS, S.A..

The tables below list the subsidiaries of Jerónimo Martins Group, fully consolidated.

Company	Business area	Head office	% Owned
Jerónimo Martins, SGPS, S.A.	Business portfolio management	Lisbon	-
Jerónimo Martins - Serviços, S.A.	Human resources top management	Lisbon	100.00
Beleggingsmaatschappij Tand B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
New World Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Origins - Agro Business Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Tagus - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Warta - Retail & Services Investments B.V.	Business portfolio management and financial services	Amsterdam (Holland)	100.00
Desimo - Desenvolvimento e Gestão Imobiliária, Lda.	Real estate management and administration and trade marks	Lisbon	100.00
Friedman - Sociedade Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and accounting area	Funchal	100.00
Funchalgest - Sociedade Gestora de Participações Sociais, S.A.	Business portfolio management	Funchal	75.50
Jerónimo Martins - Restauração e Serviços, S.A.	Food retail stores	Lisbon	100.00
Hussel Ibéria - Chocolates e Confeitaria, S.A.	Retail sale of chocolates, confectionery and similar products	Lisbon	51.00
Jeronimo Martins Colombia S.A.S.	Trading and distribution of consumer goods	Bogotá (Colombia)	100.00
Jerónimo Martins – Agro-Alimentar, S.A.	Other business support service activities, non-specific	Lisbon	100.00
Best-Farmer – Actividades Agro-Pecuárias, S.A.	Growing of crops combined with farming of animals (mixed farming)	Lisbon	100.00
Jerónimo Martins - Lacticínios de Portugal, S.A.	Manufacture of milk and dairy products	Portalegre	100.00
Seaculture - Aquicultura, S.A.	Saline brackish waters aquaculture	Lisbon	100.00
JMR - Gestão de Empresas de Retalho, SGPS, S.A.	Business portfolio management in the area of retail distribution	Lisbon	51.00
JMR - Prestação de Serviços para a Distribuição, S.A.	Retail management, consultancy and logistics	Lisbon	51.00
Pingo Doce - Distribuição Alimentar, S.A.	Retail sales in supermarkets	Lisbon	51.00
Imoretalho - Gestão de Imóveis, S.A.	Real estate management and administration	Lisbon	51.00
Escola de Formação Jerónimo Martins, S.A.	Training	Lisbon	51.00
EVA - Sociedade de Investimentos Mobiliários e Imobiliários, Lda.	Provision of services in the economic and financial areas and investment management	Funchal	51.00
Lidosol II - Distribuição de Produtos Alimentares, S.A.	Retail sales in supermarkets	Funchal	51.00
Lidinvest - Gestão de Imóveis, S.A.	Real estate management and administration	Funchal	51.00
Jerónimo Martins Retail Services, S.A.	Trademarks management	Klosters (Switzerland)	51.00
Jerónimo Martins Finance Company (2), Designated Activity Company	Financial services	Dublin (Ireland)	51.00
Recheio, SGPS, S.A.	Business portfolio management in wholesale and retail distribution	Lisbon	100.00
Recheio - Cash & Carry, S.A.	Wholesale of food and consumer goods. Including maritime-tourist activities	Lisbon	100.00
Imocash - Imobiliário de Distribuição, S.A.	Real estate management and administration	Lisbon	100.00
Larantigo - Sociedade de Construções, S.A.	Real estate purchase and sale	Lisbon	100.00
Masterchef, S.A.	Retail sales and/or wholesale of food or non-food products	Lisbon	100.00
Caterplus - Comercialização e Distribuição de Produtos de Consumo, Lda.	Wholesale of other food products	Lisbon	100.00
João Gomes Camacho, S.A.	Wholesale of food and consumer goods	Funchal	100.00
Jeronimo Martins Polska S.A.	Retail and wholesale of food and consumer goods	Kostrzyn (Poland)	100.00
Optimum Mark Sp. z o.o.	Trademarks management	Warsaw (Poland)	100.00
JM Nieruchomosci - Sp. z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100.00
JM Nieruchomosci - Sp. Komandytowo-akcyjna	Real estate management and administration	Kostrzyn (Poland)	100.00
Jeronimo Martins Drogerie i Farmacja Sp. z o.o.	Provision of services in the area of wholesale and retail distribution	Kostrzyn (Poland)	100.00
Bliska Sp. z o.o.	Retail sale of pharmaceutical, orthopaedic and health products	Warsaw (Poland)	100.00

On 30 September 2016, the Group sold 100% of the share capital of its subsidiary Monterroio – Industry & Investments B.V. (´Monterroio´) to Sociedade Francisco Manuel dos Santos B.V., which represented a cash inflow of EUR 310,000 thousand.

Monterroio was the sub-holding for manufacturing and services businesses comprising its subsidiaries Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins – Restauração e Serviços, S.A., fully owned (100%), as well as the shareholdings in Unilever Jerónimo Martins, Lda. (45%), Gallo Worldwide, Lda. (45%), Hussel Ibéria – Chocolates e Confeitaria, S.A. (51%) and Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A. (27.545%).

Considering the strategic fit of these businesses within Jerónimo Martins' portfolio, the above-mentioned parties, agreed on the buy back, as from 31 December 2016, of 100% of the share capital in Jerónimo Martins Restauração e Serviços, S.A. and of 51% of the share capital in Hussel Ibéria – Chocolates e Confeitaria, S.A.

The impact of this transaction in Jerónimo Martins is detailed in note 7 of this Chapter.

In December 2016, the Group reorganized the corporate structure of the companies based in the Madeira archipelago. With this reorganization, the Group now holds 100% of the company João Gomes Camacho, SA, which operates stores included in the wholesale business unit Recheio, and reduced its shareholding in Lidosol II - Distribuição de Produtos Alimentares, SA and Lidinvest - Gestão de Imóveis, SA, included in the business unit of JMR (Pingo Doce supermarkets), from 75.5% to 51%.

These operations led to an increase in retained earnings amounted EUR 2,605 thousand and an equal reduction in non-controlling interests.

29 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2016 were EUR 252,500 thousand (2015: EUR 251,526 thousand), of which EUR 251,842 thousand (2015: EUR 250,833 thousand) related to JMR Group (Portugal Retail), where Ahold Delhaize Group holds a stake c. 49%.

The Financial Statements of this business unit, fully consolidated, include the following amounts related to assets, liabilities and earnings:

	2016	2015
Non-current assets	1,394,194	1,371,117
Current assets	339,339	328,493
Non-current liabilities	(35,157)	(241,853)
Current liabilities	(1,190,944)	(944,632)
Net assets	**507,432**	**513,125**
Revenue	3,914,632	3,729,140
Net profit	40,691	48,369
Other comprehensive income	(2)	1,216
Total comprehensive income	**40,689**	**49,585**

30 Interests in joint ventures and associates

Set out below are the joint ventures and associates of the Group, consolidated by the equity method:

Company	Business area	Head office	% Owned
Marismar - Aquicultura Marinha, Lda.	Saline brackish waters aquaculture	Funchal	50.00

As described in note 28, the Group sold 100% of the share in the subsidiary Monterroio, the sub-holding for manufacturing and services businesses, which included the shareholdings in the joint ventures Unilever Jerónimo Martins, Lda. (45%) and Gallo Worldwide, Lda. (45%), and also the associated company Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A. (27.545%).

The impacts of the referred transaction are detailed in note 7.

31 Financial risks

Jerónimo Martins is exposed to several financial risks, namely: pricing risk, which includes exchange rate risk, interest rate risk and price risk, transactional risk, which includes liquidity risk and credit risk, and the risk arising from the Group's portfolio of investments, covering various risks such as interest rate, credit, foreign exchange, inflation, political and fiscal.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimise their adverse effects on the Group's financial performance.

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer, and is responsible, with the cooperation of the financial teams of the companies, for identifying, assessing and hedging financial risks by following the guidelines set out in the Financial Risk Management Policy that was approved by the Board of Directors in 2016.

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

31.1 Pricing risk

31.1.1 Foreign exchange risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. There is also a currency risk that comes from the investment in Colombia.

At 31 December 2016, a depreciation of the zloty against the euro of around 10% would have a negative impact on the net investment of EUR 98,267 thousand (2015: EUR 86,989 thousand). Jerónimo Martins vulnerability to this risk did not increase, given the natural hedge of the exposure, through financing in zlotys.

In addition to this exposure, within the scope of the commercial activities of its subsidiaries, the Group acquires merchandise denominated in foreign currency, mainly zloty and US dollars for the Portuguese companies, and euros and US dollars for the Polish Companies and for the Colombian company. As a general rule, these transactions involve low amounts and are very short dated. Notwithstanding, when the cash flow exceeds EUR 1,000 thousand the Group's policy is to cover 100% of its value.

The Management of the operational Companies' exchange rate risk is centralised in the Group's Financial Operations Department. Whenever possible, exposure is managed through natural hedges, namely through loans denominated in local currency. When this is not possible, hedging structures are contracted using instruments such as swaps, forwards or options.

The Group's exposure to foreign exchange risk in financial instruments recognised on and off balance sheet as at 31 December 2016 was as follows:

As at 31 December 2016	Euro	Zloty	Colombian peso	Total
Assets				
Cash and cash equivalents	200,908	432,641	9,963	643,512
Available-for-sale financial investments	1,000	-	-	1,000
Trade debtors and deferred costs	102,496	218,026	1,503	322,025
Derivative financial instruments	-	1,277	-	1,277
Total financial assets	**304,404**	**651,944**	**11,466**	**967,814**
Liabilities				
Borrowings	150,392	94,418	94,600	339,410
Derivative financial instruments	-	610	-	610
Trade creditors, accrued costs and deferred income	970,696	1,897,734	76,897	2,945,327
Total financial liabilities	**1,121,088**	**1,992,762**	**171,497**	**3,285,347**
	-	-	-	-
Net financial position in the balance sheet	**(816,684)**	**(1,340,818)**	**(160,031)**	**(2,317,533)**
As at 31 December 2015				
Total financial assets	239,194	487,041	5,673	731,908
Total financial liabilities	1,245,874	1,974,260	120,556	3,340,690
Net financial position in the balance sheet	**(1,006,680)**	**(1,487,219)**	**(114,883)**	**(2,608,782)**

31.1.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate, which exposes Jerónimo Martins to cash flow risk. A given portion of this risk is hedged through interest rate swaps, thus the Group is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future interest costs based on forward rates, sensitivity tests to variations in interest rate levels are performed. The Group is essentially exposed to the euro and the zloty interest rate curves, and starting now to have some exposure to the colombian peso interest rates.

The sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest gains and losses on financial instruments, traded at variable interest rates;
- Changes in market interest rates only affect gains and losses in interest on financial instruments with fixed interest rates if these are recognised at fair value;
- Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows from current net values, using the market rates at the valuation date.

For each analysis, whatever the currency, the same changes to the yield curves are used. The analyses are carried out for the net debt, meaning deposits and short-term investments with financial institutions and derivative financial instruments are deducted. Simulations are performed based on net debt values and the fair value of derivative financial instruments as of the reference dates and the respective change in the interest rate curves.

Based on the simulations performed on 31 December 2016, and ignoring the effect of interest rate derivatives, and considering that the Group is in a cash surplus position, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a positive impact of EUR 1,669 thousand (2015: negative in EUR 936 thousand). These simulations are carried out at least once a quarter, but are reviewed whenever there are relevant changes, such as debt issuance, debt repayment or restructuring, significant variations in reference rates and in the slope of the interest rate curve.

Interest rate risk is managed through operations involving financial derivatives contracted at zero cost at the initial moment.

31.2 Transactional risk

31.2.1 Credit risk

The Group manages centrally its exposure to credit risk on bank deposits, short-term investments and derivatives contracted with financial institutions. The Financial Departments of the business units are responsible for the management of credit risk on its customers and other debtors.

The financial institutions that Jerónimo Martins chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

However, in each Company the bank that collects the deposits from stores may have a lower rating than the one defined in the general policy, although the maximum exposure cannot exceed two days of sales of the operating Company.

The following table shows a summary of the credit quality on bank deposits and short-term investments and derivative financial instruments with positive fair value, as at 31 December 2016 and 2015:

Financial institutions	Rating	Balance 2016	Balance 2015
Standard & Poor's	[A+ : AA]	-	224
Standard & Poor's	[BBB+ : A]	174,582	121,914
Standard & Poor's	[BB+ : BBB]	186,859	149,305
Standard & Poor's	[B+ : BB]	72,328	35,454
Standard & Poor's	[B]	-	-
Moody's	Caa1	752	1,251
Moody's	P -1	70,802	-
Fitch's	[A- : A+]	70,050	59,375
Fitch's	[BBB- : BBB+]	64,616	69,251
Fitch's	[B- : B+]	597	117
	Not available	313	237
Total		**640,899**	**437,128**

The ratings shown correspond to the notations given by Standard & Poor's. When these are not available Moody's or Fitch's notations are used instead.

With regard to customers, the risk is mainly limited to Cash & Carry and to the Services businesses (until July 2016), since the other businesses operate based on sales paid with cash or bank cards (debit and credit). This risk is managed based on experience and individual customer knowledge, as well as through credit insurance and by imposing credit limits which are monitored on a monthly basis and reviewed annually by Internal Audit.

The following table shows an analysis of the credit quality of the amounts receivable from customers and other debtors without non-payment or impairment:

Credit quality of the financial assets	2016	2015
New customer balances (less than six months)	170	1,262
Balances of customers without a history of non-payment	49,708	50,357
Balances of customers with a history of non-payment	6,071	14,262
Balances of other debtors with the provision of guarantees	5,502	3,921
Balances of other debtors without the provision of guarantees	98,025	91,650
	159,476	**161,452**

The following table shows an analysis of the concentration of credit risk from amounts receivable from customers and other debtors, taking into account its exposure for the Group:

Concentration of the credit risk from the financial assets	2016		2015	
	No.	Balance	No.	Balance
Customers with a balance above 1,000,000 euros	4	8,886	7	16,252
Customers with a balance between 250,000 and 1,000,000 euros	19	7,191	22	8,611
Customers with a balance below 250,000 euros	7,617	39,481	8,678	40,797
Other debtors with a balance above 250,000 euros	46	49,968	45	50,184
Other debtors with a balance below 250,000 euros	4,439	53,950	4,056	45,608
	12,125	**159,476**	**12,808**	**161,452**

The maximum exposure to credit risk as at 31 December 2016 and 2015 is the financial assets carrying value.

31.2.2 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or cash equivalents, as well as by negotiating credit limits that not only ensure the regular development of Jerónimo Martins' activities, but that also ensure some flexibility to be able to absorb shocks unrelated to Company activities.

Treasury needs are managed based on short-term planning, executed on a daily basis, which derives from the annual plans that are reviewed regularly during the year.

The following table shows Jerónimo Martins' liabilities by intervals of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow. In addition, it should be noted that all the derivative financial instruments that the Group contracts are settled at net value.

Exposure to liquidity risk			
2016	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
Borrowings			
Financial leasing	959	2,360	646
Bond loans	150,670	-	-
Other loans	80,807	119,572	1,041
Derivative financial instruments	205	376	-
Creditors	2,789,553	-	-
Operational lease liabilities	97,093	506,387	2,009,126
Total	**3,119,287**	**628,695**	**2,010,813**

2015	**Less than 1 year**	**Between 1 and 5 years**	**More than 5 years**
Borrowings			
Financial leasing	193	137	-
Bond loans	650	155,644	-
Commercial paper	55,658	100,000	-
Other loans	81,130	292,734	-
Creditors	2,541,996	-	-
Operational lease liabilities	321,101	1,161,894	1,879,775
Total	**3,000,728**	**1,710,409**	**1,879,775**

Jerónimo Martins has entered into some covenants in its loan agreements for the medium and long term debt in place.
These covenants include:

- Limitation on sales and pledge of assets above a certain amount;
- Limitation on mergers and/or demergers when these imply the reduction of assets in the consolidation perimeter;
- Limitation in the dividend payment of the subsidiary that issued the debt;
- Change of control clause;
- A limit on the ratios of Net Debt/EBITDA and EBITDA/Financial Results.

In some cases, the breach of these covenants may trigger the early redemption of the associated debt. At the end of December 2016 the Group was in full compliance with the covenants assumed on the debt loans in place.

31.3 Capital risk management

Jerónimo Martins seeks to keep its capital structure at appropriate levels so that it not only ensures the continuity and development of its activity, but also to provide adequate returns to its shareholders and to optimise the cost of capital.

Balance of the capital structure is monitored based on the financial leverage ratio (Gearing), calculated according to the following formula: Net Debt / Shareholder Funds and by the ratio Net Debt/EBITDA. The Board established a target for the Gearing ratio below 100%, consistent with an investment grade rating, the ratio Net Debt/EBITDA below 3.

The Gearing ratios as at 31 December 2016 and 2015 were as follows:

	2016	**2015**
Capital invested	1,656,008	1,780,222
Net debt	(334,504)	187,003
Shareholder´s funds	1,990,511	1,593,219
Gearing	**(16.8%)**	**11.7%**

32 Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following:

a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant that are not already contained either in the balance sheet or its annex;

b) The total remuneration paid to the External Auditor and Statutory Auditor in 2016 was EUR 847 thousand, of which EUR 756 thousand correspond to statutory audit of the accounts, while the remaining EUR 91 thousand, thousands, reference is made to those concerning access to a tax database, audit reliability services under applicable laws in the countries where the Group operates, support services in the field of human resources and certification of the carbon footprint calculation;

c) Note 27 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

33 Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the Financial Statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

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

Lisbon, 21 February 2017

The Certified Accountant **The Board of Directors**

Statement of the Board of Directors

Within the terms of paragraph c), number 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors, identified below, declare that to the best of their knowledge:

i) the information contained in the management report, the annual accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter; and

ii) the Management report is a faithful statement of the evolution of the businesses, of the performance and of the position of Jerónimo Martins, SGPS, S.A. and the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, 21 February 2017

Pedro Manuel de Castro Soares dos Santos
(Chairman of the Board of Directors and Chief Executive Officer)

Andrzej Szlezak
(Member of the Board of Directors)

António Pedro de Carvalho Viana-Baptista
(Member of the Board of Directors)

Arthur Stefan Kirsten
(Member of the Board of Directors)

Clara Christina Streit
(Member of the Board of Directors and Member of the Audit Committee)

Francisco Seixas da Costa
(Member of the Board of Directors)

Hans Eggerstedt
(Member of the Board of Directors and Member of the Audit Committee)

Henrique Soares dos Santos
(Member of the Board of Directors)

Sérgio Tavares Rebelo
(Member of the Board of Directors and Chairman of the Audit Committee)

pwc

Statutory Audit Report and Auditors' Report issued in accordance with paragraph 1 b) of article No. 245 of the Portuguese Securities Market Code

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Jerónimo Martins, SGPS, S.A. (the Group), which comprise the consolidated balance sheet as at December 31, 2016 (which shows total assets of Euro 5,685,642 thousand and total shareholders' equity of Euro 1,990,511 thousand including a net profit of Euro 593,218 thousand), the consolidated statement of income by functions, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matters	*Summary of audit approach*
Vendor allowances/ Supplementary gains	
Disclosures related to vendor allowances/ supplementary gains, associated with supply contracts, included in cost of sales, are presented in notes 4, 14 and 15 to the consolidated financial statements. The allowances associated with contracts with suppliers present various forms of credits and discounts. According to IAS 2 - Inventories, the discounts obtained in the contracts with vendors (vendor allowance/ supplementary gains) are a component of the cost of the inventory and are recognized in the income statement when the products are sold. As at December 31, 2016, cost of sales amounts to Euro 11,509 million, net of these allowances. The calculation of the amount of discounts to be deducted from the cost of sales depends partially on the determination of the purchases of the products to which they relate and on the quantities which at the date of the balance sheet are still in the inventory and those which have already been sold. In addition, the process of calculating and accounting for vendor allowances/ supplementary gains, which assume material amounts, involves manual processes that are more susceptible to the occurrence of errors in the consolidated financial statements, for which we consider a relevant audit matter.	Understanding, evaluating and testing controls over the Supplementary gains processes. Understanding and performing test on interfaces between the systems used to manage supplementary gains and the accounting. Testing the accuracy of key inputs to individual supplier's agreements, for a sample of inputs and re-performing amounts accounted for. Obtaining confirmations from suppliers for a sample of allowances. Identification of any significant transactions recorded as manual adjustments and obtain evidence to support the amount and its accounting in the correct period. Performing analytical procedures namely, monthly supplementary gains vs prior years, ratio analysis to sales vs prior years and ratio analysis vs purchases as well as comparing to prior year and other relevant variables. Performing year-end cut-off procedures to determine whether amounts were recorded in the correct period. Verifying the adequacy of the disclosures presented in the consolidated financial statements.
Tax litigations	
Disclosures related to provisions and contingencies, namely tax litigations, are presented in notes 21 and 26 to the consolidated financial statements. Management constantly monitors the inherent risk of tax matters and current disputes with the	Understanding and evaluating the monitoring processes over tax litigation and claims. Reviewing minutes of meetings and performing inquires to management, to the legal department and to the fiscal department.

Key Audit Matters	*Summary of audit approach*
tax authorities. Based on the opinion expressed by the Group legal and tax advisors and the judgment made by Management, disagreements with the tax authorities, are recognized as liabilities or disclosed as a contingent liability in the consolidated financial statements, in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets. As at December 31, 2016, the Group presents an open amount of approximately Euro 20 million of tax contingencies, net of provisions and payments under special tax regimes. Additionally, there is a litigation, coming from the State Budget for 2016 and 2017, regarding the taxation of gains from previous years that resulted from intercompany transactions, amounting to Euro 50 million in each year. The complexity and the degree of judgment inherent to these tax matters, as well as the level of uncertain associated with the respective outcome, makes it to be a key audit matter for the purposes of our audit.	Confirming with lawyers representing the Group on the development of said disputes. Independent analysis of the ongoing tax disputes. Verifying the adequacy of the disclosures presented in the consolidated financial statements.
Fixed Assets – Stores	
Disclosures related to fixed assets are presented in note 9 to the consolidated financial statements. According to IAS 16 – Property, plant and equipment, fixed assets used by the business are accounted for at acquisition cost less depreciation and possible impairment losses. The Group operates a significant number of retail stores in three different countries: Portugal, Poland and Colombia. The associated store assets are important to our audit, due to the size of the store asset carrying value of above Euro 2,000 million as well as the judgment involved in the assessment of the recoverability of the invested amounts. Management annually assesses the existence signs of impairment.	Understanding, evaluating and testing controls over the fixed assets processes. Independent analysis about events indicating potential impairment. Obtaining the impairment tests performed by management to the stores, evaluating if the recoverable amount is higher than the carrying amount. Reviewing the assumptions and methodology followed by management for assessing their stores, namely the projection of cash-flows, discount rates and discount rates for perpetuity for a sample of stores.

Key Audit Matters	*Summary of audit approach*
In accordance with IAS 36 - Impairment of assets, the impairment of those investments are analysed at each balance sheet date in order to detect indicators of possible impairment losses. If there are indicators, the recoverable amount is evaluated. Impairment tests focus predominantly on the store's future performance.	Verifying the adequacy of the disclosures presented in the consolidated financial statements.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the preparation and disclosure process of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which were the most important in the audit of the consolidated financial statements of the current year, which are the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) state to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our audit also included the verification that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation and that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our opinion that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, no material misstatements were identified in the information disclosed in this report and comply with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We have been appointed auditors of Jerónimo Martins, SGPS, S.A. for the first time in the Shareholders' General Meeting of April 15, 2004 for the period from 2005 to 2006. We remain as statutory auditors since this first appointment. Our last appointment was in the Shareholders' General Meeting of April 14, 2016 for the year 2016.

b) The management has disclosed to us no knowledge of any allegations of fraud or suspicions of fraud with material effect in the financial statements. In planning the execution of our audit in accordance with ISAs, we have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of March 6, 2017;

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

March 6, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

João Rui Fernandes Ramos, R.O.C.

Report and Opinion of the Audit Committee

Dear Shareholders,

In accordance with sub-paragraph g) of paragraph 1 of article 423-F of the Commercial Companies Code, we herewith present our report on our supervisory activity and our opinion on the Jerónimo Martins, SGPS, S.A. management report, consolidated and individual accounts for the year ending December 31st, 2016, as well as on the proposals presented by the Board of Directors.

Supervisory activity

Throughout the year, this Committee monitored the management and evolution of the Company's businesses by holding regular meetings with the Directors and Heads of the functional areas of the corporate centre, with the members of the Managing Committee, the Company Secretary and the Statutory Auditor, and in all cases received their full co-operation.

This Committee was given access to all the corporate documentation that it considered relevant, namely the minutes of the meetings of the Managing Committee and the Internal Control Committee, as well as all the related documentation it deemed relevant, in order to assess compliance with its regulations and with the applicable laws.

It met regularly with the External Auditor and those responsible for preparing the Companys' individual and consolidated financial information, from whom it obtained sufficient and necessary information to gauge the accuracy of the accounting documents, accounting policies and valuation criteria adopted by the Company, thereby ensuring that these correctly represent the results and the equity of the Company.

The Committee monitored, in particular, the development of tax proceedings and litigation involving group companies, having obtained all clarifications necessary from the Company personnel, to assess the adequacy of the Group's provisions and contingencies to which is exposed.

Obtained from several departments of the Company, namely those responsible for the financial area, the risk management, the information security, the internal audit and from the representatives of the External Auditor, all information and clarifications requested, which allowed to verify the adequacy and effectiveness of the internal control and risk management systems.

It closely monitored the work carried out by the Internal Audit Department, by following its annual activity plan, the conclusions of the reports on the work carried out, as well as the actions that the Company implemented as a result of the recommendations issued by this department and also those contained in the reports issued by the External Auditor. The Committee reviewed and approved the internal audit plan for 2017 as well as the necessary resources allocation.

Throughout the year, it monitored the work methodology adopted by the External Auditor, the evolution of issues raised by the latter, as well as the conclusions of the audit work carried out by the Statutory Auditor, which gave rise to the Auditor's Report being issued without any reservations.

Within the scope of its responsibilities, the Audit Committee verified the independence and competence of the Company's External Auditors and Statutory Auditor in carrying out their functions.

It verified and approved all non-audit services provided by the firm of External Auditors to the Group's subsidiaries, ensuring that were carried out by their employees who took no part in the audits, and that these services are not forbidden under applicable law, as well as the amounts involved, in no way jeopardise the independence of the work carried out by the External Auditor nor do they affect the opinion of the Statutory Auditor.

Also in the year of 2016, the Audit Committee has assessed all material transactions between related parties, issuing a favourable prior opinion, within the terms of paragraph 2 of article 397 of the Portuguese Commercial Companies Code, concerning the sale of the Company's subsidiary, Monterroio – Industry & Investments B.V., to Sociedade Francisco Manuel dos Santos B.V., as well as the buyback by the Group of Jerónimo Martins Restauração e Serviços, S.A. and of 51% of the share capital of Hussel Ibérica – Chocolates e Confeitarias, S.A., considering that such transactions would be carried out under normal market conditions and would be in the best interest of the Company.

In view of the rotation of the Statutory Auditor, following the understanding of the Portuguese Securities Market Commission that the current one cannot be maintained beyond 2016, the Audit Committee has conducted, during the year, a selection procedure, under the terms established in article 16 of the Regulation (EU) no. 537/2014, of the European Parliament and of the Council of 16 April 2014, which will give rise to the proposal for the election of a new Statutory Auditor which the Audit Committee will present to the Shareholders in the Annual General Meeting of 2017.

It also verified that, under the terms of paragraph 5 of article 420.º of the Commercial Companies Code, the Corporate Governance Report includes all the elements mentioned in article 245.º - A of the Portuguese Securities Code.

Opinion

Taking into account the information received from the Board of Directors, the Company's personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Individual and Consolidated Financial Information, we are of the opinion that:

i) The Management Report should be approved;

ii) The Individual and Consolidated Financial Statements should be approved; and

iii) The Board of Directors' results appropriation proposal should be approved.

Statement of Responsibility

In accordance with sub-paragraph c) of paragraph 1 of article 245.º of the Portuguese Securities Code, the members of the Audit Committee, identified below, declare that to the best of their knowledge:

i) the information contained in the Management Report, the Annual Accounts, the Auditors' Report and all other accounting documentation required by law or regulation, was produced in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, the financial position and the results of Jerónimo Martins, SGPS, S.A. and the companies included in the consolidation perimeter.

ii) The Management Report is a faithful statement of the evolution of the businesses, the performance and position of Jerónimo Martins, SGPS, S.A. and of the companies included within the consolidation perimeter, and contains a description of the main risks and uncertainties which they face.

Lisbon, March 6th, 2017

Sérgio Tavares Rebelo
(Chairman of the Audit Committee)

Clara Christina Streit
(Member)

Hans Eggerstedt
(Member)

IV.

Corporate Governance

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

Section A
SHAREHOLDER STRUCTURE

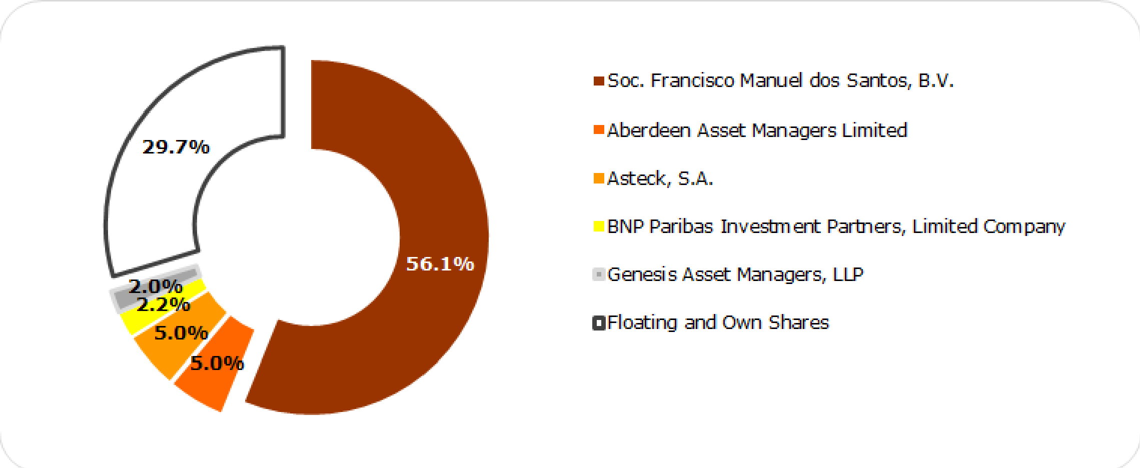
Subsection I
Capital Structure

1. The Capital Structure (Share Capital, Number of Shares, Distribution of Capital by Shareholders, etc), Including an Indication of Shares That Are Not Admitted to Trading, Different Classes of Shares, Rights and Duties of Same and the Capital Percentage That Each Class Represents (Art. 245.º-A/1/a of the Portuguese Securities Code - PSC)

The Company's share capital is 629,293,220 euros. It is fully subscribed and paid up, and divided into six hundred and twenty-nine million, two hundred and ninety-three thousand, two hundred and twenty shares with a nominal value of one euro each.

All issued shares are ordinary, there are no other categories of shares, and all shares have been admitted to trading on the Euronext Lisbon stock exchange.

The Company's shareholder structure is the following, with reference to 31 December 2016*:



* According to the last communications made by the shareholders with qualifying holdings to Jerónimo Martins, SGPS, S.A. up to the said date.

2. Restrictions on the Transfer of Shares, Such as Clauses on Consent for Disposal, or Limits on the Ownership of Shares (Art. 245.º-A/1/b PSC)

Jerónimo Martins' shares are freely transferable and there are no restrictions concerning their tradability.

3. Number of Own Shares, the Percentage of Share Capital that it Represents and Corresponding Percentage of Voting Rights that Corresponded to Own Shares (Art. 245.º-A/1/a PSC)

The Company holds 859 thousand shares in its own portfolio, which were acquired in 1999 at an average price of 7.06 euros per share (price adjusted by the restatement of capital). These shares represent 0.14% of the Company's share capital, which would correspond to equal percentage of voting rights.

4. Important Agreements to which the Company is a Party and that Come Into Effect, Amend or are Terminated in Cases Such As a Change in the Control of the Company After a Takeover Bid, and the Respective Effects, Except Where Due to their Nature, the Disclosure Thereof Would be Seriously Detrimental to the Company; This Exception Does Not Apply Where the Company is Specifically Required to Disclose Said Information Pursuant to Other Legal Requirements (Art. 245.º-A/1/j PSC)

There are no significant agreements (including financing agreements) to which the Company is a party and that come into effect, are amended or terminated in case of a change in the control of the Company after a takeover bid.

5. A System That is Subject to the Renewal or Withdrawal of Countermeasures, Particularly Those That Provide for a Restriction on the Number of Votes Capable of Being Held or Exercised by Only One Shareholder Individually or Together With Other Shareholders

No defensive measures were adopted that require payments or the assumption of costs by the Company in the event of a change of control or a change in the composition of the Board of Directors and that are likely to impair the free transfer of shares and the free assessment by the shareholders of the performance of the Board members, or that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders.

6. Shareholders' Agreements that the Company is aware of and That May Result in Restrictions on the Transfer of Securities or Voting Rights (Art. 245.º-A/1/g PSC)

Pursuant to the communication regarding the qualifying holding received by the Company on 2nd January, 2012, the same was informed of a shareholders' agreement concerning the exercise of voting rights, on the following terms:

"It is further informed that, in accordance with the terms of number 2 of article 21, paragraphs b) and c), of the Portuguese Securities Code, Sociedade Francisco Manuel dos Santos, SGPS, S.A.[*] controls Sociedade Francisco Manuel dos Santos B.V., since it may exercise the corresponding voting rights under a Shareholders Agreement.

In accordance with the terms of article 20 of the Portuguese Securities Code, especially paragraph b) of its number 1, under the above mentioned Shareholders Agreement, the corresponding voting rights of the Jerónimo Martins, SGPS, S.A. shares, object of the purchase and sale above mentioned, remain attributed to Sociedade Francisco Manuel dos Santos, SGPS S.A.[*]"

The Company, however, does not know of any restrictions concerning the transfer of securities or voting rights.

* The company name was changed on 2015 to "Sociedade Francisco Manuel dos Santos, SGPS, S.E." .

Subsection II
Shareholdings and Bonds Held

7. Details of The Natural or Legal Persons Who, Directly or Indirectly, are Holders of Qualifying Holdings (Art. 245.º-A/1/c & /d PSC) and Art. 16.º PSC) With Details of the Percentage of Capital and Votes Attributed and the Source and Causes of the Attribution

The holders of qualifying holdings, calculated in accordance with the terms of paragraph 1 of Article 20 of the Portuguese Securities Code, based on the total number of shares under the terms of section b), paragraph 3 of Article 16 of the Portuguese Securities Code, as at 31st December 2016, are identified in the table below.

List of Qualifying Holdings as at 31st December 2016*

(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.E. Through Sociedade Francisco Manuel dos Santos, B.V.	353,260,814	56.136%	353,260,814	56.136%
Aberdeen Asset Managers Limited	31,482,477	5.003%	31,482,477	5.003%
Heerema Holding Company Inc. Through Asteck, S.A.	31,464,750	5.000%	31,464,750	5.000%
BNP Paribas Investment Partners, Limited Company Through Investment Funds Managed by BNP Paribas	13,536,757	2.151%	12,604,860	2.006%
Genesis Asset Managers, LLP	12,659,067	2.012%	12,659,067	2.012%

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

8. A List of the Number of Shares and Bonds Held by Members of the Management and Supervisory Boards

(Pursuant to paragraph 5 of Article 447 of the Commercial Companies Code)

The Board of Directors

Members of the Board of Directors	Held on 31.12.15		Increases during the year		Decreases during the year		Held on 31.12.16	
	Shares	Bonds	Shares	Bonds	Shares	Bonds	Shares	Bonds
Pedro Manuel de Castro Soares dos Santos	274,805	-	-	-	-	-	274,805	-
Alan Johnson[1]	30,075	-	-	-	-	-	n.a.	-
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)[2]	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[3]	-	-	-	-	-	26,455[3]	-
Nicolaas Pronk[1]	-	-	-	-	-	-	-	-
Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code)[4]	31,464,750	-	-	-	-	-	n.a.	-
Sérgio Tavares Rebelo	-	-	-	-	-	-	-	-

[1] Ceased duties as Director on April 14, 2016.
[2] Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.
[3] Of which 1,500 shares held by spouse.
[4] Asteck, S.A.; See Point 20.

Statutory Auditor

As at 31st December, 2016, the Statutory Auditor, PricewaterhouseCoopers & Associados, SROC, Lda., did not hold any shares or bonds of Jerónimo Martins, SGPS, S.A. and did not make any transactions, during 2016, with Jerónimo Martins, SGPS, S.A. securities.

9. Special Powers of the Board of Directors, especially as Regards Resolutions on the Capital Increase (Art. 245.º-A/1/i) PSC) With an Indication as to the Allocation Date, Time Period Within Which Said Powers May Be Carried Out, the Upper Ceiling for the Capital Increase the Amount Already Issued Pursuant to the Allocation of Powers and Mode of Implementing the Powers Assigned

Any capital increase is subject to prior deliberation by the General Shareholders' Meeting.

10. Information on Any Significant Business Relationships between the Holders of Qualifying Holdings and the Company

Pursuant to the policy that has been followed by the Company in this area, no business was carried out by the Company with the owners of Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

As disclosed to the market on 30th September 2016, the Company sold 100% of the shares of its subsidiary Monterroio – Industry & Investments B.V. ("Monterroio") to Sociedade Francisco Manuel dos Santos B.V. (SFMS), which resulted in the immediate receipt of 310 million euros. The impact of this transaction in Jerónimo Martins is detailed in Chapter III, in the Notes to the Consolidated Financial Statements.

The company sold – Monterroio – was the sub-holding for manufacturing and services businesses comprising its subsidiaries Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins – Restauração e Serviços, S.A., fully owned (100%), as well as the shareholdings in Unilever Jerónimo Martins, Lda. (45%), Gallo Worldwide, Lda. (45%), Hussel Ibéria – Chocolates e Confeitaria, S.A. (51%) and Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A. (27.545%).

Considering the strategic fit of these businesses within Jerónimo Martins' portfolio, the Company bought back to a subsidiary company of SFMS, as from 31st December 2016, through the company Tagus – Retail & Services Investments B.V., the control of 100% of the share capital in Jerónimo Martins – Restauração e Serviços, S.A. and of 51% of the share capital in Hussel Ibéria – Chocolates e Confeitaria, S.A.

Besides the transactions above detailed, there are no significant business relationships between holders of Qualifying Holdings and the Company.

Section B
CORPORATE BODIES AND COMMITTEES

Subsection I
General Meeting

A. Composition of the Presiding Board of the General Meeting

11. Details and Position of the Members of the Presiding Board of the General Meeting and Respective Term of Office (Beginning and End)

Abel Bernardino Teixeira Mesquita and Tiago Ferreira de Lemos were in office as Chairman and Secretary of the General Shareholders’ Meeting, respectively, until 14th April 2016.

On 14th April 2016, Abel Bernardino Teixeira Mesquita and Nuno de Deus Pinheiro were appointed as Chairman and Secretary of the General Shareholders’ Meeting, respectively, for the term 2016-2018.

B. Exercising the Right to Vote

12. Any Restrictions on the Right to Vote, Such as Restrictions on Voting Rights Subject to Holding a Number or Percentage of Shares, Deadlines for Exercising Voting Rights, or Systems Whereby the Financial Rights Attaching to Securities are Separated from the Holding of Securities (Art. 245.º-A/1/f PSC)

The Company and its Board of Directors particularly value the principles of free transferability of shares and assessment by shareholders of the performance of members of the Board of Directors.

As such Article Twenty Four of the Articles of Association of the Company establishes the rule that each share has the right to one vote.

Accordingly, the Company has not established mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each ordinary share, inter alia, no special rights for shareholders or restraints on the exercise of voting rights are provided for in the Company's Articles of Association, nor is there any special rule in the Articles of Association regarding systems whereby the financial rights attached to securities are separated from the holding of securities.

Attending the Shareholders' Meeting is not subject to holding a minimum number of shares.

According to Article Twenty-Six of the Articles of Association of the Company, the Shareholders' Meeting may take place upon the first convocation, as long as more than 50% of the Company's capital is present or represented.

Participation in the General Shareholders' Meeting

Under the provisions of the Portuguese Securities Code and Article Twenty-Three of the Articles of Association, the shareholders that meet the following conditions can participate and vote at the General Meeting:

i. On the Record Date, corresponding to 00:00 (GMT) of the fifth trading day prior to the General Shareholder's Meeting, they held shares of the Company entitling them to at least one vote;
ii. By the end of the day prior to the day of the Record Date, they had stated in writing, to the Chairman of the General Shareholder's Meeting and to the respective financial intermediary, their intention to participate in the meeting;
iii. By the end of the day of the Record Date, the respective financial intermediary has sent to the Chairman of the General Shareholder's Meeting information on the number of shares registered under that shareholder's name on the Record Date.

Postal Vote

According to paragraph three of Article Twenty-Five of the Articles of Association, postal votes are allowed. Pursuant to the Articles of Association, postal votes count for the formation of a constitutive quorum for the General Shareholders' Meeting, and it is the responsibility of the Chairman of the Board of the General Shareholders' Meeting or his substitute to verify their authenticity and full compliance with the procedures, as well as to assure confidentiality when a vote is submitted. In the event that a shareholder or a shareholder's representative is present at the General Shareholders' Meeting, the postal vote that was issued is revoked.

Postal votes count as negative votes in relation to deliberative proposals presented subsequent to the date on which those votes were issued.

The Company has provided a form to exercise the right to vote by post on its web page.

As the Company's Articles of Association do not state anything on this matter, the Company has established a deadline of 48 hours prior to the General Shareholders' Meeting for receipt of postal votes, thus complying with and, to a certain extent, exceeding the recommendations of the CMVM on this matter.

Vote by Electronic Means

The Company, also recognising that using new technologies encourages shareholders to exercise their right to vote, has adopted, since 2006, adequate mechanisms so that they may vote electronically in General Shareholders' Meetings. Thus, shareholders must state their intent to exercise their right to vote electronically to the Chairman of the Board of the General Shareholders' Meeting, at the Company's Head Office or using the Jerónimo Martins website, at http://www.jeronimomartins.pt/?lang=en. In that expression of interest, shareholders must indicate the address of the financial intermediary with whom the securities are registered, to which a registered letter will be subsequently sent containing the electronic address to be used to vote, and an identification code to use in the electronic mail message by which the shareholder exercises its right to vote.

13. Details of the Maximum Percentage of Voting Rights That May Be Exercised By a Single Shareholder or By Shareholders That Are In Any Relationship As Set Out In Art. 20/1 PSC

The Company has not established rules stating that voting rights over a certain number are not counted, when issued by a single shareholder or shareholders related to it.

14. Details of Shareholders' Resolutions That, Imposed By The Articles Of Association, May Only Be Taken With a Qualified Majority, In Addition To Those Legally Provided, and Details of Said Majority

There is no special rule in the Articles of Association regarding deliberative quorums.

Subsection II
Management and Supervision
(Board of Directors)

A. Composition

15. Details of Corporate Governance Model Adopted

The Company has adopted the anglo-saxon governance model which corresponds to the option foreseen in subparagraph b) of Article 278 of the Commercial Companies Code. According to this model the management and supervision of the Company are organized through a Board of Directors, which includes the Audit Committee, and a Statutory Auditor.

16. Articles of Association Rules on the Procedural Requirements Governing the Appointment and Replacement of Members of the Board of Directors (Art. 245-A/1/h PSC)

The first Article of the Regulations of the Company's Board of Directors foresees that the composition of this body will be decided in the General Shareholders' Meeting pursuant to the terms indicated in paragraph one of Article Twelve of the Articles of Association, and that it will be presided over by the respective Chairman, chosen by the General Shareholders' Meeting.

Paragraph number three of Article nine of the same Regulations prescribes that in the event of death, resignation or impediment, whether temporary or definitive, of any of its members, the Board of Directors will agree on a substitute. If the appointment does not occur within 60 days of the absence of the Director, the Audit Committee will be responsible for appointing the substitute.

According to Article one of the respective Regulations, and Article Nineteen of the Articles of Association, the Audit Committee is composed of three Members of the Board of Directors, one of whom will be its Chairman. The members of the Audit Committee are appointed simultaneously with the members of the Board of Directors, and the lists of proposed members of the latter body must indicate those that are intended to form the Audit Committee. The members of the Audit Committee cannot perform executive roles in the Company.

There is no specific regulatory provision regarding the appointment and replacement of Members of the Audit Committee, being applicable only what is set forth in law.

17. Composition of the Board of Directors, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date When First Appointed and End of the Term of Office of Each Member

According to the Articles of Associations, the Board of Directors is comprised of a minimum of seven and a maximum of eleven members, elected by the General Shareholders' Meeting for three year terms. During 2016, the Board of Directors had the composition indicated below, being currently composed of nine effective members, who were elected at the General Meeting held on 14th April 2016 for the term of office 2016-2018:

Pedro Manuel de Castro Soares dos Santos
- Chairman of the Board of Directors since 18 December 2013
- CEO
- First appointment on 31st March 1995
- Expiry of the term of office on 31st December 2018

Andrzej Szlezak
- Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

António Pedro de Carvalho Viana-Baptista
- Independent Non-Executive Director
- First appointment on 9th April 2010
- Expiry of the term of office on 31st December 2018

Artur Stefan Kirsten
- Non-Executive Director
- First appointment on April 2010 (term of office expired on February 2011)
- New appointment on 9th April 2015. Expiry of the term of office on 31st December 2018

Clara Christina Streit
- Independent Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2018

Francisco Manuel Seixas da Costa
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

Hans Eggerstedt
- Non-Executive Director
- First appointment on 29th June 2001
- Expiry of the term of office on 31st December 2018

Henrique Manuel da Silveira e Castro Soares dos Santos
- Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2018

Sérgio Tavares Rebelo
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

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Alan Johnson
- Non-Executive Director
- First appointment on 30th March 2012
- Expiry of the term of office on 31st December 2015. In office until 14th April 2016

Nicolaas Pronk
- Non-Executive Director
- First appointment on 30th March 2007
- Expiry of the term of office on 31st December 2015. In office until 14th April 2016

18. Distinction to be Drawn Between Executive and Non-Executive Directors And, as Regards Non-Executive Members, Details of Members that May Be Considered Independent

The Company seeks a balance in the composition of the Board of Directors through the integration of Non-Executive Directors and Independent Directors alongside the Executive Director, in the scope of a delegation of duties, the respective discrimination of which being referred in point 17, above. The distinctive criterium used by the Company coincides with that of the EU Commission's Recommendation 2005/162/EC, of 15th February 2005, being considered as Executive Director any member who is engaged in the daily management of the Company and, *a contrario sensu*, Non-Executive Directors are those who are not engaged in the daily management.

The Board of Directors is therefore composed of Non-Executive Directors, in particular Independent Directors who possess a wide range of technical skills, contact networks and connections with national and international bodies, who therefore enrich and optimise the Company's management in terms of creating value and ensuring adequate protection of the interests of all its shareholders, thereby ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the Board of Directors.

In accordance with the principles by which the Company is run, although all Board Members are accountable to all shareholders equally, the independence of the Board of Directors in relation to the shareholders is further reinforced by the existence of Independent Board Members.

Pursuant to the 2013 CMVM's Recommendations on Corporate Governance, hereafter referred to as "2013 CMVM's Recommendations", considering the provision of recommendation II.1.7, which establishes the independence criteria to be used in the evaluation made by the Board of Directors, Francisco Seixas da Costa, António Viana-

Baptista, Clara Christina Streit, Sérgio Rebelo and Hans Eggerstedt qualify as Independent Directors. The latter three Directors are also members of the Audit Committee and therefore they are subject further to the independence criteria indicated in paragraph 5 of Article 414 of the Commercial Companies Code. According to these criteria Director Hans Eggerstedt cannot be regarded as independent. Each of the members of the Audit Committee also complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b).

Being the number of Independent Directors of four, in accordance to the criteria above mentioned, out of a total of nine Directors, the Company complies with recommendation II.1.7. (2013 CMVM's Recommendations), also in the part where it establishes that Non-Executive Directors shall include an appropriate number of independent members (*in casu*, half of such Directors).

19. Professional Qualifications and Other Relevant Curricular Information of Each Member of the Board of Directors

Pedro Soares dos Santos joined the Operating Division of Pingo Doce in 1983. In 1985, he joined the Sales and Marketing Department of Iglo/Unilever, and five years later, assumed the post of Assistant Director of Recheio Operations. In 1995, he was named General Manager of the latter Company. Between 1999 and 2000 he accepted responsibility for operations in Poland and in Brazil. In 2001, he also assumed responsibility for the operations area for Food Distribution in Portugal. He has been a Director of Jerónimo Martins, SGPS, S.A. since 31st March 1995, and has been Chief Executive Officer since 9th April 2010 and Chairman of the Board of Directors of the Company since 18th December 2013.

Andrzej Szlezak is a Polish national and has a Master degree in English philology and in law from Adam Mickiewicz University in Poznan, Poland. In 1981, he passed the judicial exam and in 1994, he was admitted to the Chamber of Legal Advisors (Poznan Chapter). In 1979, he started his academic career at said university where he was awarded his doctorate and post-doctorate degrees in Law ("Habilitated Doctor") in 1985 and in 1992, respectively. In 1994, he was awarded a professorship at Adam Mickiewicz University (Law School), which he held until 1996. At present, he is a professor at Warsaw School of Social Sciences and Humanities. In 1991, he joined the law firm of Soltysinski, Kawecki & Szlezak ("SK&S") where he became Partner in 1993 and Senior Partner in 1996. During his practice at SK&S he has provided legal advice in numerous privatization and restructuring transactions in many sectors of Polish economy (mostly in M&A, corporate and greenfield projects). Since 1999, he has been an arbitrator of the Arbitration Court at the Polish Chamber of Commerce (KIG) in Warsaw, being at the moment Deputy Chairman of the Arbitration Board of this Court. He has also been appointed an arbitrator in several proceedings (national and international) before the ICC International Court of Arbitration in Paris and in *ad hoc* proceedings conducted according to the UNCITRAL Arbitration Rules. He is also the author of several publications, including foreign-language publications, in the fields of civil, commercial and arbitration law. He has been a Non-Executive Director of the Company, since 10th April 2013.

António Viana-Baptista holds a Degree in Economics from Universidade Católica Portuguesa (1980), has a postgraduate diploma in European Economics from Universidade Católica Portuguesa (1981) and an MBA from INSEAD (Fontainebleau, 1983). Between 1985 and 1991, he was Principal Partner of Mckinsey & Co. in the

Madrid and Lisbon offices. He held the post of Director in the Banco Português de Investimento, between 1991 and 1998. From 1998 to 2002, he was Chairman and CEO of Telefónica International. From 2002 to 2006 he was Chairman and CEO of Telefónica Móviles S.A. From 2006 to 2008, he was Chairman and CEO of Telefónica España. Between 2000 and 2008, he was a Non-Executive Director of the Board of Directors of Portugal Telecom. He was CEO of Crédit Suisse AG for Spain and Portugal, from 2011 to 2016, acting currently as a consultant of that company. He has been Non-Executive Director of the Company, since 9th April 2010.

Artur Stefan Kirsten is a German national and took his master degree in Business Economics and Informatics, from 1981 to 1986, at the FernUniversität Hagen and Georg-August-Universität Göttingen. In 1991, he has taken his Doctorate Degree followed later by the Stanford Executive Program with the Graduate School of Business of Stanford University in California. Since 1995 he has been teaching at different universities in Germany and abroad. Dr. Kirsten has been appointed to a professorship with the Westfaelische University in Gelsenkirchen since 2001. He serves as the Chief Financial Officer of Vonovia SE (former "Deutsche Annington SE") where he has been a member of the Management Board since 1st January 2011. He was Member of the Board of Directors of the Company, from April 2010 to February 2011, and he is currently a Board member at Sociedade Francisco Manuel dos Santos BV. His previous positions were as Chief Executive Officer (CEO) of Majid Al Futtaiim Group LLC, a real estate development company focusing mainly on property, retail and ventures in the Emirates, and Chief Financial Officer (CFO) of Metro AG and ThyssenKrupp AG in Germany. He has been Non-Executive Director of the Company, since 9th April 2015.

Clara Christina Streit is both a US and German citizen and holds a Master's Degree in Business Administration from the University of St. Gallen, Switzerland. She serves as an Associate Professor at the Lisbon Nova e Católica Universities and independent Non-Executive Director of several European corporations. She began her career as a Consultant at McKinsey & Company where she retired as Senior Partner in 2012, after more than 20 years of experience as an advisor to financial institutions. She serves as a Director of Bank Vontobel AG, since 2011, where she is also a member of the Nomination and Compensation Committee. Since 2013, she has been a Member of the Supervisory Board and Chairs the Nomination Committee of the Dutch insurance company Delta Lloyd N.V. She is also a member of the Supervisory Board of the German property company Vonovia SE (former "Deutsche Annington SE"). From May 2015, she is a Member of the Board of Directors and of the Internal Controls & Risks and Corporate Governance, HR & Nomination Committees at Unicredit S.p.A, Milan. She has been Non-Executive Director of the Company, since 9th April 2015.

Francisco Seixas da Costa has a degree in Political and Social Sciences from the Universidade Técnica of Lisbon. He started his diplomatic career in 1975 as a diplomat in the Portuguese Ministry of Foreign Affairs. Between 1995 and 2001, he was Secretary of State for European Affairs, where he had several official functions, amongst others, Portuguese chief negotiator of the EU Amsterdam treaty, from 1995 to 1997, Portuguese coordinator for the negotiation of the EU financial framework, from 1997 to 1999, and President of the Council of Ministers of the EU Internal Market in 2000. From 2001 until 2002, he was Ambassador, Permanent Representative to the United Nations, in New York, and, from 2002 until 2004, he was Ambassador, Permanent Representative to the Organization for Security and Cooperation in Europe (OSCE), in Vienna. Between 2004 and 2008, he was Ambassador to Brazil, in Brasília, and, between 2009 and 2013, he was Ambassador to France and Permanent Representative to UNESCO (since 2012), in Paris. Since 2013, he has been member of the Consultative Council of Fundação Calouste Gulbenkian and member of the

Strategic Council of Mota-Engil, SGPS, S.A. Since 2014, he is a professor in Universidade Autónoma de Lisboa. In April 2016, he was appointed Director and member of the Nominations and Remunerations Committee of EDP Renováveis. He is a columnist and cooperates with several publications, also being the author of several works on international issues and security. He has been a Non-Executive Director of the Company, since 10th April 2013.

Hans Eggerstedt is a German national, with a degree in Economics from the University of Hamburg. He joined Unilever in 1964, where he has spent his entire career. Among other positions, he was Director of Retail Operations, Ice Cream and Frozen Foods in Germany, President and CEO of Unilever Turkey, Regional Director for Central and Eastern Europe, Financial Director and Information and Technology Director of Unilever. He was nominated to the Board of Directors of Unilever N.V. and Unilever PLC in 1985, a position he held until 1999. Between 2003 and 2012, he was a Non-Executive Director of the COLT Telekom Group S.A., from Luxembourg. He has been Non-Executive Director of Jerónimo Martins, SGPS, S.A., since 29th June 2001.

Henrique Soares dos Santos holds a Degree in Management by Instituto Superior de Gestão and is an Alumni of INSEAD. He began his career in 1993 as Management Accountant Trainee at Fima - Produtos Alimentares S.A., and one year later was Assistant of the Management Accounting Director. He served as Budget Controller of Jerónimo Martins, SGPS, S.A., between 1996 and 1997, the year he started serving as Treasury Manager of Eurocash Sp z.o.o in Poland, until 1998. The following year he was appointed Financial Controller of Jerónimo Martins Retail Activity Polska Sp z.o.o. In 2001, he served as Deputy Group Controller in 2001, the same year he was appointed Chief of Staff to the Chairman of the Board of Directors, a position he held until 2002. He last served as both Company Secretary and Chief Information Security Officer of Jerónimo Martins, SGPS, S.A. He is a Member of the Board of Directors of Jerónimo Martins - Serviços, S.A., of Arica Holding BV, of Sindcom – Investimentos, Participações e Gestão, S.A., as well as of Nesfia - Sociedade Imobiliária, S.A. and of Waterventures – Consultoria, Projectos e Investimentos, S.A.. He has been Non-Executive Director of the Company, since 9th April 2015.

Sérgio Tavares Rebelo has a degree in Economy from Universidade Católica Portuguesa. He also has a M.Sc. in Operations Research from Instituto Superior Técnico of Lisbon, as well as a M.A. and a Ph.D. in Economy from University of Rochester. He began his academic career as an instructor at Universidade Católica Portuguesa, in 1981. In 1988, he joined Northwestern University as Assistant Professor of Finance and became Associated Professor of Finance, in 1991. Between 1992 and 1997, he was Associated Professor of the Department of Economics of the University of Rochester and, since 1997, he has been Tokai Bank Distinguished Professor of International Finance, Kellogg School of Management, of Northwestern University. Since 1982, he has published numerous articles and books on economics and finance. He has been a Member of the Advisory Council to the Global Markets Institute at Goldman Sachs, since April 2012, and was appointed Non-Executive Director of Integrated DNA Technologies, as from September 2015. He has been Non-Executive Director of the Company, since 10th April 2013.

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Alan Johnson is a British national, with a degree in Finance & Accounting obtained in the UK. He joined Unilever in 1976, where he made his professional career, occupying various financial positions in several countries such as United Kingdom, Brazil, Nigeria, France, Belgium, the Netherlands and Italy. Amongst other positions, he was Senior

Vice President Strategy & Finance for Europe, Senior Vice President Finance & IT and CFO of Unilever Foods Division worldwide. Until March 2011, he was Chief Audit Executive, based in Rotterdam. He was a member of the Market Oversight Committee of the Chartered Association of Certified Accountants, between 2007 and 2013, and has been a member of the Professional Accountants in Business Committee of the International Federation of Accountants based in New York, since 2011. In January 2012, he joined the Jerónimo Martins Group as Chief Financial Officer, having been Director of Jerónimo Martins, SGPS, S.A., from 30th March 2012 to 14th April 2016.

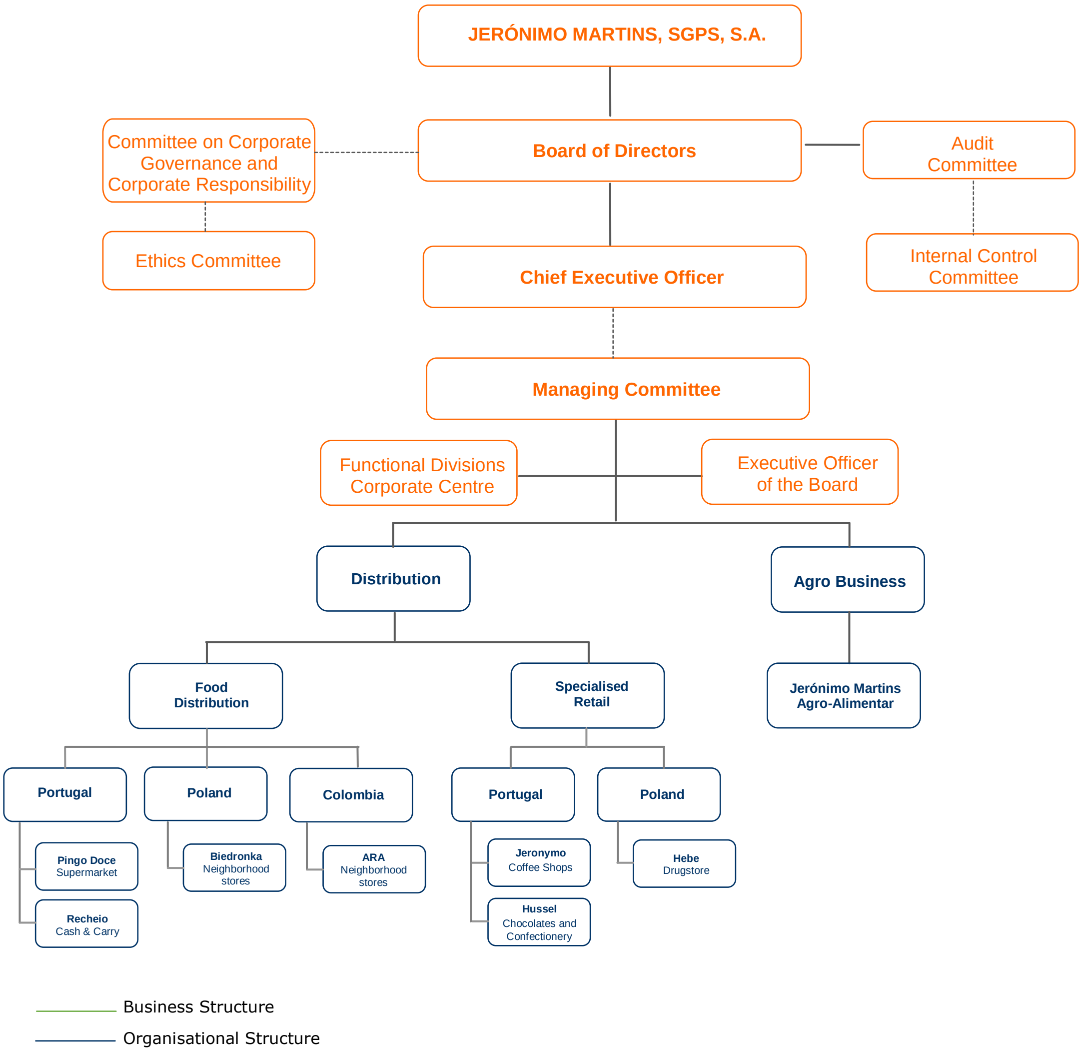
Nicolaas Pronk is a Dutch national and has a degree in Finance, Auditing, and Information Technology. Between 1981 and 1989, he worked for KPMG in the Financial Audit area for Dutch and foreign companies. In 1989, he joined the Heerema Group, created the Internal Audit Department, and since then has performed various functions within the Group, having been responsible for various acquisitions and disinvestments and defining Corporate Governance. Since 1999, he has been the Financial Director of the Heerema Group, including responsibility for the areas of Finance, Treasury, Corporate Governance, Insurance and Taxation, reporting to that Group's President. He was Non-Executive Director of the Company, from 30th March 2007 to 14th April 2016.

20. Customary and Meaningful Family, Professional or Business Relationships of Members of the Board of Directors, with Shareholders That are Assigned Qualifying Holdings That are Greater Than 2% of the Voting Rights

Member of the Board of Directors	Type of Relationship	Shareholder with Qualifying Holding
Artur Stefan Kirsten	Director	Sociedade Francisco Manuel dos Santos, B.V.
Nicolaas Pronk [1]	Director	Asteck, S.A.

[1] Expiry of the term of office on 14th April, 2016.

21. Organisational Charts Concerning the Allocation of Powers Between the Various Corporate Boards, Committees and/or Departments Within the Company, Including Information on Delegating Powers, Particularly as Regards the Delegation of the Company's Daily Management



Chairman of the Board of Directors

The Chairman of the Board of Directors, according to the Board of Directors' Regulations, in addition to the institutional representation of the Company, has a special responsibility for managing the respective meetings, for monitoring the action taken on the decisions made by this body, for taking part in the meetings of other committees set up by the Board of Directors and for defining the overall strategy of the Company.

Delegation of Powers and Coordination of Non-Executive Directors

The Board of Directors, by resolution, delegated various duties regarding the day-to-day management of the Company in one Chief Executive Officer who, in the terms of such delegation, is entitled:

a. to manage all corporate businesses and perform all operations relating to its corporate objectives, included in the scope of its current role, as holding company;
b. to represent the Company, in court or otherwise, to propose and answer to any lawsuits or engage in any arbitrations, for which purpose it may designate proxies, as well as compromise in, confess or withdraw from any such lawsuits or arbitrations;
c. to decide on loans or other financial operations to be contracted from the financial market at home or abroad, as well as on the issuance of debt securities within the powers of the Board of Directors and to accept the supervision of the lending entities, all these up to the amount of 50,000,000 (fifty million) euros and in full compliance with that prescribed in the Articles of Association of the Company;
d. to decide on the provision of technical and financial support, including through the granting of loans by the Company to companies whose stakes or shares the former holds in total or in part;
e. to decide on the sale/transfer or lease (as lessor) any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any divestments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such divestment is set out in the Medium or Long Term Plans, as defined below, approved by the Board of Directors;
f. to decide on the acquisition or lease (as lessee) of any movable or immovable assets, including shares, units, quotas and bonds, and in general to decide on any investments up to the amount of 50,000,000 (fifty million) euros or, independently of such threshold, whenever such investment is set out in the Medium and Long Term Plans, as defined below, approved by the Board of Directors;
g. to appoint the individuals to be proposed to the General Shareholders' Meeting from the companies referred to in sub-paragraph d) above, to fill the roles of the respective corporate bodies, indicating those who will fulfil executive functions;
h. to approve policies and rules transverse to the Companies of the Group, such as procedure manuals, regulations and service instructions, *maxime*, those concerning (i) Human Resources, (ii) Operational Control, (iii) Food Safety and Quality Control, and (iv) Reporting and Investments;
i. to approve the expansion plans with respect to the activities of each of the business areas, as well as Group Companies forming part of the Group but not included in the business areas;
j. to approve the organic structure for the Group's companies;
k. to decide on the instructions to be given by the Company to the management of its subsidiary Companies with respect to those matters referred to herein, pursuant to and in compliance with the applicable laws.

For the purpose of the delegation of powers, it is considered as being foreseen in the Medium and Long-Term Plans (which are considered to be the activity and investment plans and financial projections on a three-year term), the acquisitions, sales, investments or divestments, the amount of which does not exceed by more than 10% each heading contained in those Plans.

In 2016, the Managing Committee remained in office as the consultative body which, as referred in point 29, has the primary goal of assisting the Chief Executive Officer in the duties delegated by the Board, in relation to the daily management of the businesses within the corporate purpose of the Company.

Nevertheless, pursuant to the terms of its Internal Regulation, the Board of Directors retains authority over strategic matters of management of the Group, in particular those regarding the definition of general policies of the Company and the corporate structure of the Group and those that, due to their importance and special nature, may significantly impact on the business activity of the Group.

The matters referred to in Article 407(4) of the Commercial Companies Code are off-limits to the Chief Executive Officer.

Apart from the powers on strategic matters of management of the Group, the Board of Directors has effective control on directing corporate activities by always seeking to be duly informed and by ensuring the supervision of the Company's management, having implemented mechanisms that ensure such supervision.

To this end, at each Board of Directors meeting the Chief Executive Officer reports on the Company activity since the last meeting and provides any further clarification that the Non-Executive Directors may require. All information requested by the Non-Executive Directors in 2016 was provided in full and in a timely manner by the Chief Executive Officer.

Additionally, considering that the Chief Executive Officer is, simultaneously, Chairman of the Board of Directors, it was approved by decision of the said Board, a Mechanism for Coordinating the Activities of Non-Executive Directors, complying with recommendation II.1.10 of CMVM's Recommendations 2013.

Such Mechanism foresees that the members of the Board of Directors who are not part of an Executive Committee or are not Executive Directors are responsible, pursuant to the terms of Article 407, paragraph 8 of the Commercial Companies Code, for monitoring the activity of the Executive Committee or the Executive Directors, as the case may be, as well as for the damages caused by their acts or omissions when, having knowledge of such acts or the intent to commit them, they do not seek the intervention of the Board of Directors to take the necessary measures.

The monitoring and supervising activity is also carried out by Non-Executive Directors through their participation in Specialized Committees and working groups set up by the Company, as well as in the corporate bodies of subsidiary companies.

Still on the terms of such Mechanism, the Executive Directors or the Chairman of the Executive Committee, as applicable, as well as Directors charged with a special duty, pursuant to the terms of Article 407, paragraphs 1 and 2 of the Commercial Companies Code, shall:

(a) whenever necessary disclose to Non-Executive Directors all the relevant information regarding the performance of the delegated powers or the special duty conferred upon them;

(b) answer, within a reasonable deadline, to any information request presented by any Non-Executive Director, within their respective functions, and such information shall also be made available to the remainder members of the Board of Directors.

It is foreseen in the said Mechanism that Non-Executive Directors may also meet in *ad hoc* meetings, convened at the request of any two of them by the Company´s Secretary (who shall inform the Chairman of the Board of Directors about the summons), pursuant to the terms foreseen in the Board of Directors Regulations.

In order to allow for an independent and informed participation of Non-Executive Directors in the meetings of the Board of Directors or in the meetings of the Specialised Committees and working groups set up by the Company as well as in the corporate bodies of subsidiary companies they integrate, the Mechanism foresees that the Company's Secretary shall make available to them the definitive agenda of the meeting and respective preliminary documentation, pursuant to the terms and within the deadlines foreseen in the Board of Directors Regulation.

The Company's Secretary shall also ensure, according to the Mechanism implemented, the delivery to the Directors, who so request, of a copy of the minutes of the meetings of the Managing Committee as well as a copy of any other minutes of the meetings of Corporate Bodies or Specialised Committees within the Board of Directors. Moreover, the Company's Secretary shall, within its duties, provide Directors with all information regarding the resolutions of the Board of Directors or Executive Committee or the decisions of the Executive Directors.

Organisational Structure and Division of Responsibilities

Jerónimo Martins, SGPS, S.A. is the Holding Company of the Group and, as such is responsible for the main guidelines for the various business areas, as well as for ensuring consistency between the established objectives and available resources. The Holding Company's services include a set of Functional Divisions which provide support for Corporate Centre and services to the Operating Areas of the Group's companies, in the different geographical areas in which they operate.

In operational terms, Jerónimo Martins is organised into three business segments: i. Food Distribution, ii. Specialised Retail and iii. Agro Business, being its major focus on the first one. The Distribution segment – Food and Specialised Retail – is organised into Geographical Areas and Operating Areas (under different brands). The Agro Business segment serves, essentially, as a support to Food Distribution, at the present time only in Portugal, guaranteeing the supply and differentiation in relevant categories.

Holding Company Functional Divisions

The Holding Company is responsible for: i. defining and implementing the development strategy of the Group's portfolio; ii. strategic planning and control of the various businesses and consistency with the global objectives; iii. defining and controlling financial policies; and iv. defining Human Resources Policy, with direct responsibility for implementing the Management Development Policy.

The Holding Company's functional divisions are organised as follows:

JERÓNIMO MARTINS GROUP
Functional Divisions of Corporate Support

- **Environment and Food Safety** – Fernando Frade
- **Legal Affairs** – Carlos Martins Ferreira
- **Internal Audit** – Madalena Mena
- **Corporate Communications and Responsibility** – Sara Miranda
- **Financial Control** – António Pereira
- **International Expansion and Strategy** – Nuno Abrantes
- **Fiscal Affairs** – Rita Marques
- **Risk Management** – Pedro Correia
- **Marketing and Customer** – André Ribeiro de Faria
- **Financial Operations** – ConceiçãoCarrapeta
- **Quality and Private Brand Development** – Carlos Santos
- **Human Resources** – Marta Maia
- **Investor Relations** – Cláudia Falcão
- **Security** – Eduardo Dias Costa
- **Information Security** – Nuno Galveia
- **Information Technology** – Benedetto Conversano

Environment and Food Safety – Responsible for defining the strategy, policies and procedures to be implemented within the areas under its responsibility across all the countries where the Jerónimo Martins Group is present.

Concerning the environment, Jerónimo Martins has defined the principle of establishing strategies, processes, projects, goals and targets, as part of the value chain, in order to minimise the direct and indirect impacts caused by its operations, especially those linked to the consumption of energy and water, to ensure the proper use of materials, to implement correct waste management and to protect biodiversity. The main actions and results implemented in 2016 can be found in the Chapter V of the Annual Report.

A crucial activity at Jerónimo Martins is Food Safety. Management continues to reinforce the customer information component, thus contributing to maintain the freshness and quality of our products until the moment of consumption.

There was a strong bet on the on-the-job training and on accompanying the introduction of legislation concerning the information provided and food safety for the consumer.

Legal Affairs – Ensures ongoing legal assistance to the Company, preparing contracts, opinions and studies, assisting the Board of Directors in decision making, implementing risk planning policies and giving support to other Functional Divisions. It also ensures the necessary coordination between the legal departments of subsidiaries in the different jurisdictions in which they operate.

In 2016, this Division continued to focus on monitoring the evolution of the corporate rules and recommendations in the Group's various reorganization operations and on supporting the Board of Directors and other Functional Divisions in the project of internationalisation of the Group, among other matters.

It also had an important role regarding the prevention of legal disputes, through legal counselling and internal training.

Internal Audit – Assesses the quality and effectiveness of the internal control and risk management systems (both operational and non-operational) that are set by the Board of Directors, ensuring their compliance with the Group's and each business unit's procedures, as well as ensuring compliance with the legislation and regulations applicable to the respective operations.

This Division reports hierarchically to the Chairman of the Board of Directors and functionally to the Audit Committee. The activities carried out by this Functional Division are referred in point 50.

Corporate Communications and Responsibility – It is responsible for the strategic management of the Jerónimo Martins brand, by enhancing relations with the various non-financial stakeholders and promoting and strengthening the integration of environmental, social and ethical issues in the value chain, preserving and developing the Group's reputation capital. It acts as an agent of inter-departmental integration, promoting the alignment of messages and practices with the values and goals of the Group.

In 2016, it was responsible for the leadership of the conception, development and implementation project for a new corporate Intranet with the OUR JM brand.

Also in the digital area, it conceived, defined, developed and implemented the strategy and the contents for the launch of the Jerónimo Martins corporate channel on YouTube, which can be accessed on www.youtube.com/channel/UCvNmrfc3d5IBPVQs-6Ij2Rw.

As the manager of the LinkedIn corporate page, in partnership with Human Resources, this Department kept on managing this channel. It can be accessed on www.linkedin.com/company/jeronimo-martins.

It also organised the 5th Sustainability Conference, addressed to both its top management and strategic partners, which was also attended by Government and Non-Government Organisations, as well as other agents in the Food Distribution industry.

Finally, it launched the Group's multi-stakeholder external corporate magazine – "Feed" – with the objective of sharing new perspectives on the big issues that influence the societies where Jerónimo Martins develops its businesses. "Feed" is published every six months, with limited circulation, having an online version, which can be accessed on http://feed.jeronimomartins.com.

Financial Control – Responsible for providing financial information to support decision-making by the Company's Corporate Bodies. It encompasses the areas of Consolidation and Accounting, Financial Planning and Control.

The Consolidation and Accounting area prepares consolidated financial information in order to comply with statutory and legal obligations and supports the Board of Directors by implementing and monitoring the policies and the accounting principles adopted by the Group.

It also supervises the financial reporting of the different Group Companies to ensure that it conforms to the standards, supporting the Companies in the accounting assessment of non-recurrent transactions, as well as restructuring and expansion operations.

The area of Planning and Control coordinates and supports the process for creating the Jerónimo Martins Strategic Plans, which are used as a basis for strategic decision-making by the Corporate Governance bodies.

It has a control function, monitoring the performance of the different business units of the Group and investigating any deviations from the plans. It thus provides the Managing Committee of Jerónimo Martins with relevant information and proposals to guarantee corrective measures that allow the defined strategic objectives to be achieved.

It also makes a financial assessment of all investment projects that are relevant for the Group, providing support to the Managing Committee for its approval and subsequent follow-up.

In 2016, it focused its activity on several ownership structure restructuring projects, M&A operations and Divestments. It also supported and monitored the performance of the business units, with special focus on the new businesses, and supported the development of the medium and long-term strategic plans of the Group.

International Expansion and Strategy – Responsible for prospecting and analysing opportunities to develop the Group's business portfolio and for leading and participating in projects of a strategic nature.

With regard to the development of the business portfolio, it holds the responsibility to search for, analyse and evaluate opportunities for the Group to expand and increase its value, focusing its activity on markets and businesses that can support the development of new and relevant business units for the Jerónimo Martins portfolio.

With regard to strategic projects, it holds the responsibility to lead or support both corporate group-wide projects and strategic projects that are specific to individual Group Companies.

During 2016, it led and supported several strategic projects across the Group's geographies and continued to develop prospects for expansion in new markets and businesses.

Fiscal Affairs – Provides all of the Group’s Companies with assistance in tax matters, ensuring compliance with legislation in force and in the optimisation of the business units' management activities from a tax perspective. It also manages the Group's tax disputes and its relations with external consultants and lawyers, as well as with Tax Authorities.

In 2016, it gave the necessary technical support in all ownership restructuring operations, M&A and Divestments. It monitored the implementation in the Group of the European legislation related with the Base Erosion and Profit Shifting (BEPS). Through the associations that represent the sector it ensured the defense of the

Group's interests, whether collaborating on the clarification and implementation of new legislation, or in the public debate of legislative projects.

Risk Management – Responsible for implementing the Group's risk management policies and procedures, as well as for providing the necessary support to the Governance Bodies of the Company in identifying any risks that might compromise the strategy defined by the Group, as well as its business objectives.

The activities carried out in the area of Risk Management are described in points 52 to 55 of this Report.

Marketing & Consumer Office - Office responsible for Marketing's strategic vision according to a consumer centric perspective with special focus on the Digital area.

It is this area's priority to understand thoroughly the clients so that the same are provided with an always improving experience in each of the Group's brands. For this are used tools and methodologies in Data and Consumer Insights that enable the establishment of a relevant interaction and a better experience in all contact points.

In 2016, this Office produced a strategic vision for Digital in the Group, prioritising key activities. Additionally it supported the Companies in several Marketing, Communication and Digital activities.

Financial Operations – This Division includes Financial Risk Management, as well as Treasury Management. The activity of the first area is discussed in detail in points 52 to 55.

Treasury Management is responsible for managing relations with the financial institutions that already have or intend to have in the future a business relationship with Jerónimo Martins in terms of financing, ensuring that these entities fulfil the defined criteria, and also ensuring that the best possible conditions may be obtained at all times. It also executes treasury planning with the aim of negotiating and implementing, for all the Group's Companies, the most suitable financial sources according to its cash flow generation profile, or to get the highest return with the lowest risk from the excess cash of the Group.

A large part of the treasury activities of Jerónimo Martins is centralized in the Holding Company, which is a structure that provides services to all other Companies of the Group. In compliance with the above-described activities, during 2016, new debt was issued to finance the investments in Colombia.

Quality and Private Brand Development – Responsible for defining, planning, implementing and controlling the policies, procedures, methodologies and rules in the various countries where Jerónimo Martins operates, ensuring the use of the best and most up-to-date practices in this area.

In 2016, the main activities carried out focused on:

i. carrying out the defined product and supplier control activities;
ii. continuous improvement of Private Brand products by reformulating existing products;
iii. increasing anti-fraud controls;
iv. maintaining the certifications in Quality and Food Safety;
v. rolling-out of the QMS (Quality Management System) for all geographies;
vi. conclusion of the Corporate Guidelines for Private Brand - Non-Food Products.

Human Resources – Founded on the culture and values of Jerónimo Martins, this Corporate area is responsible for defining and implementing the strategy and global policies of Human Resources with regard to the main pillars of Human Resource Management - Recruitment, Training, Development, Compensation and Benefits – promoting its compliance, safeguarding the uniqueness of the different geographical areas in which the Group operates and the individual nature of the different Companies.

The activities that this Functional Division carried out in 2016 can be found in detail in Chapter V, Section 8 - Being a Benchmark Employer - of the Annual Report.

Investor Relations – Responsible for the communication with investors – whether current shareholders or not, institutional and private, national and foreign - as well as with the analysts who formulate opinions and recommendations regarding Jerónimo Martins' share price. It is also the responsibility of this Division to co-ordinate all matters related to the Portuguese financial markets regulator (CMVM).

The activities carried out by this Functional Division can be found in detail in points 56 and 58.

Security – This area defines and controls procedures in terms of protecting the security of the Group's people and assets, intervening whenever there are thefts and robberies, fraud and other illegal and/or violent activities perpetrated in the facilities or against employees of the Group.

Information Security – Responsible for planning, implementing and maintaining an information security and cibersecurity management system to ensure the confidentiality, integrity and availability of information in all Group Companies and for supporting systems recovery in the event of any disruption to the operations. This Division reports to the Chairman of the Board of Directors.

Information Security Officers (ISO) in each country, who report to this Division, ensure local compliance with applicable Information Security Policies and Standards and provide assistance to the respective business and support areas.

In 2016, Information Security assessed and mitigated information risks in applications, websites and loyalty programmes. An information security awareness programme was launched and the Group Passwords Policy was reviewed to improve security on technology systems.

Information Technology – The mission of the IT function is to support growth of the business in a sustainable way, by leading change through relevant IT innovation in every Company of the Group.

The Division is responsible for defining and implementing the Global Information Technology Strategy for the Group, for promoting technology-based innovation and for aligning IT systems, policies and processes.

The key priorities for 2016 have been along the direction of:

1) growing efficient: supporting the organic and geographical expansion of the Group, via the implementation of system that leverage our scale, reducing unit cost;

2) digital: creating new capabilities to dematerialize paper, selling online in our cash and carry business, and new communication platform for the Group;
3) consumer relevant: focusing on the improvement of our assortment and a simpler customer experience.

In addition, major progress was made towards the implementation of stronger internal processes, like Enterprise Architecture, Portfolio Management and Project Management.

Operational Areas

The organisational structure of Jerónimo Martins is aimed mainly at ensuring specialisation in the Group's various businesses by creating geographical areas and operational areas, thus guaranteeing the required proximity to the different markets.

The Food Distribution business is divided into geographical areas - Portugal, Poland and Colombia – and within those countries then further divided into operational areas. In Portugal there are two operational areas: Pingo Doce (Supermarkets and Hypermarkets) and Recheio (Cash & Carry), which encompasses the Food Service division through Caterplus. In Poland there is the operational unit Biedronka (food stores) and in Colombia the unit Ara (food stores).

Within the Group's portfolio there is also a business segment devoted to Specialised Retail, existing in Portugal the operational areas Jeronymo (cafeterias) and Hussel (chocolates and confectionery shops) and in Poland the operational area Hebe (drugstores) which includes Apteka Na Zdrowie (pharmacies).

In the last two years, the Group implemented the first investments in the Agro Business area, starting its activity in the areas of dairy products, beef and aquaculture, with a special focus in the protection and differentiation of the supply chain from the operations of Food Distribution.

B. Functioning

22. Availability and Place Where Rules on the Functioning of the Board of Directors May be Viewed

The Regulation of the Board of Directors is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

23. The Number of Meetings Held and the Attendance Report For Each Member of the Board of Directors

The Board of Directors, whose duties are described in Article Thirteen of the Company's Articles of Association, meets at least four times a year, and any of its members may be represented at the Board Meetings by another member, by means of a letter addressed to the Chairman.

During 2016, the Board of Directors met seven times. The respective minutes were prepared for all meetings.

The Directors who have not personally attended Board Meetings have, in general, appointed another Board Member to represent them, as statutorily provided, with the attendance of each Director to the referred meetings during the exercise of respective duties as follows:

Pedro Soares dos Santos	100%
Alan Johnson[1]	100%
Andrzej Szlezak	100%
António Viana-Baptista	100%
Francisco Seixas da Costa	100%
Hans Eggerstedt	100%
Nicolaas Pronk[1] [2]	0%
Sérgio Rebelo	100%
Henrique Soares dos Santos[3]	86%
Clara Streit	100%
Artur Stefan Kirsten[3]	86%

[1] Only the meetings of the Board of Directors held until 14th April, 2016, date when the appointment to the Board of Directors ceased, were taken into account.

[2] In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.

[3] Absence to meeting of the Board of Directors was due to statement of conflict of interests presented, under Art. 410.º (6) of the Commercial Companies Code.

24. Details of Competent Corporate Boards Undertaking the Performance Appraisal of Executive Directors

The assessment of performance of Executive Directors is made by the Remuneration Committee, elected by the General Shareholders' Meeting (see points 66 *et seq.*).

The Remuneration Committee is in charge of, in the scope of the Remuneration Policy, assessing the individual and collective performance of Executive Directors, evaluate their influence and impact in Jerónimo Martins' businesses and assessing their alignment with the medium and long-term interests of the Company.

As referred below (see point 27), currently there are no committees composed exclusively by Directors. Notwithstanding such fact, the performance of Executive Directors who are part of mixed committees (i.e. also composed of Non-directors) is evaluated by the Remuneration Committee, in the terms referred above.

25. Predefined Criteria For Assessing Executive Directors' Performance

The predefined criteria for assessing Executive Directors' performance arise from that established in the Remuneration Policy described in point 69.

26. The Availability of Each Member of the Board of Directors and Details of the Positions Held at the Same Time in Other Companies Within and Outside the Group, and Other Relevant Activities Undertaken by Members of This Board Throughout the Financial Year

Throughout the said year, the members of the Board of Directors held positions in other companies, namely:

Pedro Soares dos Santos
Director of Jerónimo Martins Serviços, S.A.*
Director of Jeronimo Martins Polska, S.A.*
Director of Jeronimo Martins Drogerie i Farmacja Sp. z o.o.*
Director of Jeronimo Martins Colombia, SAS*
Director of Recheio, SGPS, S.A.*
Director of Funchalgest – Sociedade Gestora de Participações Sociais, S.A.*
Director of JMR – Gestão de Empresas de Retalho, SGPS, S.A.*
Director of Jerónimo Martins – Agro-Alimentar, S.A.*
Director of Arica Holding B.V.
President of the Supervisory Board of Warta – Retail & Services Investments B.V.*
President of the Supervisory Board of New World Investments B.V.*

Andrzej Szlezak
Chairman of the Supervisory Board of Agora, S.A.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

António Viana-Baptista
Director of Semapa, SGPS, S.A.
Director of Arica Holding B.V.

Artur Stefan Kirsten
Member of the Executive Committee and Chief Financial Officer of Vonovia SE
President of the Supervisory Board of Vonovia Finance B.V.
Member of the Supervisory Board of AVW Versicherungsmakler GmbH
Director of Sociedade Francisco Manuel dos Santos, B.V.

Clara Christina Streit
Director (Non-Executive) of Vontobel Holding AG, Vontobel Bank AG (Zurique)
Member of the Supervisory Board of Delta Lloyd N.V.
Member of the Supervisory Board of Vonovia SE
Director (Non-Executive) of Unicredit SpA

Francisco Seixas da Costa
Member of the Consultive Board of Faculdade de Economia da Universidade de Coimbra
Member of the Consultive Board of Faculdade de Ciências Sociais e Humanas da Universidade Nova de Lisboa
Chairman of the Consultive Board of Fundação Calouste Gulbenkian
Member of the Strategic Committee of Mota-Engil, S.A.
Director (Non-Executive) of EDP Renováveis, S.A.
Member of the Nominations and Remunerations Committee of EDP Renováveis, S.A.
Director (Non-Executive) of Mota-Engil Engenharia e Construções África, S.A.
Member of the Audit Committee of Mota-Engil Engenharia e Construções África, S.A.

Hans Eggerstedt

Director of Arica Holding B.V.
Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)

Henrique Soares dos Santos

Director of Nesfia – Sociedade Imobiliária, S.A.
Director of Jerónimo Martins - Serviços, S.A.*
Director of Arica Holding B.V.
Director of Sindcom – Investimentos, Participações e Gestão, S.A.
Director of Waterventures – Consultoria, Projectos e Investimentos, S.A.

Sérgio Tavares Rebelo

Member of the Advisory Council to the Global Markets Institute at Goldman Sachs
Director (Non-Executive) of Integrated DNA Technologies, Inc.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
Member of the Supervisory Board of New World Investments B.V.*

***

Alan Johnson (until 14th April 2016)

Does not hold any position in other companies

Nicolaas Pronk (until 14th April 2016)

Director of Antillian Holding Company N.V.
Director of Aquamondo Insurance N.V.
Director of Asteck S.A.
Director of Celloteck Finance Luxembourg S.à.r.l.
Director of Celloteck Holding (Luxembourg) S.A.
Director of Epcote S.A.
Director of Heavy Transport Group, Inc.
Director of Heavy Transport Holding Denmark ApS
Director of Heerema Engineering & Project Services, Inc.
Director of Heerema Engineering and Project Services (Luxembourg) S.à.r.l.
Director of Heerema Engineering Holding (Luxembourg) S.A.
Director of Heerema Fabrication Finance (Luxembourg) S.A.
Director of Heerema Fabrication Holding S.E.
Director of Heerema Group Services S.A.
Director of Heerema Holding Services (Antilles) N.V.
Director of Heerema International Group Services Holding S.A.
Director of Heerema International Group Services S.A.
Director of Heerema Marine Contractors Finance (Luxembourg) S.A.
Director of Heerema Marine Contractors Holding, S.E.
Director of Heerema Transport Finance (Luxembourg) S.à.r.l.
Director of Heerema Transport Finance II (Luxembourg) S.A.

The positions held by the members of the Board in other companies did not affect their availability to take part in the Company's affairs, as demonstrated in the attendance report mentioned in point 23.

* Companies that are part of the Group

C. Committees within the Board of Directors and Board Delegate

27. Details of the Committees created within the Board of Directors, and the Place Where the Rules on the Functioning Thereof is Available

Currently, there are no committees in the Company composed exclusively by Directors, without prejudice to the Audit Committee to which is made reference to in points 30 to 33, being the Regulation of the Audit Committee available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

However, some committees were created in the Company, composed by Directors and by other individuals who are not Directors, analysed in point 29.

28. Details of the Board Delegate

The Board of Directors appointed a Chief Executive Officer, responsible for implementing the strategic decisions taken by the Board, in accordance with the delegated powers, and a Managing Committee, responsible for assisting the Chief Executive Officer in the duties delegated to that officer by the Board of Directors.

The role of Chief Executive Officer is performed by Pedro Soares dos Santos.

29. Description of the Powers of Each of The Committees Established and a Summary of Activities Undertaken in Exercising Said Powers

Managing Committee

The Managing Committee of the Company, which has the same term of office as that of the Board of Directors that appointed it, is composed of the Chief Executive Officer, Pedro Soares dos Santos, who is the Chair, Javier van Engelen (the Group's Chief Financial Officer), Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing Committee is responsible for advising the CEO, within the respective delegation of powers, in carrying out the following functions:

- control over the implementation by the Companies in the Group of the strategic guidelines and policies defined by the Board of Directors;
- financial and accounting control of the Group and of the Companies that are a part thereof;
- senior coordination of the operational activities of the different Companies in the Group, whether integrated or not in business areas;
- launching of new businesses and monitoring them until they are implemented and integrated in the respective business areas;
- implementation of the management policy of Human Resources defined for the top-level management of the entire Group.

In 2016, the Managing Committee held meetings for the exercise of its competences times, having been drawn up minutes of the meetings, which were sent to the Chairman of the Board of Directors and to the Company's Secretary.

Committee on Corporate Governance and Corporate Responsibility (CCGCR)

CCGCR is made up of a minimum of three and a maximum of nine Members, who are not required to be Directors, appointed by the Board of Directors. One of the members will be the Chairman.

The Board of Directors decided to appoint the current Chairman of the Board of Directors, Pedro Soares dos Santos, as Chairman of CCGCR, with the other Members of the Committee being Andrzej Szlezak, Francisco Sá Carneiro, Francisco Seixas da Costa, Henrique Soares dos Santos, José Joaquim Gomes Canotilho, José Soares dos Santos, Ludo van der Heyden and Sara Miranda.

In carrying out its mission, the CCGCR collaborates with the Board of Directors, assessing and submitting to it proposals for strategic orientation in the area of Corporate Responsibility, as well as monitoring and supervising on a permanent basis matters concerning: i. corporate governance, social responsibility, the environment and ethics; ii. the business sustainability of the Group; iii. internal codes of ethics and of conduct; and iv. systems of assessment and resolution of conflicts of interest, especially regarding relations between the Company and its shareholders or other stakeholders.

Especially on what concerns company governance, CCGCR has the duty to keep up, review and assess the appropriateness of the Company's model of governance and its consistency with the recommendations, patterns, and national and international best practices on company governance, addressing the Board of Directors the recommendations and proposing any changes, deemed adequate.

Ethics Committee

The Ethics Committee of Jerónimo Martins is composed of three to five members appointed by the Board of Directors, based on a proposal from the Committee on Corporate Governance and Corporate Responsibility. Currently, it is composed by Susana Correia de Campos, Agata Wojcik-Ryszawa, Patrícia Farinha and Adriana Olarte. The mission of the Ethics Committee is to provide independent supervision of the disclosure of and compliance with the Group's Code of Conduct in all the Companies of the Group.

The duties of the Ethics Committee include: i. establishing the channels of communication with the addressees of the Jerónimo Martins Group Code of Conduct and gathering such information as may be addressed to it in this connection; ii. ensuring the existence of an adequate system of internal control of compliance with the Jerónimo Martins Group Code of Conduct and with the appraisal of the recommendations stemming from such control; iii. appraising such issues as may be submitted to it by the Board of Directors, by the Audit Committee or by the CCGCR within the scope of compliance with Code of Conduct and with analysing, in abstract, those that may be raised by any employee, customer or business partner (stakeholders); iv. proposing to the CCGCR the adoption of such measures as it may deem fit in this connection, including a review of internal procedures and alterations to the Jerónimo Martins Group Code of Conduct; and v. drawing up an annual report on its activities to be presented to the Committee on Corporate Governance and Corporate Responsibility.

The Ethics Committee reports functionally to the CCGCR, which has responsibilities in the fields of corporate governance, social responsibility, environment and ethics, including those related to the internal codes of ethics and of conduct, having held meetings for the exercise of its competences in 2016, of which were drawn up the respective minutes.

Internal Control Committee

The Internal Control Committee (ICC), appointed by the Board of Directors and reporting to the Audit Committee, is specifically responsible for evaluating the quality and reliability of the internal control system and the process of preparing financial statements, as well as for evaluating the quality of the monitoring process in force in Jerónimo Martins' Companies, with a view to ensuring compliance with the laws and regulations to which they are subject. In performing this latter task, the ICC must obtain regular information on the legal and fiscal contingencies that affect the Companies of the Group.

The ICC meets monthly, as a general rule, for the exercise of its competences, having been drawn up minutes of such meetings. It is composed of a Chairman (Alan Johnson) and four members (David Duarte, Francisco Martins, Madalena Mena and Henrique Soares dos Santos). None of the members is an Executive Director of the Company.

In 2016, the ICC continued its activities of supervision and evaluation of risks and critical processes, analysing the reports prepared by the Internal Audit Department. As a representative of the External Audit team is invited to attend these meetings, the Committee is also informed of the conclusions of the external audit work that takes place during the year.

Subsection III
Supervision
(Audit Committee)

A. Composition

30. Details of the Supervisory Board (Audit Committee) Representing the Model Adopted

The supervisory board of the Company is the Audit Committee, consequence of the anglo-saxon governance model adopted.

In addition to the responsibilities conferred by law, the Audit Committee, in performing its activities, is responsible in for the following:

- monitoring the preparation and disclosure of financial information;
- monitoring the effectiveness of internal control systems, internal auditing and risk management. For this purpose, they may work with the ICC, which shall report to them regularly on their work, pointing out situations that should be analysed by the Audit Committee;
- evaluating the external audit on a regular basis;
- approving activity plans in the area of risk management and following up on their execution, proceeding with the assessment of the recommendations

resulting from the audit actions and the revisions of the procedures undertaken;
- looking after the existence of an adequate internal risk management system for the companies of which Jerónimo Martins is holder of shares or quotas, ensuring full compliance with its objectives;
- approving internal audit activity programmes, which respective Department functionally reports to it, as well as of the external audit;
- selecting, as proposed by the Managing Committee, the service provider for the external audit;
- monitoring the legal accounts audit services;
- assessing and monitoring the independence of the Statutory Auditor, especially when it performs additional services for the Company;
- issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of Article 20, no. 1 of the Portuguese Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee, for the adequate performance of its duties, requests and appraises all the management information deemed necessary. In addition, it has unrestricted access to the documentation produced by the auditors of the Company, having the possibility to request any information from them it deems necessary and being the first recipient of the final reports prepared by the external auditors.

During the previous year, the Audit Committee paid particular attention to the financial risk management and to the analysis of the reports and corrective measures proposed by Internal Audit.

31. Composition of the Audit Committee, With Details of the Articles of Association's Minimum and Maximum Number of Members, Duration of Term of Office, Number of Effective Members, Date of First Appointment, Date of End of the Term of Office for Each Member

According to the Articles of Association, the Audit Committee is comprised of three members of the Board of Directors, elected by the General Shareholder's Meeting to terms of three years.

With regard to changes in the composition of the Audit Committee throughout 2016, it is to note that, in the General Meeting held on 14th April 2016, it was decided to appoint the members of this body for the term of office 2016-2018.

Therefore, due to the applicable legal provisions, the members appointed for the term of office 2013-2015 were in office until 14th April 2016.

The composition of the Audit Committee, during 2016, was the following:

Sérgio Tavares Rebelo
- Chairman of the Audit Committee
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2018

Clara Streit

- First appointment on 14th April 2016
- Expiry of the term of office on 31st December 2018

Hans Eggerstedt

- First appointment on 30th March 2007
- Expiry of the term of office on 31st December 2018

***

António Viana-Baptista

- First appointment on 9th April 2010
- Expiry of the term of office on 31st December 2015. In office until 14th April 2016

32. Details of the Members of the Audit Committee, Which are Considered to be Independent Pursuant to Art. 414/5 CSC

Each member of the Audit Committee complies with the rules of incompatibility laid down in paragraph 1 of Article 414-A of the Commercial Companies Code, except that provided for in sub-paragraph b). Sérgio Tavares Rebelo and Clara Streit comply with the independence criteria foreseen in Article 414, number 5 of the Commercial Companies Code. See point 18 concerning Hans Eggerstedt.

33. Professional Qualifications of each Member of the Audit Committee and Other Important Curricular Information

The professional qualifications of the members of the Audit Committee are those described on point 19 ("Professional Qualifications of the Members of the Board of Directors").

Additionally, reference should be made to the fact that the vast experience of the members of the Committee in corporate body positions, as well as to their special technical merit in this particular matter, have created particular added value for the Company.

The Chairman of the Audit Committee, Sérgio Tavares Rebelo, is recognised internationally as one of the best economists of today, having distinguished as a professor of International Finance at Kellogg School of Management. He acted as a consultant of several financial institutions, including, *inter alia*, the World Bank, the International Monetary Fund and the Bank of Portugal, as well as having occupied several positions in non-profit organizations. His outstanding academic background and his knowledge on risk management issues, e.g., financial, apart from his assertiveness and discernment in raising issues about the businesses and the countries where they operate, ensure him a special competence for the assignment as Chairman of the supervision body of the Company.

B. Functioning

34. Availability and Place Where the Rules On The Functioning of the Audit Committee May Be Viewed

The Regulation of the Audit Committee is available on the Company's website, through the link mentioned in point 61 ("Relevant Addresses").

35. The Number of Meetings Held and the Attendance Report for Each Member of The Audit Committee

The Audit Committee meets, at least, once every three months and is responsible for supervising Company management, carrying out the duties attributed by law and by Article Twenty of the Articles of Association.

During 2016, the Audit Committee met seven times and all meetings were duly minuted.

The attendance of each Director at the meetings during the exercise of the respective duties, measured in terms of personal attendance, was as follows:

Hans Eggerstedt	100%
António Viana-Baptista[1]	100%
Sérgio Rebelo	100%
Clara Streit[2]	100%

[1] Only the meetings held until 14th April 2016 were taken into account.
[2] Only the meetings held from 14th April 2016 were taken into account.

36. The Availability of Each Member of the Audit Committee, Indicating the Positions Held Simultaneously in Other Companies Inside and Outside the Group, and Other Relevant Activities Undertaken by Members of These Boards Throughout the Financial Year

The members of the Audit Committee have always been available for the Company's affairs during 2016, having participated in the same when it was necessary or when they considered to be necessary.

The positions held by the members of the Audit Committee in other companies are described in point 26 ("Positions that the Members of the Board of Directors Hold in Other Companies").

C. Powers and Duties

37. A Description of the Procedures and Criteria Applicable to the Supervisory Body for The Purposes of Hiring Additional Services From the External Auditor

In the terms of Law no. 148/2015, of 9th September, the provision of services other than audit services, is subject to the verification of its adequacy (under the point of view of threats to independence and safeguard measures that eventually may be necessary) and prior approval of the Audit Committee, duly substantiated.

38. Other Duties of the Supervisory Body

The duties of the Audit Committee are described in point 30.

Subsection IV
Statutory Auditor

39. Details of the Statutory Auditor and the Partner That Represents the Same

The Company's Statutory Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333 or by António Joaquim Brochado Correia, ROC no. 1076.

40. Statement on the Number of Years that the Statutory Auditor Consecutively Carries Out Duties With the Company and/or Group

The Company's Statutory Auditor carries out duties with the Company for 28 years.

The Statutory Auditor was nominated for the first time during 2005, although, for calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins is taken into account.

41. Description of Other Services that the Statutory Auditor Provides to the Company

The Statutory Auditor also carries out the role of the Company's External Auditor, as mentioned in point 42. In point 46 is made reference to other services carried out by the Statutory Auditor for the Company.

Subsection V
External Auditor

42. Details of the External Auditor Appointed in Accordance With Art. 8 PSC and the Partner That Represents the Same in Carrying out These Duties, and the Respective Registration Number at the CMVM

The External Auditor is PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., ROC (Chartered Accountant) No. 183, registered at the CMVM (Portuguese Securities Market Commission) under no. 20161485, represented by João Rui Fernandes Ramos, ROC no. 1333, or by António Joaquim Brochado Correia, ROC no. 1076.

During 2016, the External Auditor monitored the efficiency and functioning of the internal control mechanisms, taking part in the meetings of the Internal Control Committee, reporting any deficiencies identified in the exercise of its activity, as well as making the necessary recommendations regarding the procedures and mechanisms that were analysed.

The External Auditor was able to verify the implementation of the remuneration policies and systems by reviewing the minutes of the Remuneration Committee's meetings, the remuneration policy in force and other accounting and financial information that is essential for that purpose.

43. Statement on the Number of Years that the External Auditor and Respective Partner that Represents the Same in Carrying out These Duties Consecutively Carries Out Duties With the Company and/or Group

PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. has been carrying out the role of External Auditor to the Company for 28 years, taking into account, in calculating the said number of years, the period in which other statutory auditors, members of the PricewaterhouseCoopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. Network, carried out that role at Jerónimo Martins.

The partner that represents the External Auditor has been carrying out that role for the Company since 14th April 2016.

44. Rotation Policy and Schedule of the External Auditor and the Respective Partner That Represents Said Auditor in Carrying Out Such Duties

With regard to the rotation of the External Auditor, until the entry into force of the new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of 7th September, the Company did not set any external auditor rotation policy based on a pre-defined number of years, taking into account the fact that disadvantages have been identified for the auditing role when approaching the end of the pre-defined period of performance of duties.

Alternatively, bearing in mind that the Audit Committee is the body responsible for determining the conditions for maintaining, rotating or replacing the External Auditor, this body performed an annual assessment of the External Auditor, checked the independence necessary for it to remain in office and carried out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

The entry into force of the new Legal Regime of Portuguese Statutory Auditors, on 1st January 2016 foresees a new regime which is applicable to the rotation of statutory auditors of public-interest entities, having the Securities Exchange Commission (CMVM) expressed the understanding that, under said Law nr. 140/2015, the Company’s current Statutory Auditor had reached the maximum duration period of engagement with the Company.

Considering that Portuguese law does not foresee a transition period long enough to allow companies to adopt the necessary changes without eventual disruptions, particularly in what concerns the elimination of prohibited services so that to guarantee a larger number of Statutory Auditors to participate in a tender, the Company asked CMVM for authorization to reappoint the current Statutory Auditor for the maximum period of one financial year, in order to complete, during 2016, the selection process for a new Statutory Auditor to be proposed by the Audit Committee to be voted by the shareholders in a General Meeting.

Under the terms of article 17, paragraph 6 of Regulation (EU) No. 537/2014, CMVM decided to grant an extension to reappoint the current Statutory Auditor referred in point 42, for a further engagement for 2016, without prejudice of it staying in office until the designation of a new Statutory Auditor and of fulfilling its duties to certify the accounts for 2016.

Following the decision of CMVM, the Audit Committee, having previously assessed the respective performance and independence, found that the conditions that allowed the Statutory Auditor and External Auditor to be reinstated for the 2016 financial year were met. Nonetheless, it was carried out by the Audit Committee, during 2016, a selection process for the election of a new Statutory Auditor at the 2017 Annual General Meeting.

45. Details of the Board Responsible for Assessing the External Auditor and the Regular Intervals When Said Assessment is Carried Out

The Audit Committee is the responsible body for evaluating the performance of the External Auditor, which is performed annually. The Committee discussed and considered the costs and advantages of maintaining the External Auditor, as well as the independence shown in that role, having decided to give a favourable opinion for its maintenance for the year 2016.

46. Details of Services, Other Than Auditing, carried out by the External Auditor for the Company and/or Companies in a Control Relationship and an Indication of the Internal Procedures for Approving the Recruitment of Such Services and a Statement on the Reasons for Said Recruitment

From the non-audit services requested by Group's Companies to the External Auditor and other entities belonging to the same network, totalling 91,450 euros, reference is made to those concerning access to a tax database, audit reliability services under applicable laws in the countries where the Group operates, support services in the field of human resources and certification of the carbon footprint calculation.

All these services were necessary for the regular activity of the Companies of the Group and, after due analysis of the situation, the External Auditor and/or the entities belonging to its network were considered as those which could best perform the said services. Besides being carried out by employees who do not participate in any auditing work for the Group, these services are marginal to the work of the auditors and do not affect, either by their nature or by their amount, the independence of the External Auditor during the performance of its role.

As a result of the procedure mentioned in point 37, all services to which is made reference above were subject to prior approval of the Audit Committee, duly substantiated.

47. Details of the Annual Remuneration Paid by the Company and/or Legal Entities in a Control or Group Relationship to the Auditor and Other Natural or Legal Persons Pertaining to the Same Network and Percentage Breakdown Relating to the Following Services

In 2016, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 847,037 euros.

In percentage terms, the amount referred to is divided as follows:

	Amount	%
By the Company		
Amount for statutory auditing services (€)	95,390	11.3%
Amount for audit reliability services (€)	-	-
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	33,350	3.9%
By entities comprising the Group		
Amount for statutory auditing services (€)	660,197	78.0%
Amount for audit reliability services (€)	21,300	2.5%
Amount for tax consulting services (€)	-	-
Amount for other non-statutory auditing services (€)	36,800	4.3%

Section C
INTERNAL ORGANISATION

Subsection I
Articles of Association

48. The Rules Governing Amendment to the Articles of Association (Art. 245-A/1/h) PSC)

The Articles of Association do not define any rules applicable to the amendment of the Company's Articles of Association, therefore the terms defined by the Law apply to these matters.

Subsection II
Reporting of Irregularities

49. Reporting Means and Policy on the Reporting of Irregularities in the Company

Since 2004, the Ethics Committee of Jerónimo Martins has implemented a system of bottom-up communication that ensures that every employee, at every level, has access to communication channels to contact officers who are recognised within the Company with information on possible irregularities occurring within the Group. They may also make any comments or suggestions, particularly with respect to compliance with the procedural manuals in effect, especially the Code of Conduct.

This measure clarifies guidelines on questions as diverse as compliance with current legislation, respect for the principles of non-discrimination and equal opportunities, environmental concerns, business transparency and the integrity of relations with suppliers, customers and official entities, among other matters.

The Ethics Committee has informed all the Group employees of the available means to, if necessary, communicate with this body. This is possible by means of letter via freepost or internal or external e-mail with a dedicated address. Interested parties may also request, from the respective General Manager or Functional Director, any clarification of the rules in force and their application, or they may provide them with information regarding any situation that may question them.

Whichever communication channel is used, anonymity is assured for anyone who requires it.

Subsection III
Internal Control and Risk Management

50. Individuals, Boards or Committees Responsible for the Internal Audit and/or Implementation of the Internal Control Systems

The Internal Audit Department assesses the quality and effectiveness of the Internal Control and Risk Management systems that are set by the Board of Directors.

The Internal Control objectives involve the assurance of the operational efficiency, the financial and operational reporting consistency and the fulfilment of applicable laws and regulations. To assure it, the Internal Audit activity plan takes in consideration the evaluation of the operational risks and the critical processes applicable to each Company.

The results of the internal audits are made available, on a monthly basis to the Internal Control Committee and to the Group's Managing Committee. Each quarter, these reports are presented to the Audit Committee. With the same regularity, a report is prepared regarding the status of the recommendations agreed with the audited areas managers.

During 2016, there were audits performed over stock management, cash collection, management of accounts payable and receivable, supplementary income, quality and food safety, investments, and information systems, among others.

51. Details of Hierarchical and/or Functional Dependency in Relation to Other Boards or Committees of the Company

The head of the Internal Audit Department reports hierarchically to the Chairman of the Board and CEO and, functionally, to the Audit Committee. The head of Internal Audit is also a member of the Internal Control Committee, which in turn reports to the Audit Committee.

See organisational structure in point 21.

52. Other Functional Areas Responsible for Risk Control

a) Enterprise Risk Management System

The Group, and in particular its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses and their objectives, and is committed to ensure that Risk Management is an effective and fundamental component of the corporate strategy, culture and value-creation process.

The approach to Risk Management is detailed in the Group's Risk Management Policy, which sets out the Group's Enterprise Risk Management System and outlines the roles and responsibilities of the persons responsible for its execution.

a.1) Risk Management Objectives

The aim of the Group's Enterprise Risk Management System is not to eliminate risk completely from the Group's activities, but rather to ensure that every effort is made to manage risk appropriately, maximising potential opportunities and minimising the adverse effects of risk.

The Group's Enterprise Risk Management System has the objectives to structure and consistently organise the way the Group identifies risks, assuring that they are assessed broadly, considering dependencies and correlations among various risks areas. It establishes procedures for reporting that allow for an adequate monitoring of the risk mitigation and control measures.

Due to the size and geographical dispersion of Jerónimo Martins' activities, successful Risk Management depends on the participation of all employees, who should assume this as an integral part of their jobs, particularly through the identification and reporting of risks associated within their area of responsibility. Therefore, all activities must be carried out with an understanding of what the risk is, with an awareness of the potential impact of unexpected events on the Company and its reputation.

The Group is committed to ensuring all employees are provided with adequate guidance and training on the principles of Risk Management, on the criteria and processes set by the Risk Management Policy and on their responsibilities to manage risks effectively.

a.2). Organisation of Risk Management

The Risk Management Governance Model is defined in order to ensure the effectiveness of Risk Management Framework and is aligned with the Three Lines of Defence Model, which distinguishes among three groups (or lines) involved in effective Risk Management, namely:

- First Line of Defence (Business Operations: Risk Owners) – responsible for the daily Risk Management activities aligned with the business strategy, and also aligned with existing internal procedures and Risk Management Policy;

- Second Line of Defence (Oversight Functions: Group and Business Unit Risk Managers) – responsible for the Risk Management analysis and reporting, as well as for future suggestions or policies development that improve or increase the efficiency of Risk Management processes. This second line also includes functions such as Financial Control, Security, Quality & Food Safety, amongst other corporate areas;

- Third Line of Defence (Independent Assurance: Internal Audit and External Audit) – responsible for providing assurance on the effectiveness of governance, Risk Management and internal controls, including the manner in which the first and second lines of defence perform their Risk Management and control objectives.

The Risk Management organisational structure considers the following main roles and responsibilities:

- the Board of Directors is responsible for establishing the Risk Management Policy and strategy and for setting goals in terms of risk-taking. It is also the

Board's responsibility to provide for the creation of control systems necessary to ensure that the risks effectively incurred are consistent with the goals set;

- the Audit Committee approves the activity plans with regard to Risk Management, monitors their execution and assesses the effectiveness of the internal control, internal auditing and risk management system;

- the CEO, assisted by the Managing Committee, ensures the implementation of the Risk Management Policy and strategy as established by the Board of Directors, as well as promotes a risk awareness culture in the organisation ensuring that Risk Management is embedded in all processes and activities;

- the Risk Committee assists and advises the Managing Committee, as the CEO's assisting body, in assessing and establishing the mitigating measures for the different types of risk, and ensuring the existence of an effective Risk Management framework;

- the Group Risk Management Division (GRM) is responsible for the implementation of the Risk Management framework, coordination of all Risk Management activities and for supporting the Managing Committee and the Risk Committee in the identification of risk exposures that might compromise the Group's strategic and business goals. GRM is also responsible for the coordination and alignment of the practices adopted by the Companies in the Business Continuity Plans (BCP);

- the Business Unit Risk Managers are responsible for the implementation of Risk Management initiatives at the Company level and to support the respective Risk Owners activities;

- the Risk Owners are all employees in charge of the execution and/or control over a given process or activity, within a business unit or a corporate structure, which are responsible for managing the risks involved in those activities;

- the Internal Audit Department focuses its work on the significant risks, as identified by management, and audits the Risk Management processes across the Organisation, providing assurance regarding the effectiveness and efficiency on the Management of Risk and active support in the Risk Management process.

53. Details and Description of the Major Economic, Financial and Legal Risks to which the Company is Exposed in Pursuing Its Business Activity

Strategic Risks

Strategic risk management involves monitoring factors such as social, political and macro-economic trends: the evolution of consumers' preferences, the life cycles of the businesses, the dynamics of the markets (financial, employment, natural and energy resources), the activities of competitors, technological innovation, availability of resources and legal and regulatory changes.

The management team uses this information to understand market needs and attemps to identify any opportunities and threats in the industries and sectors in which it operates, namely in terms of potential profitability and growth, but also in terms of both the strategic alignment and appropriateness of its business model in light of current and future conditions.

Operating Risks

Derives from the execution of normal business functions, across the value chain, and focus on risks arising from the processes through which the Group units operate.

The operational risks cover risks related to category management and sourcing, stock management, cash management, logistics and supply chain and the efficiency in the use of resources and assets as well as their safety and security.

Fraud and corruption risks are also considered in the risk assessment for the most relevant operational activities. The adequacy and range of the controls and mitigation measures are also reviewed and reconsidered whenever necessary.

Food Quality and Safety

The Group seeks to provide healthier products and food solutions, and it seeks to ensure and enforce product safety measures in strict compliance with food safety standards.

The Quality and Food Safety Departments of the Companies are responsible for the following areas: i. prevention, through selection, assessment, and follow-up audits on suppliers; ii. monitoring, by following the product throughout the whole logistics circuit, to analyse compliance with best practice and certification requirements; and iii. training, by carrying out periodic simulations and awareness initiatives.

The Companies are monitored continuously by quality control technicians, to ensure the implementation of procedures and to assess the efficiency of training and the suitability of the facilities and equipment.

Environmental Risks

The efficient management of resources, coupled with environmental preservation, is essential for the sustained growth of the Jerónimo Martins Group's businesses. Considering the nature and size of its Companies, the Group has been conducting studies on the impacts of such activities on ecosystems and the resources they provide: i. Biodiversity Management; ii. Sustainable Agriculture; iii. Fish Species Risk Assessment; and iv. Deforestation commodity mapping in Private Label and Perishable products.

The risks of climate change are also addressed by the Group and can be of the following nature:

- Regulatory, which can be a result of increased costs of compliance with environmental legislation;
- Physical, which may result in shortage of natural resources, such as agricultural products, or disruption of supply chain activities associated with climatic events;

- Reputational, associated with expectations of the Group's stakeholders to reduce carbon emissions.

The probability of occurrence of these situations and their level of impact are analysed by the Group as part of its risk assessment procedures. Considering the risks posed by climate change, in particular, the Group discloses its review in the annual response to CDP (Carbon Disclosure Project), for the programs Climate and Forest, which are available at https://www.cdp.net.

Physical Security and People Risks

The Security Department is responsible for ensuring that conditions exist to guarantee the physical security of people and facilities.

Physical security and people risk management involves defining and publicising working standards and instructions, carrying out employee awareness initiatives and training, performing audits on the stores, risk assessment in all establishments and performing emergency simulations.

Information Systems Risks

The risks associated to Information Technologies are analysed considering their different components: planning and organisation, development, operations management, information security and continuity. The risk management of Information Security in the Group is the responsibility of an exclusively dedicated Department and consists of implementing and maintaining an Information Security Management System that ensures confidentiality, integrity and availability of critical business information and recovery of the systems in the event of interruption to the operations.

Regulation Risks

Compliance with legislation is provided by the Legal Departments of the Group´s Companies. With regard to the Holding Company, the Legal Department guarantees the co-ordination and implementation of strategies aimed at protecting the interests of Jerónimo Martins in legal disputes, and it also manages outside advisers.

In order to ensure the fulfilment of tax obligations, the Group Fiscal Affairs Department advises the Group's Companies, as well as oversees their tax proceedings.

Financial Risks

Risk Factors

Jerónimo Martins is exposed to several financial risks, namely: price risk; which includes interest and exchange rate risks: transactional risk, which includes credit and liquidity risk; and the risk arising from the Group's investments portfolio, including various risks such as interest rate, credit, foreign exchange, inflation, political and fiscal.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance.

Certain types of exposure are managed using financial derivative instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer. It is responsible, with the cooperation of the financial areas of the Group´s companies, for identifying and risk assessing and for executing the hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2016 by the Board of Directors.

Every quarter, reports on compliance with the Financial Risk Management Policy are presented to and discussed with the Audit Committee.

The information concerning financial risks to which the Group is exposed can be found in note 31 – Financial Risks of Chapter III of the Annual Report and Accounts.

54. Description of the Procedure for Identification, Assessment, Monitoring, Control and Risk Management

The Group's Risk Management framework assumes a continuous process of risk assessment, which is an integral part of the normal decision-making and management processes.

The Risk Management process is aligned with the ISO 31000 international standard recommendations, and seeks mainly to distinguish what is irrelevant from what is material, requiring an active management which involves the assessment of sources of risk, the probability of occurrence of a certain event, and the consequences of its occurrence within the context of the control environment.

The Group prepares and maintains an overall risk profile that lists all relevant operational and strategic risks, as well as the corresponding implemented mitigation and control mechanisms. The list is updated regularly with information from the on-going risk assessment processes.

A global review is made under the coordination of the Group's Risk Management Corporate Division, as part of the strategic and operational planning processes, so that the information related to the most relevant risks is duly updated and considered during the planning process. This process triggers the development of the alternatives under analysis as well as the identification of new activities that strengthen the defense of the directed objectives.

55. Core Details on the Internal Control and Risk Management Systems Implemented in the Company Regarding the Procedure for Reporting Financial Information (Art. 245-A/1/m) PSC)

The Board of Directors is highly committed to assuring the reliability of financial reporting and the preparation of the Group's financial statements. This is done by ensuring that the Group has in place adequate policies that provide reasonable assurance that transactions are recorded and reported in accordance with Generally Accepted Accounting Principles (GAAP), and that expenditures are realized only when properly authorized.

The financial reporting risk is mitigated by enforcing segregation of duties and by setting preventive and detective controls, which involves limiting access to IT systems, and a comprehensive performance monitoring system.

Additional controls are provided by the Audit Committee oversight and Internal Control Committee reliability assessments over the preparation and disclosure of financial information and by the Group's Planning and Control Department monitoring activities over the performance of each business units and in review of the deviations to the approved plans.

Subsection IV
Investor Assistance

56. Department Responsible for Investor Assistance, Composition, Functions, the Information Made Available by Said Department and Contact Details

Composition

The Investor Relations Office of Jerónimo Martins is comprised as follows:

Office Manager: Cláudia Falcão
Team: Ana Maria Marcão, Hugo Fernandes and Raquel Freitas

Main Roles

The Investor Relations Office of Jerónimo Martins is responsible for communication with all investors - institutional and private, national and foreign - as well as the analysts who formulate opinions and recommendations regarding the Company. The Investor Relations Office is also responsible for matters related to the Comissão do Mercado de Valores Mobiliários (Portuguese Securities and Exchange Commission).

Communication Policy of Jerónimo Martins for the Capital Markets

Jerónimo Martins' policy for communicating to the capital markets aims to ensure a regular flow of relevant information, which respects the principles of symmetry and simultaneity and creates a faithful image of the Company's business performance and strategy for investors, shareholders, analysts and the general public.

Jerónimo Martins' communication policy regarding the financial market is designed to ensure that material information - history, current performance and outlook for the future - is available to all its stakeholders, in order to provide clear and complete information about the Group.

The financial communication strategy outlined for each year is based on the principles of transparency, rigour and consistency. This ensures that all relevant information is transmitted in a non-discriminatory, clear and complete manner to stakeholders.

Information Provided

Annually, and based on the above-mentioned principles, the Office draws up a Communication Plan for the Financial Market, which is included in the global communication strategy of Jerónimo Martins.

With the objective of transmitting an updated and clear vision of the strategies of the different business areas of Jerónimo Martins to the market, in terms of operational performance and outlook, the Investor Relations Office organises a series of events so that investors can learn about Jerónimo Martins' various businesses, its strategies and prospects for the future, and simultaneously follow the progress of activities during the year, by clarifying any doubts.

Throughout 2016, activities were carried out that allowed the financial markets to dialogue not only with the Investor Relations Office, but also with the Jerónimo Martins management team. The following are highlighted:

- meetings with financial analysts and investors;
- responses to e-mail questions addressed to the Investor Relations Office;
- telephone calls;
- release of announcements to the market through the CMVM (Portuguese Securities and Exchange Commission) extranet, through the Jerónimo Martins and Euronext Lisbon websites, and mass mailings sent to all the Company's investors and financial analysts listed in the database created and updated by the Office;
- presentations to the financial community: presentation of results, roadshows, conferences and Annual General Shareholders' Meeting;
- organisation of visits to the operations in Poland and Colombia (Colombia Field Trip), with the management of the respective Companies;
- development and update the investor relations webpage on the Company's institutional website.

In order to make information easily accessible to all interested parties, the communications issued regularly by the Office are available in full on the Jerónimo Martins' institutional website, at http://www.jeronimomartins.pt/?lang=en.

The site not only provides mandatory information, but also general information about the Group and the Companies that form it, in addition to other information considered relevant, namely:

- announcements to the market about privileged information;
- annual accounts, including the Annual Report on the activities of the Audit Committee, six-month and quarterly reports of the Group;
- economic and financial indicators and statistical data, updated every six or twelve months, in accordance with the Company or business area;
- Jerónimo Martins' most recent presentation to the financial community, and historical collection;
- information about share performance on the stockmarket;
- the annual calendar of Company events, released at the beginning of every year, including, among others, General Shareholders' Meetings, the disclosure of annual, half-yearly and quarterly results;
- information regarding the General Shareholders' Meetings;
- information about Corporate Governance;
- Code of Conduct of Jerónimo Martins;
- Company Articles of Association;
- current Internal Regulations;
- minutes of the General Shareholders' Meetings, or respective extracts;
- historical agendas and decisions taken at the General Shareholders' Meetings held over the seven previous years.

The website also has all this information, with no exception, in English and was a pioneer in its accessibility for people with visual disabilities, using a tool specially designed for this purpose.

Contacts

The Office may be contacted through the Market Relations Representative and the Investor Relations Office Manager, Cláudia Falcão - and via the e-mail address: investor.relations@jeronimo-martins.pt.

The main contact information for the Investor Relations Office is as follows:

Address: Rua Actor António Silva, n.º 7, 1649-033, Lisboa
Telephone: +351 21 752 61 05

57. Market Liaison Officer

The Jerónimo Martins' Market Relations Representative is the Investor Relations Office Manager, Cláudia Falcão.

58. Data on the Extent and Deadline for Replying to the Requests for Information Received Throughout the Year or Pending from Preceding Years

Within the scope of issues addressed to the Investor Relations Office, during the course of 2016, 403 meeting contacts were recorded with investors and financial analysts and 330 requests for information sent via e-mail, or through telephone contact, to which was given an immediate reply to, or were responded to within an appropriate time for the type of request.

Subsection V
Website

59. Address(es)

The Company's institutional website is available in Portuguese and English and can be accessed using the following address:

http://www.jeronimomartins.pt/?lang=en ou
http://www.jeronimomartins.com/?lang=en

60. Place Where Information on The Firm, Public Company Status, Headquarters and Other Details Referred to in Art. 171 of the Commercial Companies Code is Available

Information concerning Article 171 of the Commercial Companies Code is available on the Jerónimo Martins institutional website through the following link:
http://www.jeronimomartins.pt/o-grupo/contactos-corporativos.aspx?lang=en

61. Place Where the Articles of Association and Regulations on the Functioning of the Boards and/or Committees are Available

The Articles of Association and regulations on the functioning of the boards and/or committees are available on the Jerónimo Martins institutional website through the following link:

http://www.jeronimomartins.pt/investidor/governo-da-sociedade/estatutos-regulamentos.aspx?lang=en

62. Place Where Information is Available on the Names of the Corporate Boards' Members, the Market Liaison Officer, the Investor Assistance Office or Comparable Structure, Respective Functions and Contact Details

The information in question is available on the Jerónimo Martins institutional website and may be accessed through the following links:

- Names of the Corporate Boards' Members:

Board of Directors:
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/conselho-de-administracao.aspx?lang=en

Audit Committee:
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/comissao-de-auditoria.aspx?lang=en

General Meeting
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/assembleia-geral.aspx?lang=en

Statutory Auditor
http://www.jeronimomartins.pt/investidor/governo-da-sociedade/orgao-social/revisor-oficial-de-contas.aspx?lang=en

- Name of the Market Liaison Officer:
http://www.jeronimomartins.pt/investidor/contactos_investidor.aspx?lang=en

- Information concerning the Investor Assistance Office, respective functions and contact details:
http://www.jeronimomartins.pt/investidor/gabinete-relacoes-com-investidor.aspx?lang=en

63. Place Where the Documents are Available and Relate to Financial Accounts Reporting, Which Should be Accessible For at Least Five Years and the Half-Yearly Calendar on Company Events that is Published at the Beginning of Every Six Months, Including, Inter Alia, General Meetings, Disclosure of Annual, Half-Yearly and, Where Applicable, Quarterly Financial Statements

The place where the documents in question are available is the Jerónimo Martins institutional website through the following links:
- Financial accounts reporting:
http://www.jeronimomartins.pt/investidor/relatorios.aspx?lang=en

- Half-yearly calendar on Company events:
http://www.jeronimomartins.pt/investidor/calendario-financeiro.aspx?lang=en

64. Place Where the Notice Convening the General Meeting and All the Preparatory and Subsequent Information Related Thereto is Disclosed

The place where the notice convening the General Meeting and all the preparatory and subsequent information related thereto is disclosed is the Jerónimo Martins institutional website through the following link:
http://www.jeronimomartins.pt/investidor/assembleia-geral.aspx?lang=en

65. Place Where the Historical Archive on the Resolutions Passed at the Company's General Meetings, Share Capital and Voting Results Relating to the Preceding Three Years are Available

The place where the historical archive on the resolutions passed at the Company's General Meetings, share capital and voting results relating to the preceding years, including the last three, is available is the Jerónimo Martins institutional website through the following link:
http://www.jeronimomartins.pt/investidor/assembleia-geral/arquivo-assembleias-gerais.aspx?lang=en

Section D
REMUNERATION

Subsection I
Power to Establish

66. Details of the Powers for Establishing the Remuneration of Corporate Boards, Chief Executive and Directors of the Company

Within the terms of Article Twenty Nine of the Company's Articles of Association, the remuneration of the Statutory Bodies is set by the Shareholder's Meeting, or by a Committee nominated by the latter. Within the scope of the latter possibility, the shareholders of Jerónimo Martins decided to nominate the Remuneration Committee to set the remuneration of the Members of the Statutory Bodies.

The Remuneration Committee is elected for a three year term, being the present term comprised between years 2016-2018.

The remuneration of the Company's management is decided by the respective Board.

Subsection II
Remuneration Committee

67. Composition of the Remuneration Committee, Including Details of Individuals or Legal Persons Recruited to Provide Services to Said Committee and a Statement on the Independence of Each Member and Advisor

At the General Shareholders' Meeting held on 14th April 2016 Elizabeth Bastoni (co-opted Chairman), Erik Geilenkirchen and Jorge Ponce de Leão were elected to this Committee, for the term in force.

None of the Members of the Remuneration Committee is a member of the Board of Directors of the Company, or has a spouse, family member or relative in such a position, nor do they have relationships with the Members of the Board of Directors that may affect their impartiality in the performance of their duties.

During 2016, no individual or legal person was hired to support the Remuneration Committee in the performance of its duties.

68. Knowledge and Experience in Remuneration Policy Issues by Members of the Remuneration Committee

The Members of this Committee have extensive knowledge and experience in management and remuneration policy, which gives them the necessary skills to perform their duties adequately and effectively.

Elizabeth Bastoni holds an MA, concentration in accounting, having worked for nine years as senior manager in a tax consultancy firm with specialization in expatriate taxation. Elizabeth also worked in Thales as VP – Professional Development, Compensation and Benefits, and as Head of HR. She was Head of Global Compensation and Benefits of The Coca-Cola Company, EVP and Chief HR and Communications Officer of Carlson, Chief HR Officer of BMGI, Member of the Board of Directors and Chair of the Compensations Committees of Carlson Wagonlit Travel and of The Rezidor Hotel Group, as well as Member of the Board of Directors of the Human Resources Association WorldatWork. Currently she is a Non-Executive Director and member of the Compensation and Nomination Committee of Société BIC.

Erik Geilenkirchen is a mechanical engineer, but since 1989 that his professional activity has been focused in HR, having worked in Hay Group for nine years, and, afterwards, in Ahold Group as VP Human Resources (Asia/Pacific), SVP (Asia/Pacific) at Group Philips with focus in HR and Chief Human Resources Officer at Cofra Holding.

Jorge Ponce de Leão has a Law degree, having worked in the Labor Law area since the beginning of the 70's as external legal advisor, as well as in-house in some Portuguese companies. Jorge worked as Head of Legal and Tax Services (Jerónimo Martins Group – industrial area), and was appointed Member of the Board of Directors of the Company during the 1990's. Jorge Ponce de Leão also held management duties in the HR area of Radiotelevisão Portuguesa, was CEO of SAIP SGPS and is currently Chairman of the Board of Directors of ANA – Aeroportos de Portugal.

Subsection III
Remuneration Structure

69. Description of the Remuneration Policy of the Board of Directors and Supervisory Boards as Set Out in Art. 2 of Law No. 28/2009 of 19 June

The Remuneration Committee was of the opinion that there was no justification for major changes to the basic principles that have been the core of the Corporate Bodies Remuneration Policy, which should continue having in attention the current legal and recomendatory framework, as well as the organisational model adopted by the Board of Directors.

With respect to the organisation of the Board of Directors, the Remuneration Committee has especially taken into account the following characteristics:

- the existence of a Chief Executive Officer with delegated duties regarding the day-to-day management of the Company, as well as of a Director or Directors to whom the Board have entrusted or may entrust special duties;
- the participation of Non-Executive Directors in Specialised Committees, who are therefore called to devote increased time to Company's affairs.

Considering the said organisational model the Remuneration Committee understands that there are no grounds justifying any major changes in the principles that have been adopted as to the Corporate Bodies Remuneration Policy.

The remuneration of Directors with executive duties continues to comprise a fixed and a variable component, that together guarantee a more competitive remuneration in the market and which also serves as a motivating element for high individual and collective performance, allowing ambitious targets for accelerated growth and the appropriate shareholders remuneration to be set and achieved.

Annually, by proposal of the Chairman of the Board of Directors, the variable component is fixed by the Remuneration Committee, taking into account the expected contribution of Directors with executive duties to results, shareholder value creation (EVA), evolution of share prices, the work carried out during the preceding financial year, the degree of achievement of the projects integrated on the Group's Strategic Scorecard, as well as the criteria applied in the attribution of variable remuneration to the remaining Managers.

The Remuneration Policy continues seeking to reward the Directors with executive duties for the sustained performance of the Company in the long-term, and the safeguarding of the interests of the company and shareholders within this period of time. For this reason, the variable component takes into account the contribution of the Directors with executive duties to the conduct of business through: 1) the achievement of EVA objectives set out in the Medium and Long-Term Plan approved by the Board of Directors; 2) the development of the share price; 3) the implementation of a series of projects across the Group’s Companies, which, having been identified by the Board of Directors as essential to ensure future competitiveness, have a time scale that may exceed one calendar year, being the Directors with executive duties responsible for each compliance stage, in the scope of their duties.

The variable remuneration is, as already noted, dependent on predetermined criteria to be fixed at the start of each year by the Remuneration Committee, following a proposal from the Chairman of the Board of Directors, which take into consideration the Company's real growth, the wealth created for shareholders and long-term sustainability.

Bearing in mind the contribution of the several countries and business areas where the Group operates to total turnover and consolidated results, the Remuneration Committee considers adequate that the payment of the fixed and variable components of remuneration to Directors with executive duties be split amongst the Company and its subsidiary companies where such Directors are also members of the management body, according with a ratio to be determined by this Committee.

As regards the deferral of part of the variable component of the remuneration, the Remuneration Committee conducted a study on the subject in 2011 without reaching a conclusion about the advantages or inconveniences of its adoption, considering that the manner in which the remuneration of the Directors with executive duties is structured is adequate and ensures full alignment of their interests with those of the Company in the long-term. For the same reason, the Remuneration Committee deems unnecessary to determine the maximum potential amount, in aggregate and/or individual terms of remuneration to be paid to Members of Corporate Bodies. Furthermore, the Committee considers that the Remuneration Policy of the Company is aligned with the remuneration practices of its counterparts within the PSI20, bearing in mind the characteristics of the Company.

The Company did not enter into any contracts with its Directors which mitigate the risk inherent to the remuneration variability set by the Company, nor is the same aware that any such contracts have been entered into between its Directors and third parties.

The absence of a deferral period for the variable component makes it unnecessary to have mechanisms to prevent the execution of contracts by Executive Directors that subvert the rationale of variable remuneration.

The remuneration of the members of the Audit Committee as well as the remuneration of Directors with non-executive duties continues to comprise a fixed component only.

With respect to Directors with non-executive duties who are part of Specialised Committees (whether or not exclusively composed of Directors), the Remuneration Committee considered it appropriate to continue the attribution of meeting fees, bearing in mind that the duties performed within those Committees demand additional availability from the respective member Directors.

Similarly, with respect to Directors with non-executive duties who take part of supervisory bodies of the Company's subsidiaries, bearing in mind that such duties arise from the exercise of their functions as Directors, the Remuneration Committee considered appropriate to attribute to them meeting fees.

As established by the Remuneration Committee in 2010, life and health insurance *fringe benefits* continued for Directors with executive duties.

The Statutory Auditor is remunerated in accordance with the auditing services agreement signed with the Jerónimo Martins Group, which covers almost all its subsidiaries. This remuneration shall be in line with market practices.

The Retirement Pension Plan for Executive Directors was approved at the 2005 Annual General Metting, which is described in point 76.

This Remuneration Policy was subject to discussion at the Annual General Shareholders' Meeting held last year.

70. Information on How Remuneration is Structured so as To Enable the Aligning of the Interests of the Members of the Board of Directors With the Company's Long-Term Interests And How It Is Based on the Performance Assessment and How It Discourages Excessive Risk Taking

As results from the Remuneration Policy described in point 69, remuneration is structured in a way that allows alignment between the interests of the Board Members with the long term interests of the Company.

The existence of fixed and variable components of remuneration, the fact that the variable remuneration is fixed depending on the verification of several objective factors, e.g., the real growth of the Company, the wealth created for shareholders, the implementation of projects across the Group's Companies which ensure the future competitiveness of businesses and long-term sustainability, cause that management's evaluation is made taking into attention the interests of the Company and its shareholders not only in the short term, but also in the middle and long-term.

As referred in point 69, the Company did not enter into any contracts with its Directors which intend to mitigate the risk inherent to the variability of remuneration set by the Company.

71. Reference to There being a Variable Remuneration Component and Information on Any Impact of the Performance Appraisal on This Component

The remuneration of Directors with executive duties is comprised of a variable component depending, also, of a performance review. See point 69.

72. The Deferred Payment of the Remuneration's Variable Component and Specification of Relevant Deferral Period

There is no deferred payment of the remuneration's variable component. See point 69.

73. The Criteria Whereon the Allocation of Variable Remuneration on Shares is Based, and Also on Maintaining Company Shares That The Executive Directors Have Had Access To, On the Possible Share Contracts, Including Hedging or Risk Transfer Contracts, the Corresponding Limit, and Its Relation to the Total Annual Remuneration Value

The Company does not have any type of plan for attribution of shares to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code.

74. The Criteria Whereon the Allocation of Variable Remuneration on Options is Based and details of the Deferral Period and the Exercise Price

The Company does not have any plan for the attribution of share purchase options to Directors and officers, as defined in no. 3 of Article 248-B of the Portuguese Securities Code.

75. The Key Factors and Grounds for Any Annual Bonus Scheme and Any Additional Non-Financial Benefits

See points 69 to 71. Directors with executive duties receive also life and health insurance *fringe benefits*.

76. Key Characteristics of the Supplementary Pensions or Early Retirement Schemes For Directors and Statement on the Date When Said Schemes Were approved at the General Meeting, on an Individual Basis

At the 2005 Annual General Meeting, a Retirement Pension Plan for Executive Directors was approved.

It is a Defined Contribution Pension Plan, in which the value of the contribution is fixed in advance – the percentage of the monthly deduction for the Fund is currently 17.5% – the value of the benefits varying depending on the earnings obtained. The

Remuneration Committee defines the contribution rate of the Company and the initial contribution.

Plan Participants, as defined in the respective regulation, include the Executive Directors of the Company. In the specific case of Executive Directors in office at the time of the 2005 General Meeting, those who opted for the current Pension Plan would forego eligibility for the Alternative Pension Plan, by way of expressly and irrevocably waiving it.

The retirement date coincides with the day itself or the first day of the month following the month in which the Participant reaches normal retirement age, as established into the General Social Security Scheme. A Participant will be considered to be in a state of total and permanent invalidity if recognised as such by the Portuguese Social Security.

The pensionable salary is the gross monthly salary paid by the Company and any of its direct or indirect subsidiary companies, multiplied by 14 and divided by 12. To this fixed monthly amount is added, at the end of each calendar year, a variable amount comprising all the amounts received as variable remuneration from said Company and subsidiary companies.

Additionally, concerning Directors who were in office at the date of the said 2005 General Meeting, the complementary pension or retirement system regime applies, and under the terms of the respective Regulation, Directors have the right to a Complementary Pension at retirement age, cumulatively, when they: i. are over 60 years old; ii. have performed executive functions; and iii. have performed the role of a Director for more than 10 years. This supplement was established in the 1996 Annual General Shareholders' Meeting and only those Directors that have not opted for the Retirement Pension Plan mentioned above may benefit from this supplement.

Subsection IV
Remuneration Disclosure

77. Details on the Amount Relating to the Annual Remuneration Paid as a Whole and Individually to Members of the Company's Board of Directors, Including Fixed and Variable Remuneration and as Regards the Latter, Reference to the Different Components That Give Rise to Same

The gross remuneration of the Members of the Board in 2016 totaled 1,404,212.33 euros, corresponding 1,033,212.33 euros to fixed remuneration, 157,500.00 euros to variable remuneration and 213,500.00 euros contributions to retirement pension plan.

In the chart below reference is made to the gross remuneration paid individually to the Members of the Board of Directors:

Director	Remuneration Paid (euros)		
	Fixed Component	Variable Component	Retirement Pension Plan
Pedro Soares dos Santos	220,500.00	157,500.00	189,000.00
Alan Johnson	172,712.33	-	24,500.00
Andrzej Szlezak	80,000.00	-	-
António Pedro de Carvalho Viana-Baptista	80,000.00	-	-
Artur Stefan Kirsten	70,000.00	-	-
Clara Christina Streit	80,000.00	-	-
Francisco Seixas da Costa	80,000.00	-	-
Hans Eggerstedt	80,000.00	-	-
Henrique Soares dos Santos	70,000.00	-	-
Nicolaas Pronk	-	-	-
Sérgio Tavares Rebelo	100,000.00	-	-

78. Any Amounts paid, For Any Reason Whatsoever, By Other Companies in a Control or Group Relationship, or are Subject to a Common Control

Additionally to the amounts referred to in point 77, amounts were paid by other companies in a control or group relationship or subject to a common control to Directors during 2016 totalling 778,500.00 euros, being the gross individual amounts paid detailed in the chart below:

Director	Amounts Paid (euros)	
	Fixed Component	Variable Component
Pedro Soares dos Santos[1]	409,500.00	292,500.00
Andrzej Szlezak[2]	25,500.00	-
Francisco Seixas da Costa[2]	5,500.00	-
Hans Eggerstedt[2]	5,500.00	-
Sérgio Tavares Rebelo[2]	40,000.00	-

[1] For exercise of management duties.
[2] For exercise of functions in supervisory board.

79. Remuneration Paid in the Form of Profit-Sharing and/or Bonus Payments and The Reasons For Said Bonuses or Profit Sharing Being Awarded

The Company did not pay to Directors any remuneration in the form of profit-sharing or bonuses (other than the variable remuneration referred in points 77 and 78, set according to the Remuneration Policy described in point 69).

80. Compensation Paid or Owed to Former Executive Directors Concerning Contract Termination During the Financial Year

No payment was made, nor there is any payment obligation whatsoever, in the event of termination of functions during the term of the Board of Directors.

81. Details of the Annual Remuneration Paid, as a Whole and Individually, to the Members of the Company's Supervisory Board for the Purposes of Law No. 28/2009 of 19 June

The gross remuneration paid to the Members of the Audit Committee, in such quality, as a whole was 48,000.00 euros, being the gross individual amounts paid detailed in the chart below:

Audit Committee	Remuneration Paid (euros)	
	Fixed Component	Variable Component
Sérgio Tavares Rebelo (President)	16,000.00	-
Hans Eggerstedt	16,000.00	-
Clara Christina Streit	12,000.00	-
António Pedro de Carvalho Viana-Baptista	4,000.00	-

82. Details of the Remuneration in Said Year of the Chairman of the Presiding Board to the General Meeting

The remuneration paid by the Company to the Chairman of the Board of the General Shareholder's Meeting in the year of reference was 5,000.00 euros.

Subsection V
Agreements with Remuneration Implications

83. The Envisaged Contractual Restraints for Compensation Payable for the Unfair Dismissal of Directors and the Relevance Thereof to the Remuneration's Variable Component

There are no contractual restraints for the compensation payable in the event of dismissal of Directors without due cause. This matter is regulated by the applicable law.

84. Reference to the Existence and Description, With Details of the Sums Involved, of Agreements Between the Company and Members of the Board of Directors and Managers, Pursuant to Art. 248-B/3 of the Securities Code That Envisage Compensation in the Event of Resignation or Unfair Dismissal or Termination of Employment Following a Takeover Bid (Art. 245-A/1/l) PSC)

There are no agreements between the Company and Members of the Managing Bodies, officers or employees that foresee indemnity payments in the event of resignation, dismissal without due cause, or termination of the labour relationship as a consequence of change in the Company's control.

Subsection VI
Share Allocation and/or Stock Option Plan

85. Details of the Plan and the Number of Persons Included Therein

The Company does not have any plan in force to attribute shares or options to acquire shares.

86. Characteristics of the Plan (Allocation Conditions, Non-Transfer of Share Clauses, Criteria on Share-Pricing and the Exercising Option Price, the Period During Which the Options May be Exercised, the Characteristics of the Shares or Options to be Allocated, the Existence of Incentives to Purchase and/or Exercise Options)

The Company does not have any plan in force to attribute shares or options to acquire shares.

87. Stock Option Plans for the Company Employees and Staff

The Company does not have any plan in force to attribute options to acquire shares.

88. Control Mechanisms for a Possible Employee-Shareholder System Inasmuch as the Voting Rights are not Directly Exercised by Said Employees (Art. 245-A/1/e) PSC)

There is no employee-shareholder system in the Company.

Section E
RELATED PARTY TRANSACTIONS

Subsection I
Control Mechanisms and Procedures

89. Mechanisms Implemented by the Company For the Purpose of Controlling Transactions With Related Parties

Business between the Company and the Members of the Board

Any dealings that may exist between the Company and its Board Members are subject to the provisions of Article 397 of the Commercial Companies Code, and may only be entered into if so authorised by a resolution of the Board of Directors, for which the interested Director cannot vote, and that authorisation must be preceded by a favourable opinion from the Audit Committee.

Taking into account the election of Andrzej Szlezak (partner in the firm of lawyers Sołtysiński Kawecki & Szlęzak (SK&S), one of the Jerónimo Martins Group's External Legal Counsels) for the position of Director of Jerónimo Martins for the term 2013-2015, the Board of Directors authorized, since 2013, within the terms of paragraph 2 of Article 397 of the Commercial Companies Code and following the favourable opinion of the Audit Committee, the maintenance of the contract between the Companies and its subsidiaries and the above-mentioned firm for the provision of legal services.

During 2016, the Audit Committee issued a prior favorable opinion, in the terms of Article 297, no. 2, of the Commercial Companies Code to the sale of the Company's subsidiary Monterroio – Industry & Investments B.V. to Sociedade Francisco Manuel dos Santos B.V. (with which the Company has a Director in common), as well as to the buy-back by the Group, through the company Tagus – Retail & Services Investments B.V., of Jerónimo Martins - Restauração e Serviços, S.A. and of 51% of the share capital of Hussel Ibéria - Chocolates e Confeitaria, S.A., as referred in further detail in point 10.

Business between the Company and Other Related Parties

The Board of Directors adopted the procedure and criteria approved by the Audit Committee in the scope of business with other related parties. See point 91.

90. Details of Transactions That Were Subject To Control in the Referred Year

In 2016, the transactions mentioned in point 10, related to the sale of the subsidiary Monterroio – Industry & Investments B.V. to the Sociedade Francisco Manuel dos Santos B.V., were subject to control, as well as the buy-back by the Group of the totality of the share capital of Jerónimo Martins - Restauração e Serviços, S.A. and the 51% shareholding in Hussel Ibéria – Chocolates e Confeitaria, S.A., through the company Tagus – Retail & Services Investments B.V.

91. A Description of the Procedures and Criteria Applicable to the Supervisory Body When Same Provides Preliminary Assessment of the Business Deals to be Carried Out Between the Company and the Holders of Qualifying Holdings or Entity-Relationships With the Former, as Envisaged in Art. 20 of the Securities Code

In this regard, it should be noted that in terms of procedure the Audit Committee, according to its regulations, is responsible for issuing prior opinion on transactions of significant importance between the Company and its shareholders with qualifying holdings – or entities with them related under the terms of Article 20, no. 1 of the Portuguese Securities Code –, establishing the procedures and criteria necessary to define the level of significant importance.

The Audit Committee approved the procedure and criteria applicable to these situations.

Thus deals between the Company or Companies within Jerónimo Martins Group and shareholders with a qualifying holding or entities with which the same are linked, shall be subject to the assessment and prior opinion of the Audit Committee, whenever one of the following criteria is fulfilled:

a) having an amount equal to or higher than three million euros or 20% of the sales of the respective shareholder;
b) despite having an amount lower than the one resulting from the criteria mentioned in the previous paragraph, the addition of that amount to the amount of the previous deals concluded with the same shareholder with a qualifying holding, during the same fiscal year, equals or exceeds 5 million euros;
c) regardless of the amount, they may cause a material impact on the Company's name concerning its independence in the relationships with shareholders with qualifying holdings.

In this sense, the transactions referred in point 90 were subject to prior opinion of the Audit Committee, which in addition to all information provided by the Company's executive bodies, was based on valuations carried out by an independent external entity.

Subsection II
Data on Business Deals

92. Details of the Place Where the Financial Statements Including Information on Business Dealings With Related Parties Are Available, in Accordance With IAS 24

The information concerning business dealings with related parties may be found on note 27 – Related Parties of Chapter III.

PART II – CORPORATE GOVERNANCE ASSESSMENT

1. Details of the Corporate Governance Code Implemented

The Company adopted the Code of Corporate Governance of the CMVM (which is published on the CMVM's website at http://www.cmvm.pt/en/recomendacao/recomendacoes/Pages/default.aspx), having considered that the same ensures an adequate level of protection of its shareholders' interests, and company governance transparency.

The Company is also governed by its Code of Conduct, whose content is linked to corporate governance matters, and which may be consulted on its website. All of its Corporate Bodies are governed by regulations, which are documented and available on the Company's website at http://www.jeronimomartins.pt/?lang=en.

2. Analysis of Compliance with the Corporate Governance Code Implemented

2.1. Statement of Compliance

The Company complies in its essence with the Recommendations of the CMVM in the Corporate Governance Code of 2013. It is accepted, however, that there are some recommendations that were not adopted in their entirety as it is better explained below.

The following shows the breakdown of the recommendations contained in the Code of Corporate Governance of the CMVM that were adopted, partially adopted, not adopted and not applicable, as well as reference to the text of the Report where the compliance or justification for not adopting or partially adopting these recommendations may be found.

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I. VOTING AND CORPORATE CONTROL		
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Adopted	Part I, Section B, Sub-section I, point 12
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Adopted	Part I, Section B, Sub-section I, point 12
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Adopted	Part I, Section B, Sub-section I, point 12

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	Adopted	Part I, Section B, Sub-section I, point 13
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Adopted	Part I, Section A, Sub-section I, points 4 and 5 and Section B, Sub-section I, point 12
II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
II.1. Supervision and Management		
II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Adopted	Part I, Section B, Sub-section II, points 21 and 28
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	Not applicable	
II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	Adopted	Part I, Section B, Sub-section II, points 24, 25, 29 and Section D, Sub-section III, point 69
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Adopted	Part I, Section C, Sub-section III, points 50, 52 and 54

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. being a qualifying shareholder or representative of a qualifying shareholder.	Adopted	Part I, Section B, Sub-section II, point 18
II.1.8. When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Adopted	Part I, Section B, Sub-section II, point 21
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	Not applicable	
II.1.10. If the Chair of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	Adopted	Part I, Section B, Sub-section II, point 21
II.2. Supervision		
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Adopted	Part I, Section B, Sub-section II, point 19 and Subsection III, points 32, 33

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, *inter alia*, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Adopted	Part I, Section B, Sub-section III, point 30
II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Adopted	Part I, Section B, Sub-section III, point 30, and Sub-section V, point 45
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Adopted	Part I, Section B, Sub-section III, point 30 and Section C, Sub-section III, point 52
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Adopted	Part I, Section B, Sub-section II, point 29 and Section C, Sub-section III, point 50
II.3. Remuneration Setting		
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Adopted	Part I, Section D, Sub-section II, point 67
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following: **a)** identification and details of the criteria for determining the remuneration paid to the members of the governing bodies ; **b)** information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; **d)** information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Partially Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1, sub. a)
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	Not applicable	Part I, Section D, Sub-section III, points 73 and 74

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Adopted	Part I, Section D, Sub-section III, points 69 and 76
III. REMUNERATION		
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk-taking.	Adopted	Part I, Section D, Sub-section III, point 69
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Adopted	Part I, Section B, Sub-section II, points 17 and 18, Section D, Sub-section III, point 69 and Sub-section IV, points77, 78 and 79
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	Not Adopted	Part I, Section D, Sub-section III, point 69 and Part II, point 2.1. sub.s a) and b)
III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Not Adopted	Part I, Section D, Sub-section III, point 72 and Part II, point 2.1. sub. c)
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	Adopted	Part I, Section D, Sub-section III, point 69
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	Not applicable	Part I, Section D, Sub-section III, points 69, 73 and 74
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.	Not applicable	Part I, Section D, Sub-section III, points 69 and 74
III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	Adopted	Part I, Section D, Sub-section III, point 69, and Sub-section V, point 84
IV. AUDITING		
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	Adopted	Part I, Section B, Sub-section V, point 42

RECOMMENDATION	STATUS REGARDING THE ADOPTION	REFERRAL TO THE CGR TEXT
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered to the company.	Partially Adopted	Part I, Section B, Sub-section III, point 30, Sub-section III, point 37, Sub-section V, point 46, and Part II, point 2.1, sub. d)
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.	Adopted	Part I, Section B, Sub-section V, point 44
V. CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS		
V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	Adopted	Part I, Section A, Sub-section II, point 10, Section E, Sub-section I, points 89 and 91
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20/1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	Adopted	Part I, Section E, Sub-section I, point 91
VI. INFORMATION		
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	Adopted	Part I, Section C, Sub-section IV, point 56 and Sub-section V, point 59
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.	Adopted	Part I, Section C, Sub-section IV, points 56 and 58

In light of the text of the recommendations, the following recommendations, also referenced in the table above, were not fully complied with. The corresponding explanations are detailed below.

a) With respect to subparagraph **b** of **recommendation II.3.3.**, it is important to explain that the matter concerning the remuneration of Directors, including the setting of maximum limits for all the components of the remuneration, depends exclusively on the Remuneration Committee, which is a Committee appointed by the General Shareholder's Meeting and independent of the Board of Directors. Thus, the full compliance with the referred recommendation is within the exclusive competence of the Remuneration Committee. The latter decided not to follow the recommendation, as it recognised that the manner in which the remuneration of Executive Directors is structured is adequate and allows the alignment between the interests of Executive Directors and those of the Company in the long term, being in line with the remuneration practices of similar companies, taking into account the characteristics of the Company.

b) Regarding **recommendation III.3.**: see explanation in the preceding subparagraph.

c) In relation to **recommendation III.4.,** it should be noted that the Company's Remuneration Policy does not provide for the deferred payment of all or part of the variable component of remuneration, and the Remuneration Committee believes that it has found, thusfar, the mechanisms that allow the alignment of the interests of the Executive Directors with the long-term interests of the Company and the shareholders, enabling the sustained growth of the Company's business and the corresponding value creation for the shareholders.

d) As regards **recommendation IV.2.,** it is important to explain that in 2011 the Audit Committee established the rules concerning the provision of consultancy services by the External Auditor. These rules determine: i. the possibility of contracting those services, if the auditor’s independence is assured; and ii. the obligation to obtain prior approval of the said Committee, from the moment the global amount of fees related to these type of services in that year surpasses 10% of the global amount of fees concerning audit services. The Audit Committee considers that the provision of non-audit services up to the said amount of 10% does not compromise the auditor’s independence. Furthermore, the Committee considers this solution as the most appropriate to the Group’s geographical multi-location and to the specific needs of its subsidiaries set up in other jurisdictions.

3. Other Information

There is no other data or additional information, which is relevant for understanding the corporate governance model and practices adopted.

V.

Corporate Responsibility in Value Creation

JERÓNIMO MARTINS

1. Our Approach

With a history of over two centuries, the Jerónimo Martins Group works to create value in a sustained manner, respecting the quality of life of the present and future generations and seeking to mitigate, as far as possible, the impact of its activities on the ecosystems. The Corporate Responsibility strategy is common across all the Group's Companies and comprises five pillars:

I - Promoting Good Health through Food

Promoting good health through food is embodied in two action strategies:
i. fostering the quality and diversity of the food products Companies sell;
ii. ensuring food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.

II - Respecting the Environment

Aware of the impacts generated by its businesses, the Group aims to promote the efficient management of resources, linked to preserving the environment. Its actions are focused on three priority areas: climate change, biodiversity and waste management.

III - Sourcing Responsibly

The Group's Companies are aware of the origins and production processes of the products they develop and acquire, seeking to incorporate ethical, social and environmental concerns in the decisions regarding their supply chains. The Group is committed to developing long-lasting commercial relationships, practising fair prices and actively supporting local production in the countries where it operates.

IV – Supporting Surrounding Communities

The Group is strongly committed to the communities in the countries where it operates, fostering social cohesion and endeavouring to contribute towards breaking cycles of poverty and malnutrition, by supporting projects and causes concerning the more fragile groups in society: children and young people, and underprivileged elderly people.

V – Being a Benchmark Employer

By creating employment, the Group aims to stimulate social and economic development in the markets where it does business. To do so, it promotes balanced wage policies and a stimulating and positive work environment, in a firm commitment to its employees, who are also the target of social responsibility policies that are extended to their families.

Jerónimo Martins Group included in the FTSE Russel Indices

The Group's approach and its performance within the scope of the Corporate Responsibility pillars has been followed by a wide set of stakeholders, including Environment, Social and Governance (ESG) analysts.

In 2016, the Jerónimo Martins Group was included – for the first time – in the FTSE Russel indices: FTSE4Good Global Index and FTSE4Good Europe Index. The FTSE4Good series was created with the objective of helping investors to incorporate ESG criteria in their investment decisions. The indices identify the companies that best manage these risks and they are used, for example, in structured investment products and as a performance benchmark.

This inclusion is the result of recognition of the Group's commitments, actions and performance in the sustainability area and in the long-term development of its businesses.

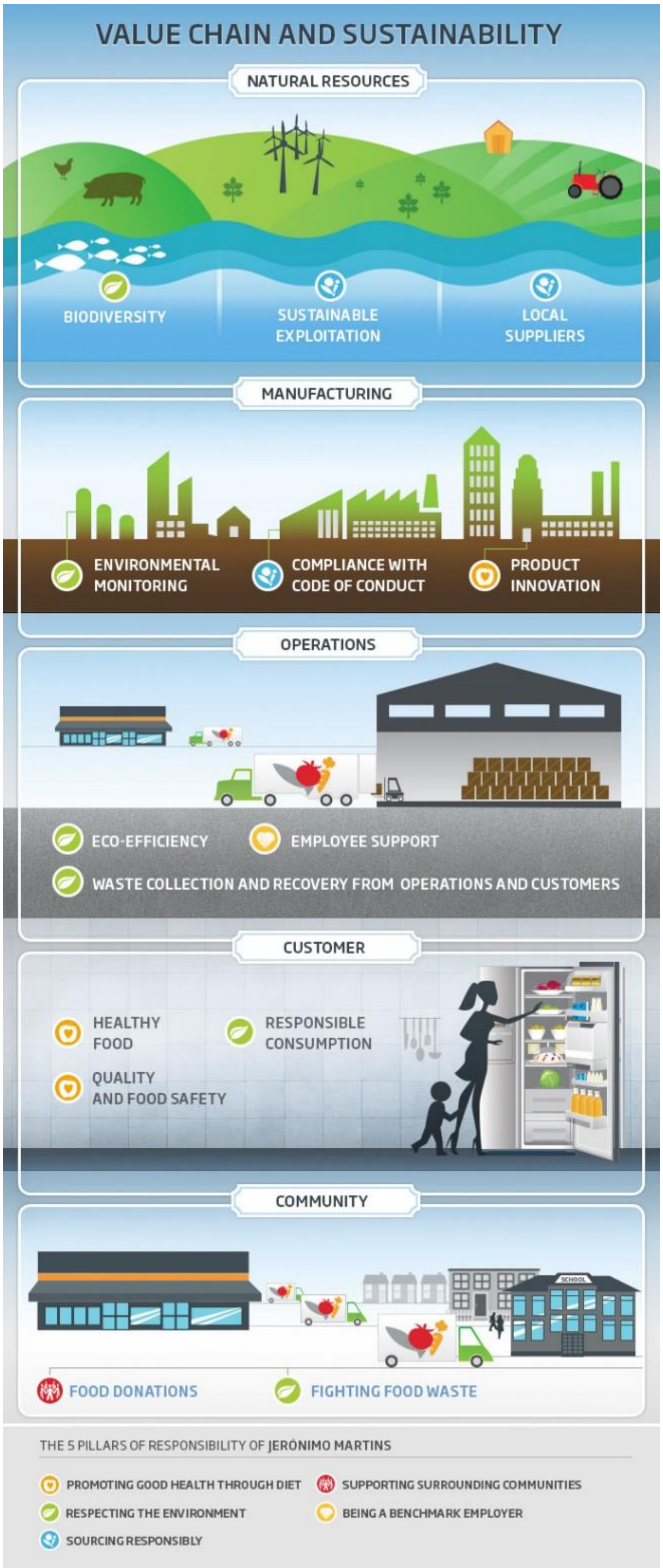
Fighting food waste

This topic has been on the Group's agenda of concerns for several years, through the way it conducts its businesses for the efficient management of raw materials, throughout their value chains. There is a clear objective: to prevent waste production, using an approach incorporated in the five pillars of its Corporate Responsibility strategy:

- Promoting Good Health through Food, by supplying ready-made soups and salads, incorporating products that are not standardised for sale;
- Respecting the Environment, endeavouring to reduce the waste generated;
- Sourcing Responsibly, by purchasing non-graded food products, which previously had little or no economic value. This practice guaranteed the use of over 13,300 tonnes of products during the year;
- Supporting Surrounding Communities, by donating more than 10 thousand tonnes of food to social institutions reaching hundreds of people in need, thereby contributing towards the fight against hunger and malnutrition;
- Being a Benchmark Employer, by training employees to identify, select and separate safe food to be donated.

In 2016, the Group was recognised for its actions by the European Business Awards, having won the National Champion and Ruban d'Honneur awards in the "The Award for Environmental & Corporate Sustainability" category. Within this context, the Ethical Corporation also awarded an honourable mention in the "Most Effective Domestic Community Investment" category.

Business Model and Relation with Sustainable Development



2. Stakeholder Engagement

For the Jerónimo Martins Group, stakeholder engagement plays an important part in defining and managing material environmental, social and economic aspects, as well as in formulating the communication strategy. With a view to continuous improvement, the Group furthers its engagement with stakeholders that depend on or influence its activity, by using various communication channels, with the objective of being more in line with their needs and expectations.

Stakeholders	Interfaces	Communication Channels
Shareholders and Investors	Investor Relations Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences, roadshows, Investor's Day and shareholders' meetings.
Analysts	Investor Relations Department, Communications and Corporate Responsibility Department.	Corporate website, e-mail, Annual Report, half-yearly corporate magazine, financial releases, meetings, conferences and Investor's Day.
Official Bodies, Supervising Entities and Local Councils	Investor Relations Department, Tax Departments, Legal Departments, Communications and Corporate Responsibility Department.	Corporate website, e-mail and post, half-yearly corporate magazine and meetings.
Suppliers, Business Partners and Service Providers	Commercial, Marketing, Quality and Private Brand Development, Food Safety, Environment, Regional Operations, Technical, Expansion, IT Departments and Ethics Committee.	JM Direct Portal, follow-up visits, quality and food safety audits, business meetings, direct contacts and half-yearly corporate magazine.
Employees	Human Resources Departments, Training School, Ethics Committee and Employee Asistance Services.	Employee Assistance Services (telephone line, post and electronic mail), internal magazines, intranet, operational and management meetings, interpersonal relationships, annual performance appraisal, training sessions and internal climate surveys.
Customers and Consumers	Customer Services, Customer Ombudsman and Ethics Committee.	Toll-free phone lines, e-mail, corporate website and post.
Local Communities	Communications and Corporate Responsibility Department, Stores and Distribution Centres.	Follow-up visits, meetings, protocols and partnerships/ patronage.
Journalists	Communications and Corporate Responsibility Department.	Corporate website, press releases, press conferences, meetings, Annual Report and half-yearly corporate magazine.
NGOs and Associations	Communications and Corporate Responsibility Department.	Follow-up visits, meetings, partnerships/patronage and half-yearly corporate magazine.

In 2016, three years after carrying out the last exercise of listening to its stakeholders, the Group decided to re-evaluate the material topics to be considered, both at a management level and a reporting level, within the scope of its Corporate Responsibility strategy.

This exercise was carried out directly – through interviews and questionnaires – with all the Group's stakeholders, except Official Bodies, Supervisory Entities and Local Councils, for whom the listening process was based on an analysis of legal documents and strategic programmes in force.

Out of a total of more than 4,790 responses, including those from the Group's top management, it was possible to confirm the validity of the material aspects that incorporate the strategic plans, among which the following are highlighted, in descending order:

1. Quality and food safety;
2. Selection of suppliers based on sustainability criteria;
3. Offer of products of a sustainable origin;
4. Working conditions;
5. Preference for local suppliers;
6. Engagement with and support to employees, their families and surrounding communities;
7. Offer of healthy products;
8. Waste management and recycling;
9. Energy efficiency and reduction in water consumption;
10. Supplier relations management.

The Group's reporting of the actions in each of these material topics can be found throughout this chapter, in the area dedicated to each of the action pillars that embody the commitment to sustainable development.

In order to also ensure compliance with the Principles of Corporate Responsibility, and to disclose and reinforce them, the Group also has the Committee on Corporate Governance and Corporate Responsibility, which works closely with the Board of Directors, and the Ethics Committee, which monitors the disclosure of and compliance with the Code of Conduct in all the Group's Companies.

The responsibilities of each of these Committees are described at www.jeronimomartins.pt, in the "Investor" area.

At the end of 2016, LinkedIn, the professional social network, had more than 87 thousand followers and has been an important vehicle for disclosing the Group's activity, including the actions carried out within the scope of the five pillars of Corporate Responsibility. Within this context, throughout 2016, 78 posts were released relating to Corporate Responsibility, resulting in over 2.4 million impressions[1].

[1] This indicator refers to the number of times each post was displayed to LinkedIn users.

Non-Governmental Organisations and Associations

At an institutional level and with regard to its Companies, the Jerónimo Martins Group is part of various national and international organisations and initiatives concerning Corporate Responsibility:

- BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável
- Carbon Disclosure Project (CDP)
- Forum Odpowiedzialnego Biznesu (Responsible Business Forum)
- Global Social Compliance Programme (GSCP)
- Grupo de Reflexão e Apoio à Cidadania Empresarial (GRACE)
- London Benchmarking Group (LBG)
- Retail Forum for Sustainability
- The Consumer Goods Forum (CGF)
- The Supply Chain Initiative (SCI)
- United Nations' Global Compact
- We Mean Business

For further details about relations with stakeholders and about the organisations to which the Group belongs, please go to www.jeronimomartins.pt, in the "Responsibility" area.

3. Highlights 2016

Promoting Good Health through Food

- 109 Private Brand products, in Portugal and in Poland, underwent nutritional reformulation, preventing 152 tonnes of fat, 142 tonnes of sugar and 31 tonnes of salt from entering the market;
- in Portugal, 10 new products from the Pura Vida range were launched, bringing the total references up to 91. This range is aimed at people with specific dietary requirements and/or preferences, such as products without any added sugar, gluten-free or lactose-free products;
- in Poland, investment was maintained in offering new solutions for consumers with special dietary requirements, having increased the assortment of gluten-free and lactose-free products. In total, 34 references were put on the market;
- in Poland, Biedronka was the first distribution chain to launch the Wolno Gotowane (Slow Cooked) range, with the objective of offering consumers healthy convenient products, which are made using vacuum steaming techniques;
- in Portugal, the Meal Solutions area launched five new vegetarian dishes, which became part of the regular weekly offer of meals in the Pingo Doce restaurants.

Respecting the Environment

- The Jerónimo Martins Group obtained an overall rating of "A-" in the CDP Climate Change 2016, positioning the Group at "Leadership" level, closer to reaching the maximum rating (A);
- Energy consumption per one thousand euros registered a reduction of 1.6% compared to 2015;
- Biedronka's 15 Distribution Centres obtained environmental certification according to the ISO 14001:2012 standard;
- The Group was able to increase the waste recovery rate from operations by 1.2 percentage points compared to 2015, contributing to the triennium goals;
- The quantity of waste collected from clients and redirected to recovery increased by 10% in comparison to 2015.

Sourcing Responsibly

- The commitment was maintained to acquire, at least, 80% of food products from local suppliers in all the countries where the Group operates;
- the Group achieved the objective of continuing to introduce sustainability certificates (e.g. UTZ, Marine Stewardship Council and Rainforest Alliance, among others) in its Private Brand products and Perishables, having introduced over 30 products with such characteristics in 2016;
- the Jerónimo Martins Group obtained an overall rating of "A-" for palm oil in the CDP Forests 2016, positioning it at "Leadership" level, just a step away from reaching the maximum rating (A). The commodities soy, paper and wood, and beef obtained a classification of "B", the equivalent of the "Management" level.

Supporting Surrounding Communities

- The value of support offered by the Group amounted to around 18 million euros, an increase of 3% compared to 2015;
- support was maintained to Academia do Johnson (Johnson's Academy) whose mission is to combat social exclusion and the school dropout of about 140 children and young people from vulnerable communities in Lisbon;
- 63 Biedronka stores and seven Distribution Centres donated, to the local dioceses of Caritas Polska and other charities, around 87 tonnes of surplus food that although suitable for consumption, could not be put up for sale;
- the number of schools involved in the *Sniadanie Daje Moc* (Breakfast Gives You Strength) programme increased by 5.8% to 7,826 compared to the previous academic year, which is the equivalent of more than 65% of the primary schools in Poland. The programme encompassed 195,650 children, an increase of over 13 thousand children;
- in Colombia, Ara continued to support the "Madres Comunitarias" (Community Mothers) programme, by regularly supplying food to 262 community nurseries. The number of children supported increased by 8% to 3,668 compared to 2015.

Being a Benchmark Employer

- The Group created 7,206 jobs, representing a net growth of 8.1% compared to 2015;
- the Group attributed around 82 million euros in bonuses to its employees and promoted 8,714 employees from the stores, Distribution Centres and head offices;
- with regard to safety in the workplace, the severity indices registered the best performance since 2010, achieving 20.98 points, a result which is due to the employees' performance and to the Group's investment in training sessions, simulations, awareness campaigns and audits;
- The Group invested over 16.6 million euros in social support initiatives for its employees. The "SOS Dentista Júnior" programme began, which is for employees' children. In Portugal 279 children between the ages of 7 and 17 began treatment under this programme. In Poland, the "To School with Biedronka" programme continued, whereby support was given to around 2,700 families without the financial means to cover the school expenses.

4. Promoting Good Health through Food

4.1. Introduction

As food specialists, the Group is committed to contributing to the health and quality of life of its millions of daily customers, through food and the promotion of responsible consumption.

This commitment is derived from the challenges imposed by the societies where it is present, aiming to be an active player in fighting and preventing food-related diseases such as obesity, diabetes, osteoporosis and cardiovascular diseases. The Groups' Companies work to offer nutritionally balanced, less processed products, geared towards satisfying specific dietary requirements, such as intolerances to certain ingredients like lactose or gluten.

Promoting good health through food is achieved through two common action strategies in the countries and sectors where we operate: i. fostering the quality and diversity of food; and ii. ensuring food safety.

4.2. Quality and Diversity

In order to guarantee the high standards of Quality and Food Safety of the products we sell, the guidelines in place in Portugal, Poland and Colombia encompass three fundamental policies:

- Quality and Food Safety Policy – guarantees a system for continuous improvement in the processes for developing and monitoring Private Brand products and Perishables;
- Nutritional Policy – aligned with the World Health Organization's recommendations, it defines six pillars in the development of Private Brands: nutritional profile, ingredients, labelling, portion sizes, continuous improvement and communication;
- Policy on Genetically Modified Organisms – based on the principle that the Private Brand products do not contain ingredients or additives of transgenic origin and that, should that not be the case, the consumers will be informed on the respective label.

In addition, the Guidelines for Developing Private Brand Products reinforce the principles listed in the Nutritional Policy, defining the following:

- restrictions as to the use of colouring, preservatives and other superfluous, synthetic additives;
- maximum accepted quantities of some ingredients in the products, such as salt, sugar or fat;
- nutritional reformulation strategies;
- packaging material allowed for contact with foodstuffs;
- principles of nutritional labelling, including information on health, nutrition and the promotion of healthy lifestyles;
- product monitoring plans, which includes sensorial tests, audits and laboratory controls.

4.2.1. Launches

In Poland, products were launched that have potential health benefits and also aimed at people with specific dietary requirements, including the following:

- Kraina Wedlin delicatessen products, made of chicken and turkey, with just a 3% fat content;
- Marinero tuna salads, an innovation in the Polish market due to servings with wild rice and ginger, red quinoa, lentils and potatoes or sesame;
- Bonitki biscuits, coming in milk and honey, and almond and chocolate varieties, containing at least five wholemeal cereals (wheat, barley, spelt, oats and rye), vitamins and minerals such as iron and magnesium;
- light margarine, a source of polyunsaturated acids such as omega-3, which contribute towards good functioning of the circulatory system, from the Solla brand;
- functional teas from the Herbarium range, containing vegetable extracts that may help to control weight, control blood pressure and support immune functions.

Plony Natury

Launched in 2014, the Plony Natury (Nature Harvests) range seeks to offer consumers references of seeds and pulses to make meals for breakfast and to serve with soups and yoghurts.

Three references were launched: whole cereals with raisins, oats and spelt,, and also lentils which are rich in folic acid and important for the immune system, as well as complex B vitamins.

Following on from the partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet) to monitor the launch of gluten-free products, which includes the production process, ensuring the absence of cross contamination, and certification of the final product, 24 gluten-free references were launched.

Care has also been taken about the presence of lactose in the products, with a view to addressing the specific needs of some consumers. 10 lactose-free products were launched, notably Aktiplus lactose-free yoghurts, all with added vitamins C and D, folic acid and calcium, suitable for older consumers; and Bez Laktozy butter.

In the KCalculation range, launched in 2015 according to the recommendations of the Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition) to develop products with a reduced calorie level, nine references were introduced, including corn crackers and Vitanella rice, dried apple, beetroot, tomato or carrot snacks from the same brand; and also vegetable salads with Vital Fresh yoghurt. These products aim to provide suitable food portions for the physical requirements of the consumers and, thereby, make it easier for them to choose products with limited energy indices.

We have made a commitment to the Consumer Goods Forum to achieve “Zero Net Deforestation” by 2020. The focus is on removing the presence of certain ingredients linked to the risk of destroying tropical forests, such as palm oil, a saturated fat (and, as such, not very healthy) and whose production methods can have an impact on deforestation.

Within this context, we have been launching food products that contain no palm oil. 13 new references launched contain sunflower oil, standing out from similar products in the Polish market that contain palm oil in their composition. As such, we offer consumers healthier food choices.

In Poland, Biedronka was the first chain to launch the Wolno Gotowane (Slow Cooked) range with the goal of offering healthy, ready-to-cook products. Beef, poultry and pork meats are initially are subject to a vacuum vaporization being cooked after during some hours at temperatures reaching as high as 85 degrees, maintaining its meat structure and taste and avoiding the use of preservatives and additives.

They are then cooled and packaged for sale. This production process also allows for a more extensive expiry date that, in some cases, can reach 80 days. In 2016, 11 references of this range entered the market.

In Portugal, the Pura Vida range is aimed at people with specific dietary requirements or preferences, such as products without any added sugar, gluten-free or lactose-free products. We placed 10 new products from this range on the market, bringing the total references up to 91.

In the 0% Lactose tag, five new references were launched: the Natas para Bater (Whipping Cream) and for Culinária (Cooking), Bolacha Maria (Maria Biscuit), Bolacha de Água e Sal (Cracker) and the Natural and Stracciatella Greek-style yoghurts. For gluten-intolerant consumers, the Tortitas de Milho com Chocolate Preto (Corn Crackers with Dark Chocolate) were launched.

Products targeted at children

At Pingo Doce, the Bolsas 100% Fruta (100% Fruit Packs) were especially created for children, each pack being the equivalent of a portion of fruit. These products come in nine varieties and are sources of vitamin C and fibre, and contain no colouring or preservatives. Besides, they have no added sugar - just what is naturally present in the fruit.

In the Pura Vida range, the Bebida de Soja Kids Soya Drink for Kids) was launched, which is a product that is a source of iron, calcium, iodine and vitamins B1, B2, B12, C, D2 and E.

Aiming at offering products to newborns, the Pingo Doce Farinha Láctea Pêra (Pingo Doce's Milky Pear Flour), targeted at four months-old babies, was launched not having gluten in its composition and containing transition milk. Its sugar content is 9 p.p. below the benchmark.

The Pingo Doce products Farinha de Trigo and Farinha Bolacha Maria (Pingo Doce's Wheat Flour and Maria Cookie Flour) were also launched targeting families and children as from the age of six months, respectively. These products are rich in calcium, iron and various vitamins that are essential for growth: A, B1, B3, B9, B13, C and D.

In Poland, 22 references reached the market, including notably the Vitalsss food supplements containing at least 10 vitamins, the Miami cheeses, sources of calcium and protein, and also the Vital Fresh juices, made only from fruit, which are sources of vitamin C.

The special Dada milk was also launched. This is suitable for babies as from the age of six months and it contains transition milk, is gluten free, has no added sugar and is a source of vitamins A, B1, B12 and minerals such as calcium, iron, zinc, selenium and iodine.

Another new reference launched in 2016 were the Sementes de Chia (Chia Seeds), containing a high level of fatty acids (omega-3) and a source of vitamins B1 (thiamine) and B3 (niacin) - important for the nervous system function - fibre and various minerals such as magnesium, zinc, iron, calcium and manganese.

Other Pura Vida launches include Croquetes de Legumes (Vegetable Croquettes), to be cooked in the oven, and Hamburguer de Soja (Soy Burger), which contains a high level of exclusively vegetable protein, both being especially indicated for vegans. The Baunilha (Vanilla) and Sem Adição de Açúcares (No Added Sugar) soy-based drinks also reached the market, being sources of calcium and vitamins B2, B12 and D2, which promote the body's natural defences, good functioning of the nervous system and bone development.

Other Pingo Doce low-processed products or those that are beneficial for the health were also launched, such as:

- Tinned Atum dos Açores (Azores Tuna) in olive oil;
- Calamares Receita Tradicional (Traditional Recipe Squid), which is gluten-free and, as is it pre-fried in sunflower oil, can be prepared in the oven;
- Gelatina Light (Light Gelatine) in sachets, in the Melancia (Water Melon), Morango (Strawberry), Frutos Vermelhos (Red Berries) and Mirtilo (Blueberry) references, which have no added sugar in their composition and are a source of vitamin C and only have 10 calories per portion;
- Gelatina Light in individual cups, in the Limão (Lemon) and Morango (Strawberry) references, also with no added sugar and only 10 calories per portion;
- Iogurte Líquido Magro (Skimmed Liquid Yoghurt), in the Maçãs Verdes (Green Apples) and Frutos Vermelhos (Red Berries) references, which are natural sources of calcium and have no added sugar or fat.

4.2.2. Reformulations

The reformulations strategy is focused on decreasing, replacing or removing ingredients from the product compositions such as salt, sugar and fat, in order to make a positive contribution towards improving public health. With a view to maximising the desired results, the execution of the strategy gives priority to reformulating fast-moving consumer goods and/or those preferred by children.

Total Reformulations

In 2016, the Group prevented the following from entering the market:

- 152 tonnes of fat;
- 142 tonnes of sugar;
- 31 tonnes of salt.

In Poland, 78 food products were reformulated, additives of synthetic origin, flavour intensifiers and preservatives, salt, sugar and fat having been removed. In total, 147 tonnes of fat, 106 tonnes of sugar and around 27 tonnes of salt were removed.

The level of fat and also saturated fat decreased in 18 references from Biedronka's exclusive brands, where the Kraina Wedlin pork sausages are highlighted, which had a decrease in fat content of around 4%, as well as the four references of Mr. Potato frozen chips, which had a reduction in fat content of between 80 and 83%, which is the equivalent of around 26 tonnes of fat not entering the Polish market.

Also considering the commitment undertaken by the Group to the Consumer Goods Forum, we progressively reformulated food products containing palm oil in their composition, replacing it with other vegetable oils, such as rapeseed or sunflower, which have a healthier nutritional profile, or removing it. In 2016, 13 references of the Group's Private Brand assortments in Poland were reformulated, which represents a total of more than 1.8 thousand tonnes of this fat being removed.

To find out more about the Group's positioning and its actions regarding the origin of palm oil in Private Brand products, please refer to subchapter 6. “Sourcing Responsibly”.

Among the seven references reformulated to reduce salt, of particular note is the Złoty Łan rye and wheat bread, whose salt content was decreased by 23%, and the Culineo vegetable stock cubes, which had a 17% reduction in salt. By intervening in these two references it was possible to prevent around three tonnes of salt from being placed on the market.

With regard to sugar, of note is the reformulation of the Donatello family pizzas with hamreference, whose level was reduced by 67%, the equivalent of around 45 tonnes.

The composition of various product references was reformulated as to superfluous ingredients, such as preservatives, colouring, thickening agents and other additives. Monosodium glutamate, a flavour intensifier, was removed from 14 references.

In Portugal, 29 products were nutritionally reformulated, having prevented around 29 tonnes of sugar, more than three tonnes of fat and three tonnes of salt from entering the market. Among these, products for children and young people were also reformulated, including the Choco Rice cereals, whose sugar level was reduced by 32% or around 15 tonnes.

In the scope of the Meal Solutions area, in 2016, we sought to eliminate fried products by healthier options, as well as to reduce the amount of oils in its composition. The level of salt was also a matter of concern, having been launched salt-free soups.

It was possible to prevent over one tonne of fat, 685 kg of salt and over four tonnes of sugar from entering the market.

In Colombia, two Aveia prepared drinks’ references were reformulated, in which the sugar level was reduced by more than four p.p., meaning around three tonnes were removed from the market, and the oats content increased more than four p.p., the equivalent of more than 30 tonnes.

4.2.3. Promoting Healthier Choices

The Packaging Manuals are for disclosing the characteristics and benefits of the Private Brand products, in compliance with the technical and legal requirements. One of the examples is the commitment to clearly and concisely inform consumers on the nutritional composition of the products, providing full nutritional tables with the values per 100 grams and per portion.

Within the scope of adapting to national and community regulations on nutrition profiles and communication of allergens, Pingo Doce labelled its pre-packed Bakery and Pastry products and those packed on request by the customers, with the necessary information. The Meal Solutions meals were also labelled with that information, being available upon client request, while communication items in the service areas were also developed, in order to disclose information legally required on allergens.

In addition, for 10 years, Pingo Doce has been following the principles of the Mediterranean Diet as a reference for developing Private Brand products and for the meals from the Meal Solutions business unit, as a differentiating aspect of its communication with the public. One of the examples is the bi-monthly magazine "Sabe Bem" (Tastes Good), targeted at customers. With an average print-run of 150 thousand copies, it has remained one of the preferred means of communication about this diet, suggesting over 50 recipes.

Pingo Doce's website also played a part in encouraging people to adopt this diet, as well as informing about a list of lactose-free and gluten-free products, helping consumers in their choice. The list is updated every month by Pingo Doce's nutrition team, in accordance with the analytical control carried out on the Private Brand products.

Biedronka maintained the partnership with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), an institution which carries out studies on consumers' food requirements and promotes actions on the importance of food for the health.

In cooperation with this institute, the Group developed the "Wiesz Co Jez" (Know What You Eat) campaign, through which it provides a special telephone service to advise consumers to make healthier nutritional choices. For two weeks, 160 customers contacted a nutritionist who advised them on diets, specific dietary requirements, lesser used ingredients in Poland, such as quinoa, chia seeds or bulgur wheat, as well as on Biedronka's products.

Within the scope of this cooperation, Biedronka was one of the sponsors of the first Polish Nutritional Conference, on the topic "Food and Nutrition in Preventing and Treating Diseases", which around 400 people attended.

Geared towards the employees of Biedronka's central structure and the eight Distribution Centres, an educational campaign was developed to inform about and promote healthy eating habits.

4.2.4. Partnerships and Support

The Group continuously fosters active dialogue with institutions that might contribute towards furthering knowledge on food, nutrition and health, as well as to publicise products targeted at people with specific dietary requirements.

In Portugal, within the scope of the partnership with the Portuguese Directorate-General for Health for sharing healthy recipes, Pingo Doce contributed with six recipes specifically developed by its nutrition team for the Programa Nacional para a Promoção da Alimentação Saudável (National Programme for Promoting Healthy Food), with a total of 23 proposals, which can be seen at www.alimentacaosaudavel.dgs.pt.

The Group maintains partnerships with institutions aiming to contribute towards healthier eating, such as:

- Partnerstwo dla Zdrowia (Partnership for Health), for the Milk Start and Snidanje Daje Moc (Breakfast Gives You Power) projects in Poland[1];

[1] For more information about this programme, please refer to subchapter 7. "Supporting Surrounding Communities".

- Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), to hold the Conference on Celiac Disease and a Gluten-free Diet;
- Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), within the scope of the governmental programme Madres Comunitarias (Community Mothers), in Colombia[1].

4.3. Quality and Food Safety

We continually invest in the certification and monitoring of our processes, facilities and equipment in order to ensure safe and high quality products. To do so, we rely on our Quality and Food Safety technicians, as well as on external auditors to implement the adequate procedures and to assess the respective performance indicators.

Taking into account the risk analysis performed in the three countries where the Group is present, the control processes were updated, with a view to adjusting them to the changes introduced in the product assortment.

4.3.1. Certifications

During 2016, the following certifications were renewed/maintained:

- ISO 22000:2005 certification, regarding Biedronka's warehousing and distribution process in all the 15 Distribution Centres, and product development process in Biedronka's headquarters;
- ISO 9001:2008 certification for the Development of Private Brands, in Portugal, and Post-Launch Product/Supplier Follow-Up;
- HACCP certification in accordance with the *Codex Alimentarius* of Pingo Doce's central kitchens in Gaia, Aveiro and Odivelas;
- HACCP certification in accordance with the *Codex Alimentarius* of the Recheio Cash & Carry stores (including the store in Madeira)*;*
- HACCP certification in accordance with the *Codex Alimentarius* of a franchised store of Recheio Cash & Carry in the Azores;
- HACCP certification in accordance with the *Codex Alimentarius* of the Caterplus Food Service platforms (except the Lisbon platform);
- HACCP Certification, concerning Food Safety, based on the *Codex Alimentarius* of the Azambuja, Modivas, Guardeiras and Algoz Distribution Centres.

In 2016, all the Polish Distribution Centres renewed their certification for handling organic products, according to EC Regulation 834/2007.

4.3.2. Audits

To guarantee the high levels of Quality and Food Safety of the products sold by the Group, the processes, facilities and equipment are subject to control audits.

Distribution Poland

The stores in Poland underwent internal audits and the Distribution Centres were audited both internally and externally to check that the facilities, equipment and procedures are appropriate.

Stores and Distribution Centres	Biedronka			Distribution Centres		
	2016	2015	Δ2016/2015	2016	2015	Δ2016/2015
Internal Audits	4,411	4,814	-8%	30	30	-
Follow-up Audits	25	83	-70%	-	-	-
External Audits	-	-	-	30	32	- 6%
HACCP Performance*	81%	80%	+1 p.p.	96%**	95%**	+1 p.p.

* At Biedronka, HACCP implementation is evaluated based on specific requirements, which, in turn, are based on the *Codex Alimentarius*.
** In the Distribution Centres, the compliance rate refers to the ISO 22000 – Food Safety Management System certification, which is based on the HACCP principles of the *Codex Alimentarius*.

The number of follow-up audits has decreased in relation to 2015 due to the score of some stores that didn't justify corrective actions and additional audits.

Keeping the line of action of 2015, during 2016 analyses were carried out on work surfaces, equipment and handlers with the aim of controlling microbiological risks.

In 2015, this type of control was carried out for the first time in order to follow the introduction of the meat slicing and packaging service in 25 stores. However, by the end of 2016 only four stores remained in the project, resulting in the reduction of analyses. Also during 2016, the control of the microbiological risks in machines for squeezing oranges for juice, as well as the juice itself, was initiated in 19 stores.

Globally, the number of microbiological analyses carried out in stores was reduced by 72%, totalling 172.

Distribution Portugal

Audits performed on Pingo Doce and Recheio:

Stores and Distribution Centres	Pingo Doce			Recheio			Distribution Centres		
	2016	2015**	Δ2016/ 2015	2016	2015	Δ2016/ 2015	2016	2015	Δ2016/ 2015
Internal Audits	1,004	1,176	-15%	106	106	-	25	16	+56%
Follow-up Audits	785	842	-7%	107	102	+5%	19	15	+27%
External Audits	16	19	-16%	32	36	-11%	3	3	-
HACCP Performance*	86%	86%	-	82%	81%	+1 p.p.	91%	85%	+6 p.p.

*At Pingo Doce, as well as at Recheio, the implementation of HACCP is evaluated on specific requirements, based on the *Codex Alimentarius* and appropriate for the realities in which the Companies operate.

The decrease in the number of internal audits at Pingo Doce was due to a new evaluation criterion based on the 2015 performance: stores with an average performance above 85% saw the audits reduced.

Resorting to accredited external laboratories, Pingo Doce, Recheio and the respective Distribution Centres also performed 120,126 Quality and Food Safety analyses on work surfaces, handlers of Perishables and on products handled in stores, the water and the air. This value represents an increase of 6% compared to the previous year, reflecting the Group's commitment to the highest possible standards of Quality and Food Safety.

Distribution Colombia

In Colombia, internal audits were carried out in the Ara stores and in the Distribution Centres.

Stores and Distribution Centres	Ara			Distribution Centres		
	2016	2015	Δ2016/ 2015	2016	2015	Δ2016/ 2015
Internal Audits	182	100	+82%	2	2	-
Good Hygiene and Quality Practices*	72%	85%	-13 p.p.	95%	76%	+19 p.p.

* The compliance rate refers to the score obtained on Good Practices, in which the criteria aim to guarantee the quality and safety of the products according to the law, evaluating the operation itself and the control system and procedures. The criteria include, among others, hygiene and quality control aspects of the facilities for handling the product, such as temperature, packaging and organic waste management procedures.

A total of 625 analyses on work surfaces, handlers of perishables, products handled in the stores and on water were also performed. This figure represents a decrease of 33% compared to 2015, something that is explained by the fact that, in that year, an additional analysis diagnosis was carried out on all store surfaces, a process therefore unnecessary in 2016.

4.3.3. Analyses

As far as Food Safety is concerned, apart from the audits mentioned in the previous point, the Group carries out laboratory analyses on the Perishables and Private Brand products that are sold by its banners.

Distribution Poland

Number of Analyses/Samples collected	2016	2015	Δ2016/2015
Private Brand - Food	12,218	7,724	+58%
Private Brand - Non-Food*	1,332	1,295	+3%
Fruit and Vegetables	759	755	+1%
Meat and Fish	1,621	1,233	+31%
Bakery	39	43	-9%

* A further additional 716 Private Brand non-food product inspections were carried out.

The increase in the analyses of Private Brand food products was due to the inclusion of more nutritional parameters and labelling, and increased controls on contamination (including gluten or lactose, among others) and adulteration (for identification of genetically modified organisms, for example), in addition to regular chemical and microbiological tests.

In the case of Meat and Fish analyses, the increase in the indicators is due to the increase in the number of products and suppliers.

Distribution Portugal

Number of Analyses/Samples collected	2016	2015	Δ2016/2015
Private Brand - Food	12,566*	11,968*	+5%
Private Brand - Non-Food	3,971	3,051	+30%
Fruit and Vegetables	2,529	2,228	+14%
Meat	1,391	1,326	+5%
Fish	1,050	1,281	-18%
Bakery	642	599	+7%
Meal Solutions	1,456	591	+146%

* Including routine analyses on the presence of gluten, genetically modified organisms, lactose and on the denomination of species.

The increase in the number of analyses performed on Meal Solutions products is due, among other things, to the need to validate products following changes in processes such as the cooling of soups and revision of expiry dates as a result of altering such procedure.

Distribution Colombia

In Colombia, 563 laboratory analyses were performed on products sold, which represents an increase of 44% compared to 2015, in line with the growth in the number of stores, suppliers and products sold in 2016.

Number of Analyses/Samples collected	2016	2015	Δ2016/2015
Private Brand - Food	332	256*	+30%
Private Brand - Non-Food	144	94*	+53%
Fruit and Vegetables	26	34	-24%
Meat	44	8	+450%
Fish	7	0	-
Bakery	10	0	-

*Corrected value compared to 2015 reporting.

4.3.4. Training

In Poland, training in Food Hygiene and Safety was given to 15,507 employees in 28,705 hours of training.

In Portugal, 8,677 employees received training, in a total of over 38,511 hours.

In Colombia, training was given to 4,617 trainees, in a total of 25,846 hours.

5. Respecting the Environment

5.1. Introduction

The efficient management of resources, coupled with environmental preservation, involves the minimization of environmental impacts throughout the supply chains and the promotion of sustainable production and consumption practices. Since the Group considers it critical for the sustained growth of its activities, it has defined its Environmental Policy (available for consultation in the "Responsibility" area at www.jeronimomartins.pt), where it has established three priority management areas: i) the preservation of biodiversity; ii) the fight against climate change; and iii) responsible waste management.

Environmental Audits

In 2016, 326 internal audits were conducted on stores, warehouses and Distribution Centres (DC) in Portugal and Poland to ensure their compliance with legal requirements and with the Group's internal Environmental Management procedures. Based on the positive results of 2015, and for the cases where the level of compliance was greater than 90%, it was decided to reduce the number of follow-up audits to be carried out, thereby justifying the decrease of 12%. In Portugal, 301 internal environmental audits were carried out, while in Poland this figure stayed at 25 audits. Corrective actions were defined whenever the score obtained in the audits was less than 100%.

Environmental Certification

The Environmental Management Systems implemented are based on the ISO 14001:2012 international standard. In Portugal, the number of DC with this certification remained at four (Azambuja, Vila do Conde, Guardeiras and Algoz) out of a total of nine. In Poland, the 15 DC have the same certification. Also in 2016, all the Polish DC renewed their certification for handling organic products, according to the EC Regulation 834/2007.

5.2. Biodiversity

With considerable expertise in Perishables, the annual sales volume of Meat, Fruit and Vegetables and Fish, among others, results in impacts on ecosystems which the Group assumes as its responsibility to become aware of, mitigate and reflect upon when defining policies, strategies and operational processes.

In recent years, we have assessed the risks linked to different ecosystem services based on the Ecosystem Services Review methodology, proposed by the World Research Institute, and defined 11 priority action areas which have led to management projects and practices for our Companies and which include:

- information management;
- training;
- partnerships with suppliers; and
- research and development.

Among the research projects that we have developed and supported, we highlight the characterization of potential risks associated with the fish species most sold by our Companies in both Portugal and in Poland. This analysis, which was carried out by a specialized independent entity along with our Environment and Sustainability teams, identified aspects such as the level of stock exploitation, impacts on ecosystems, traceability and working conditions, coming to the conclusion that none of the species sold showed high risk.

In 2016, the level of vulnerability of all fish species sold in Portugal and Poland was assessed[3], to find out more about the actions carried out by the Group in this area, see subchapter 6. in this chapter "Sourcing Responsibly". This analysis was based on the Red List of the International Union for the Conservation of Nature (IUCN Red List of Threatened Species). Of all the species purchased in 2015, less than 8%, in number, showed some level of risk:

- 14 species, 18% of the total sourced (kg), are classified at the level "Vulnerable", the lowest level for threatened species;
- five species, less than 0.8% of the total sourced (kg), are classified as "Endangered", an intermediate level of risk, and for one of these it was possible to ensure its total production in an aquaculture system;
- one species, less than 0.0004% of the total sourced (kg), is classified as “Critically Endangered", the maximum level of risk. Its sale was discontinued in June 2016 since it was not possible to ensure its production in an aquaculture system throughout its complete life cycle.

In agriculture, and after carrying out a study on the practices of Portuguese supplies to the Group, a manual was developed, along with our Fruit and Vegetables producers, to promote the use of production methods which enhance, among other aspects, the protection of biodiversity.

5.3. Climate Change

The IPCC[4] has warned that climate change impacts will be felt through an increase in global average temperature, in a rise in the average sea level and an increase of the frequency and intensity of extreme weather events. In addition to the effects on the reduction of agricultural productivity, impacts are also expected at the level of Operations as a result of droughts, floods and snowstorms. The Paris Agreement, now in force and ratified by two of the three countries where the Group operates, commits signatory countries to reducing greenhouse gases (GHG) so as to ensure that the increase in average global temperature does not exceed 2°C.

For this reason, the Group is focused on implementing measures to reduce energy consumption and to minimize GHG emissions from, for example, logistics processes and from refrigeration gases, as well as in promoting measures related to deforestation commodities[5].

[3] To find out more about the actions carried out by the Group in this area, see subchapter 6. in this chapter "Sourcing Responsibly".
[4] The IPCC stands for the Intergovernmental Panel on Climate Change.
[5] To learn about our initiatives related to deforestation commodities refer to subchapter 6. "Sourcing Responsibly" in this chapter.

5.3.1. Carbon Footprint

In 2016[6], the carbon footprint was 1,267,496 equivalent tonnes of carbon dioxide (CO_2e), an increase of 17.2% compared to 2015[7], which is mainly justified by the significant rise in the electricity market-based emission factors. For the same reason, the specific value increased from 0.079 to 0.087 equivalent tonnes of carbon for every thousand euros of sales, regardless of the reduction of 1.6% in the specific electricity consumption value.

Carbon Footprint - Indicators	2016	2015	Δ2016/2015
Overall value (scope 1 & 2) – **t CO_2e**[8]	1,267,496	*1,081,333	+17.2%
Specific value (scope 1 & 2) – **t CO_2e**/'000 €	0.087	*0.079	+10.1

Carbon Footprint - Indicators	2016 (t CO_2e)	2015 (t CO_2e)	Δ2016/2015
Overall Carbon Footprint (scope 1 and 2)[9]			
• Distribution Portugal	339,515	261,921	+29.6%
• Agro Business	2,697	-	-
• Distribution Poland	912,312	815,770	+11.8%
• Distribution Colombia	12,952	*4,142	+212.7%
Carbon Footprint (scope 1 – direct impacts)			
• Leakage of refrigeration gases	157,794	158,097	-0.2%
• CO_2 usage	18,007	16,646	-
• Fuel consumption	59,053	48,708	+21.2%
• Light vehicle fleet	15,074	14,490	+4.0%
Carbon Footprint (scope 2 – indirect impacts)			
• Electricity consumption (location-based)	779,842	*710,053	+9.8%
• Electricity consumption (market-based)	995,050	*825,043	+20.6%
• Heating (location-based)	22,518	18,849	+19.5%
Carbon Footprint (scope 3 – other indirect impacts)			
• Transport of goods to stores (Distribution)	155,867	141,304	+10.3%
• Disposal of waste in landfills	19,980	18,852	+6.0%
• Organic waste composting	432	833	-48.1%
• Energy consumption in franchising stores	16,697	10,750	+55.3%
• Air travel by employees	1,970	1,631	+20.8%

* Corrected figures as a result of the external Carbon Footprint certification audit.

Notes: Calculation of the carbon footprint of the different activities is made using the three levels of the World Business Council for Sustainable Development (WBCSD) Greenhouse Gases Protocol method: direct, indirect and third party. The values presented take into account emission factors defined by the IPCC – Intergovernmental Panel on Climate Change (for refrigeration gases), by the Portuguese Directorate-General for Energy and Geology, by the Unidad de Planeación Minero Energética (Unit of Mining and Energy Planning), by the Krajowy Ośrodek Bilansowania i Zarządzania Emisjami (Polish Centre for Emission Balance and Management, for fuels and heating), by the International Energy Agency and by the suppliers (electricity) and by the Greenhouse Gases Protocol (fuels used in light vehicle fleet and transport of goods to stores, air travel and waste).

[6] The Carbon Footprint values for the year 2016 were verified by an external and independent body. The document concerning the process of certification is available in the "Responsibility" area at www.jeronimomartins.pt.
[7] The overall and specific values for 2015 were recalculated compared to those reported in the 2015 Annual Report due to the correction of emissions resulting from electricity consumption in Colombia.
[8] Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table "Carbon Footprint – Indicators".
[9] *Idem*.

Jerónimo Martins Group scores "A-" in CDP Climate Change 2016

Jerónimo Martins obtained an overall "A-" score, positioning the Group at the "Leadership" level, and close to achieving the highest score (A).

CDP's Climate Change programme assesses the performance of the Group in terms of its climate strategy, including its transparency in the reporting of information and risk management.

CDP is a non-profit international organisation which develops programs for companies and cities to measure, disclose, manage and share important environmental information.

5.3.2. Water and Energy Consumptions

The rationalization of water and energy consumptions is one of the important action areas in the fight against climate change, encouraging initiatives to reduce its use which contribute towards the sustainability of resources and also to obtaining financial savings.

The "Water and Energy Consumption Management Teams", a project started in Portugal in 2011, achieved a reduction of these consumptions of 373,393 m^3 and 32,347,700 kWh in these six years. This project, which is promoted through monthly challenges and internal benchmarking, has obtained an accumulated saving of over 4.1 million euros.

The increase in the consumption of water and energy in Colombia are due to growth of operations in this country, which has resulted in a growth of around 56% in the number of stores compared to 2015. Also in Poland, the rise of the number of infrastructures, as well as investments in the area of Perishables products led to a growth in the consumption of water. In Portugal, the increase recorded in energy and water consumptions was mainly due to the opening of new Pingo Doce stores.

Energy consumption

Total consumption	2016	2015	Δ2016/2015
Energy consumption			
• Absolute value – ***GJ***	6,285,895	*5,996,104	+4.8%
• Specific value – ***GJ/'000 €***	0.430	*0.437	-1.6%
Energy consumption per business unit			
• Distribution Portugal **– *GJ***	1,857,793	1,859,034	-0.1%
• Distribution Poland – ***GJ***	4,215,896	4,053,998	+4.0%
• Distribution Colombia – ***GJ***	180,691	67,046	+169.5%
• Agro Business – ***GJ***	31,515	16,026	+96.6%

* Values have been recalculated to include Agro Business energy consumption.

Water consumption

Total consumption	2016	2015	Δ2016/2015
Water consumption			
• Absolute value – m^3	2,513,756	*2,292,812	+9.6%
• Specific value – m^3/'000	0.172	*0.167	+3.0%
Water consumption per business unit			
• Distribution Portugal – m^3	1,630,890	1,583,033	+3.0%
• Distribution Poland – m^3	735,383	622,378	+18.2%
• Distribution Colombia – m^3	66,454	39,230	+69.4%
• Agro Business – m^3	81,029	48,171	+68.2%

* Values have been recalculated to include Agro Business energy consumption.

Renewable Energies

Technology	No. buildings	Energy saving/year	Saving CO_2/year
Lamp posts powered by photovoltaic panels	1	72,000 kWh	*26 t
Tubular solar light transporting system	21	120,291 kWh	*43 t
Solar collectors to produce hot water used for heating water and/or in the air conditioning system	16	284,505 kWh	*102 t
Geothermal heat pumps	12	1,365,778 kWh	465 t

* These values reflect the update in the electricity emission factor.

The investment in renewable energies, which has resulted in increasing the number of buildings with tubular solar light transporting system, and geothermal heat pumps, has enabled annual savings of over 1.8 million kWh, equivalent to approximately 63 thousand euros.

5.3.3. Reduction of Environmental Impacts from Logistics Processes

Under the Group's commitment to reduce the environmental impacts from Logistics processes, the following actions are highlighted:

Emissions in Distribution

- In Portugal, at the end of 2016, 68% of the goods transport vehicles complied with the Euro 5 requirements (192 vehicles) and Euro 6 requirements (36 vehicles). In Poland, 97% of the vehicles for the transport of goods complied with the Euro 5 requirements (687 vehicles) and Euro 6 requirements (264 vehicles);
- in Poland, testing continued on the hybrid truck Fuso Canter Eco Hybrids, part of Biedronka's exclusive fleet (the first results show a reduction in fuel consumption between 10% to 15%);
- the backhauling operation in Poland entailed a total of 306,916 pallets collected, 2% more than in 2015, which resulted in a saving of 982,067 km and a reduction of 814 tonnes of CO_2 emissions. In Portugal, this operation involved a volume of 187,665 pallets, 14% less than in 2015, leading to a saving of 6,572,703 km, avoiding the emission of 5,710 tonnes of CO_2 into the atmosphere.

Reusable Packaging

In Portugal, the use of reusable plastic boxes in the Perishables and Dairy areas stood at 17% of the total boxes handled, 3.2 p.p. more than in 2015. In Poland, a project to use reusable plastic boxes to package small electronic equipment was continued (around five thousand units) and, in Colombia, reusable transportation boxes continued to be used: more than 45 thousand units for bottled water.

5.3.4. Management of Refrigeration Gases

The Group has been reinforcing the control of leaks, using more efficient technology and co-operating with service providers in the refrigerated and air-conditioned areas, with the aim of minimizing the impact of these gases on climate change. Investments in natural refrigeration gases have been made both in Portugal and in Poland:

- in Poland, the 15 Biedronka DC have cooling systems installed with thermal roll-containers with CO_2 snow. In Portugal, the same system is in operation in the Algoz DC;
- cooling technologies are installed which run exclusively on CO_2 (10 stores in Portugal, two stores and two DC in Poland);
- five DC (four in Portugal and one in Poland) have refrigerated warehouses (positive and/or negative cold) with systems running on ammonia combined with glycol;
- in Portugal, 123 stores have refrigeration systems using R-134a combined with glycol and two stores have a cascade refrigeration system (R-134a gas or monopropylene glycol combined with CO_2);
- there are 183 stores in Portugal and 399 stores in Poland which have freezers that use only propane;
- in Poland, the centralized refrigerator system for 700 stores uses the R407F refrigerant gas, replacing R404A, resulting in a reduction of over 50% in GWP[10] and, therefore, mitigating the contribution towards global warming;
- in Poland, three trucks use CO_2 as a refrigerant gas and R404A gas has been replaced by R452A gas in 264 trucks (having a GWP almost 50% lower).

The use of natural refrigeration gases – such as ammonia, carbon dioxide or hydrocarbons – represents technological challenges that are accentuated in regions with a higher average temperature, as is the case of Portugal and Colombia. However, they have the advantage of not depleting the ozone layer and also having a reduced GWP.

The Jerónimo Martins Group is testing solutions in its stores and DC in order to comply with existing legislation, as well as with its voluntary commitments to GHG reduction. The Group has established that, whenever possible, new stores or major remodelling should use equipment with fluids with low GWP potential, in the case of heating, ventilation and air conditioning installations, and 100% natural refrigeration gases in the case of industrial refrigeration installations.

Recheio Sines store uses 100% natural refrigeration gas

In June 2016, Recheio Cash & Carry opened a new store in Sines. Recheio resorted to the use of CO_2, a natural refrigeration gas, for its air conditioning and refrigeration equipment, with the aim of reducing energy consumption and GHG emissions. This gas has a GWP of 1, a value substantially lower than the 1,300 to 3,800 values of the synthetic refrigeration gases normally used.

This project has managed to lower GHG emissions, integrate refrigeration and air conditioning systems and increase energy efficiency, achieving reductions of about 30% in energy consumption.

[10] GWP is the acronym for Global Warming Potential.

5.3.5. Rationalisation of Paper Consumption

In 2016, the Group continued to develop projects aimed at reducing paper consumption and promoting the use of paper from sustainably managed forests.

Measures, such as electronic invoice management, enabled a saving of more than 7.7 million sheets of paper. In Poland, the dematerialization of temperature records and the distribution of tablets to area and Perishables' operations managers, enabled a saving of 265,300 sheets. In total, these measures enabled the saving of the equivalent of 956 trees.

In Poland, the paper used in the central offices is produced by companies which have environmental certification or which, at least, have an environmental management system and, in Colombia, it is manufactured from cane sugar. In Portugal, the paper is Forest Stewardship Council (FSC) certified and comes from suppliers with ISO 14001 certification.

In Portugal, the paper used for printing the banners' magazines is Programme for the Endorsement of Forest Certification (PEFC) certified or FSC and/or the companies producing it have ISO 14001 certification. The paper used for brochures for the Pingo Doce banner is "European Ecolabel" or FSC or PEFC certified. In the Recheio banner, the brochures and catalogues are FSC certified. In Poland, the paper used for brochures is FSC or PEFC certified.

5.4. Waste Management

The reduction of waste generated and its redirection to recovery contribute to the reduction of natural resource usage and to a Circular Economy model. To this end, it is in important to ensure the necessary infrastructure and awareness rising of employees, customers and surrounding communities.

Waste Recovery Rate

	2016	2015	Δ2016/2015
Distribution – Global*	83.1%	81.9%	+1.2 p.p.
Distribution – Portugal	59.9%	59.2%	+0.7 p.p.
Distribution – Poland	89.2%	88.5%	+0.7 p.p.
Distribution – Colombia	78.2%	85.2%	-7.0 p.p.
Agro Business	91.7%	-	-

* Includes all of the Group's Distribution companies

The waste recovery rate of the Group (Distribution) was at 83.1%, a value that represents an increase of 1.2 percentage points when compared to 2015.

5.4.1. Characterisation of Waste

In 2016, the Group produced 419,979 tonnes of waste, which represents an increase of 8% compared to 2015. This evolution was due to the growth of the store network and the inclusion of the Group's agribusiness activities.

Waste	Distribution Portugal (t)		Distribution Poland (t)		Distribution Colombia (t)		Agro Business (t)	
	2016	2015	2016	2015	2016	2015	2016	2015
Cardboard and Paper	34,418	32,732	211,565	187,183	4,950	2,089	5	-
Plastic	2,302	2,262	8,375	8,583	274	126	3	-
Wood	218	248	1,917	1,804	27	26	-	-
Organic	4,307	3,888	70,787	64,344	0	-	-	-
Unsorted	38,981	41,552	33,627	34,406	1,089	214	1	-
Cooking Oil and Fats	181	221	-	-	1	-	-	-
Waste from Effluent Treatment	4,212	4,382	-	-	376	176	-	-
Hazardous Waste	10	16	109	13	1	-	5	-
Other Waste	654	1,492	1,537	1,891	1	-	46	-

5.4.2. Customer Waste Recovery

The following were the most important projects in 2016:

- the network of Pingo Doce recycling bins covered 372 stores, which was 90% of the store network;
- coffee capsules and lids/corks/bottle tops recovered, resulted in more than 3,500 thousand euros being raised for charities;
- 97% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries.

In total, and in Portugal and Poland, there was an increase in the number and type of recycling bins available for customers. For more detailed information, go to the "Responsibility" area at www.jeronimomartins.pt.

Waste Dropped Off by Customers in Recycling Bins at Stores

Waste (in tonnes)	2016	2015	Δ 2016/2015
PORTUGAL			
Batteries	12.49	22.47	-44.4%
WEEE[11] (including fluorescent light bulbs)	82.04	96.37	-14.1%
Used Cooking Oil	109.26	110.54	-1.2%
Printer Ink Cartridges	3.17	5.25	-39.6%
Capsules	108.99	72.57	+50.2%
Lids, Corks and Bottle Tops	10.24	8.89	+15.2%
POLAND			
Batteries	145.82	117.24	+24.4%
WEEE[9] (including fluorescent light bulbs)	224.56	199.61	+12.5%
COLOMBIA			
Used batteries	0	0.08	-100%

In Portugal and in Poland, the increase of 10% in the quantities of customer waste collected is, mainly, due to the investment made in installing recycling bins in Biedronka and Pingo Doce stores. The decrease in the quantity of batteries collected in Portugal was mainly due to changes in the collection processes of this type of waste, whose redirection to recovery will be concluded in 2017. The collection bins for used batteries in Colombia was temporarily suspended due to a new legal framework. Its relaunched is planned, for all stores, in 2017.

Energy from cooking oil and fats

In 2009, the Group started the "Oil collection" project which offers Pingo Doce customers the possibility of placing their used cooking oil at collection points located in the stores. This equipment is available in over 330 stores, covering about 80% of the network chain.

Previously, the Group already collected the cooking oil used in the preparation of Take Away products and redirected it to recovery. In total, between 2010 and 2015, more than 1,760 tonnes were sent for recovery and transformation, mainly into biofuel.

This year a pilot project was started in operations in Portugal, Poland and Colombia which consisted of collecting the fat from the cooking of roast chicken in stores and its redirection to recovery: a part for transformation into biofuel and the rest for organic recovery and subsequent use as fertilizer.

[11] WEEE – Waste Electrical and Electronic Equipment.

5.4.3. Ecodesign of Packaging

In collaboration with its suppliers, the Group has been working to improve the eco-efficiency of its packaging according to ecodesign strategies aimed at:

- reducing the environmental impact of the packaging of items sold by the banners, especially the Private Brands; and
- optimizing the costs of production, transport and management of packaging waste.

Products encompassed	Portugal	Poland	Unit
Number of references	222	8	SKU*
Savings in packaging materials	2,481	31	t materials/year
Transport avoided	475	-	t CO_2e/year
Packaging with FSC certification	8	-	SKU*

* SKU – Stock Keeping Unit.

In Poland, all the boxes from Polish suppliers for packaging fruit and vegetables are made of recycled cardboard with FSC certification.

5.5. Eco-efficient Infrastructures

The Jerónimo Martins Group's Companies include environmental criteria in their projects for building and for remodelling infrastructures, boosting positive impacts and minimising adverse ones.

Biedronka, Pingo Doce, Recheio and Ara have been implementing efficient control systems for chilling plants, more efficient technologies in terms of lighting (LED, skylights and photovoltaic cells), refrigerated displays and freezers fitted with doors and covers and, in addition, automatic management systems for energy consumption, trying to reach a more rational use of the energy required. Biedronka has 13 eco-stores, which include measures for reducing water and energy consumption and for managing waste.

5.6. Raising Employee and Consumer Awareness

The Group recognizes the importance of individual and collective behaviour towards the better management of natural resources, emissions and waste. As such, it has carried out various awareness initiatives with different stakeholders.

<u>Employees</u>

- In 2016, the Group organised the 5th Sustainability Conference, aimed at senior management and strategic suppliers. This meeting brought together approximately 200 participants from the three countries in which the Group hasoperations and focused on sustainable fishing, fishing practices, aquaculture, market trends and challenges ahead for the business;
- publication of articles on environmental themes in the in-house magazine "A Nossa Gente" (Our People), which is distributed to all employees in Portugal, such as the dissemination of tips to improve waste management and disclosure of the stores and DC with the best performance in reducing water and energy

consumption in the same period. This bi-monthly magazine had a print run of 25,000 copies;

- in the in-house magazine "Razem w JM", which is distributed to all employees in Poland, articles on environmental protection in Jerónimo Martins Polska were also disseminated. This magazine had a print run of 160,000 copies in 2016;
- raising awareness of the Group's managers in Portugal, Poland and Colombia on various topics related to environmental strategy, through the Corporate Responsibility digital newsletter – "Seeds". This bi-monthly newsletter has a readership of over one thousand employees;
- raising awareness of all office employees in Poland of World Earth Day (22.04.2016) through an internal communication and employees at the headquarters and DC through the planting of 1,500 new trees in the forest close to Baniocha in collaboration with the Sierzchow Forestry. A contest also took place involving 190 employees, with the aim of promoting the construction of something useful from waste (promoting recycling). Two first prizes were awarded – the "Playhouse for children" project and "Gardening materials organizer" – and another 10 prizes were distinguished;
- training sessions on best environmental management practices for employees carried out in Portugal, Poland and Colombia, corresponding to a volume of over 4,400 training hours;
- periodic disclosure and reinforcement of best environmental practices for employees, particularly in the Pingo Doce and Recheio stores, through the documents "Informação de Negócio" (Business Information) and "Alerta Recheio" (Recheio Alert), and, in the Biedronka DC, through 11 presentations in communal staff areas, involving 4,200 employees;
- in the DC and offices in Poland, signs were placed in strategic locations calling for savings in energy, water and waste management. Portugal experienced the roll-out of the "Let's Go Green" project in 2015 in the Group's headquarters, in two new locations in Portugal with the aim of fostering the adoption of more responsible practices in the use of energy, water and paper.

Customers and Consumers

- In May 2016, Hebe, in Poland, stopped giving away free plastic bags at the check-outs to promote customer their reduction, joining Biedronka, in Poland, and Pingo Doce and Recheio, in Portugal;
- in-store campaigns carried out in Biedronka stores promoting best environmental practices:
  - outdoor games aimed at children for 10 picnics organised by Caritas on Children's Day;
  - films about separation of packaging waste screened during the "Cinema with Biedronka" event held in 35 cities, with more than 10 thousand spectators;
  - 8th edition of the "Ecologic by nature" eco-event, which allowed the collecteion of about 17 thousandkg of glass waste and 49.4 thousand kg of used batteries;
  - 3D posters placed in 100 stores to show the life-cycle of packing waste when redirected to recovery by consumers.
  - support for the campaign "Make a gift to yourself and the environment" organised by UNEP/GRID in Warzawa, on the theme of energy efficiency;
- regular publication of articles against food waste and promoting environmental and social best practices in the "Sabe Bem" (Tastes Good) (bi-monthly circulation of 100-150 thousand copies), "Notícias Recheio" (Recheio News) (bi-monthly circulation of 50 thousand copies) and "Kropka TV" (weekly circulation of around 210 thousand copies) magazines, aimed at Pingo Doce, Recheio and Biedronka customers, respectively.

- in Portugal, of note we highlight the awareness campaigns on used cooking oils in Pingo Doce and Recheio and the reuse of checkout bags at Pingo Doce.

5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity:

Institution	Project	Amount	Support started in	Further information at
Oceanário de Lisboa (Lisbon Oceanarium)	Oceanário de Lisboa (Lisbon Oceanarium)	€ 100,000	2003	www.oceanario.pt
World Wildlife Fund (WWF)	"Green Heart of Cork"	€ 10,000	2013	www.wwf.pt
Liga para a Protecção da Natureza (LPN)	ECOs-Locais	€ 10,000	2011	www.lpn.pt
Quercus	"SOS Pollinators" Campaign	€ 5,000	2014	www.yesweb.pt/polinizadores
European Recycling Platform (ERP) – Portugal	"Geração Depositrão" Project	€ 5,000	2013	www.geracaodepositrao.abae.pt
Zoo	Sponsorship of the Ring-tailed lemur	€ 4,800	2015	www.zoo.pt

In January 2016, the Group awarded, as part of the Green Project Awards Portugal, the "Jerónimo Martins-Green Project Awards Prize for Research and Development", with a value of 20 thousand euros, the project "Detergentes Verdes" (Green Detergents*).* This project studies the use of vegetable waste in the development of cleaning products which have less impact on water and biodiversity.

6. Sourcing Responsibly

6.1. Introduction

Partnerships are crucial for promoting the social and economic development of the regions where the Group is present, as well as strengthening the value of propositions of its brands and banners. Within these partnerships – with suppliers and service providers –, the Group seeks to integrate environmental, social and ethical criteria aiming at the gradual and sustained improvement of the impacts of its activity on present and future generations.

The Sustainable Sourcing Policy of the Group and the Suppliers Code of Conduct, both available at www.jeronimomartins.pt, in the "Responsibility" area, define the strategic areas of operation in this matter.

6.2. Commitment: Local Suppliers

The Group, under equal commercial terms, preferably chooses local suppliers in order to enhance the socio-economic sustainability of the countries where it operates and to minimize the carbon footprint of the products sold.

Importing essentially occurs in the following cases:

i. products are scarce, due to production seasonality, common in the Fruit and Vegetables area;
ii. when there is no local product or the quantity produced is insufficient to guarantee the supply to the chain stores;
iii. when the quality-price ratio of domestic products does not allow the Group to keep its best price quality commitment to its consumers.

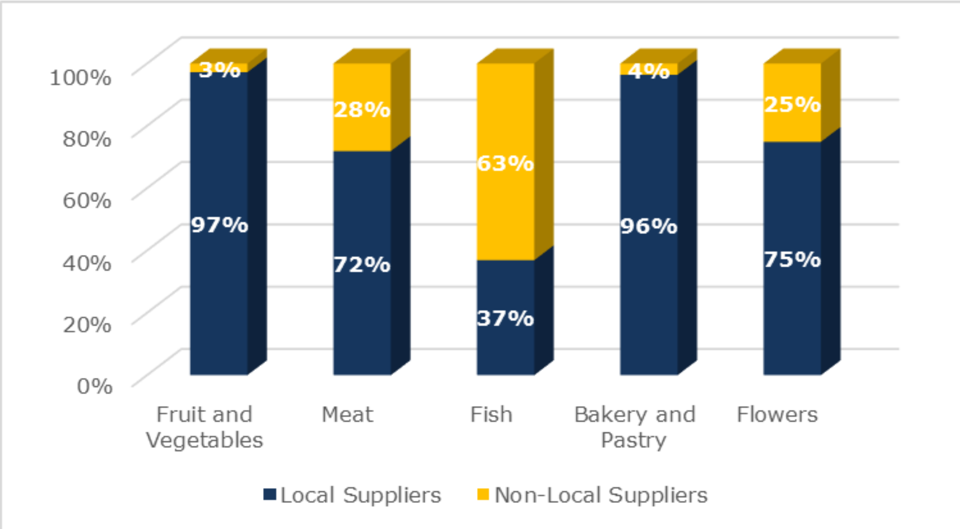
In Poland, 92% of the products sold were sourced from local suppliers. In Portugal, this ratio stood at 84% and in Colombia over 95%.

Perishables and Private Brand

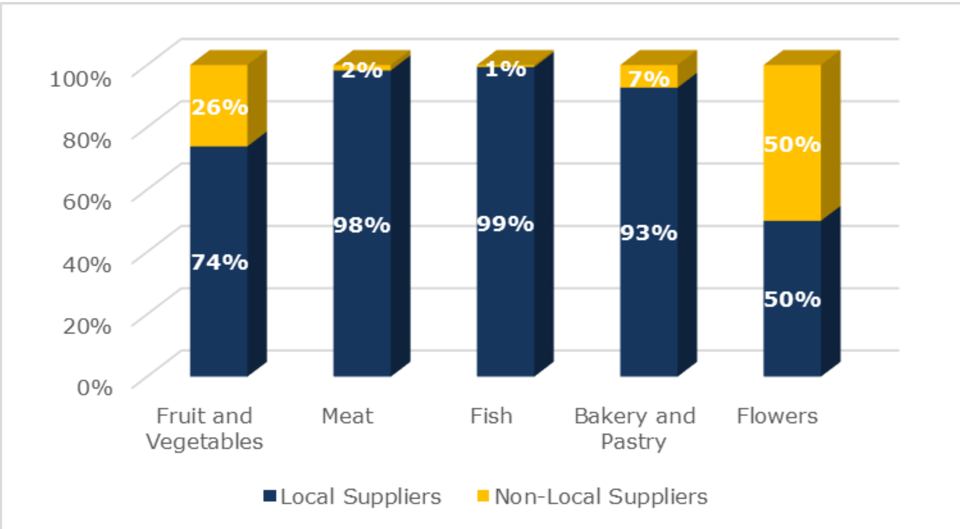
Regarding Private Brand, most of the products were purchased from local suppliers: more than 95% in Colombia, 93% in Poland, and between 59% (Pingo Doce) and 65% (Recheio) in Portugal.

The Perishables area shows the same trend, with 69% of products in Portugal being sourced from local suppliers, while this figure reaches 88% in Poland. In Colombia, this ratio was above 95%.

Portugal



Poland



The Group's Companies carry out awareness campaigns with consumers promoting preference for locally sourced products.

In Portugal, national Perishables products are identified by "*O Melhor de Portugal Está Aqui*" (The Best of Portugal is Here) stickers. The nationally produced Private Brand products are identified by "*Produzido em Portugal*" (Made in Portugal) and "*Fruta 100% Portuguesa*" (100% Portuguese Fruit).

In Poland, domestic products are identified by the "*Polski Produkt*" (Polish Product) sticker or by the "*#jedzcopolskie*" (Eat what is Polish) sticker. In the latter case, Biedronka's website www.jedzcopolskie.biedronka.pl continued to promote fruit and vegetables and share information on local suppliers with whom it works as well as suggesting recipes.

In Colombia, domestic products are marked with the "*Hecho en Colombia*" (Made in Colombia) sticker and Private Brand products are marked with the "*Una Marca de Ara*" (An Ara Brand) sticker.

Supplier Engagement

The Group seeks to develop long-lasting relationships of cooperation with its producers, which often result in technical follow-ups in terms of quality, support in optimizing processes, guarantee of product disposal and stimulation of local economies. In this context, the following initiatives are worth highlighting:

Portugal

- In 2016, Pingo Doce and Recheio continued to sell, in cooperation with their suppliers, varieties underdeveloped in Portugal, giving customers access to a varied assortment of vegetables and, at the same time, stimulating the development of new skills among producers. Products included in this project were round, scratched and yellow *courgette*, scratched eggplant, sweet cucumber and *bimi*, a variety of broccoli;
- our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey was maintained, promoting the use of cereal-based feed, advising on more efficient management and distribution methods. The lamb sold by Pingo Doce is from animals grazing on natural pastures, in accordance with the assumptions of High Natural Value agriculture and animal husbandry. This concept assumes that low intensity production systems with reduced inputs can contribute towards protecting the biodiversity of the regions where they are implemented;
- the partnership with a cooperative of fishermen in the area of Sesimbra was maintained, ensuring quality and price competitiveness, as well as ensuring traditional fishing practices that enables the sustained regeneration of species;
- in 2016, Pingo Doce continued the extraordinary measure of supporting Portuguese producers of Fresh Produce with whom it works and who are members of the *Confederação dos Agricultores de Portugal* - CAP (Portuguese Farmers' Confederation). This measure consists of Pingo Doce anticipating payment terms to an average of 10 days (instead of the 30 days established by law), without financial costs to the producer. Since its implementation in 2012, approximately 500 producers in the categories of Fruit, Vegetables, Meat, Fish, Cold Meat and Wine have already benefited from this initiative.

Poland

- Biedronka continued to invest in the Fruit and Vegetables category to respond to demand for Polish native varieties. This strategy implies knowledge of Polish culture and traditions, which also results from the long-standing relationships with various business partners, which take place through regular visits to production locations, and in the sharing of technical knowledge. In 2016, Biedronka strengthened its use of traditional varieties developed in 2015 and increased the volumes sold. Examples are *Irga* and *Bryza* potatoes, the production of which almost quadrupled, and *Antonówka* apples and *Klapsa* pears, the sales of which – in quantity – doubled compared to 2015;
- Poland is one of the largest producers of strawberries in Europe. However, due to their limited consumption lifetime, these were mainly sold in traditional markets. Biedronka established a network of suppliers located in regions close to the DC, to ensure sufficient quality and quantities of strawberries for sale in its stores. This network reduces the time between harvesting and making the

product available in its stores. In the first year of the project – 2014 – 74 tonnes were sold between July and September. In 2016, and as a result of consolidating this initiative, it was possible to sell 650 tonnes in the same period. In 2017, Biedronka is aiming to reach 1,000 tonnes;

- Biedronka was pioneer in selling the *Malinowe* tomato (raspberry tomato) in its stores and it was the only banner in Poland to have this variety available throughout 2015. In 2016, sales of this variety doubled, reaching 13,750 tonnes;
- equally innovative in the Meat category, Biedronka doubled the sale of free-range chicken, respecting the natural growth of the animals, and ensuring their sale in all stores. This project started in 2015 with Polish suppliers and, to date, is unique in Poland.

Colombia

- Since the start of its Operations, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2016, Ara cooperated with 85 local suppliers which provided more than 500 Private Brand products;
- The 4th edition of the Ara Private Brand Congress took place in the city of Barranquilla, under the theme "We are Building New Paths Together", which was attended by approximately 140 local suppliers.

6.3. Commitment: Human and Workers' Rights

In accordance with the Sustainable Sourcing Policy, available at www.jeronimomartins.pt, the Group only works with suppliers who commit to practices and activities that comply with the law and any applicable national and international agreements on Human and Workers' Rights.

The Group is committed to terminate business relations with suppliers whenever it learns that they and/or their suppliers violate Human, Children's and/or Workers' Rights and/or if they do not incorporate ethical and environmental concerns when conducting their business, and/or when they are not willing to draw up and implement a remedy plan.

Additionally, and as part of its participation in The Consumer Goods Forum, the Group committed to contribute to eradicate forced labour – as defined by the International Labour Organization – throughout its supply chain and continue to ensure its absence in its own operations.

6.4. Commitment: Promotion of More Sustainable Production Practices

Along with the social and ethical aspects already mentioned, environmental aspects are also considered in the relations the Group has with its suppliers, preferring production methods with less consumption of natural resources and fewer impacts on ecosystems.

The Retail sector is being challenged by various stakeholders to fight the social and environmental impacts linked to deforestation commodities (palm oil, soya, beef, wood and paper) to reduce GHG emissions linked to forest destruction, conserving biodiversity in these ecosystems and eliminating Human Rights violations of Children and/or Workers which have been reported.

In order to assess the impacts of these commodities, in 2016, the Jerónimo Martins Group continued to map the presence of these ingredients in the Private Brand and Perishables products sold in Portugal, Poland and Colombia. Additionally, the Group's suppliers, who had products where these ingredients were identified, were asked about their respective origin and the existence of certification. Since 2014, the results of this work have been publicly reported in the Group's annual response to the Carbon Disclosure Project (CDP) Forests.

Our goal is to progressively ensure the sustainable origin of these raw materials, in line with the commitment to "Zero Net Deforestation by 2020" made under the participation of Jerónimo Martins in The Consumer Goods Forum. For further details on our actions in this area, please see www.cdp.net.

Jeronimo Martins Polska continued to be a member of GreenPalm, an organisation which ensures, along with the certifying body Roundtable on Sustainable Palm Oil (RSPO), that the equivalent volume of palm oil used by the producer in the development of a reference is acquired from sustainably managed sources. In 2016, all the soaps in the "Linda" range were relaunched in Poland, with the GreenPalm logo. In total, approximately 800 tonnes of palm oil obtained this certification.

Jerónimo Martins Group achieves an "A-" and "B" scores in the CDP Forests 2016

Jerónimo Martins obtained an overall "A-" score for palm oil, positioning the Group at the "Leadership" level, one step away from achieving the highest score (A). The soya, paper and wood and beef commodities obtained a classification of "B", corresponding to the level of "Management".

The CDP "Forests" programme assesses the performance of the Group in terms of its strategy for deforestation commodities, including its transparency in the reporting of information and risk management.

CDP is a non-profit international organization which develops programs for companies and cities to measure, disclose, manage and share important environmental information.

In the context of the Group's sustainable fishing strategy, and as a result of the studies which have been carried out in this area[12], action lines were defined to reduce pressure on threatened species[13]. These include: i) banning the purchase and sale of species classified as "Critically Endangered" for which there are no extraordinary licences; ii) looking for alternatives from aquaculture for species classified as "Endangered", and not carrying out promotional activities involving fish from wild populations that have not come from sustainably managed stocks and/or that do not have a sustainability certificate; and iii) limit promotional actions for species classified as "Vulnerable" whenever they do not come from aquaculture and/or have not come from sustainably managed stocks and/or that do not have a sustainability certificate.

[12] To find out more about the actions carried out by the Group in this area, see subchapter 5. "Respecting the Environment" in this chapter.
[13] Based on the classification of the International Union for Conservation of Nature and Natural Resources (IUCN) and the Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES).

The Group has also developed partnerships with its Fruit and Vegetables suppliers seeking to reduce the environmental impacts associated with their sale. This is the case of the production of mangoes in Senegal. This partnership has production characteristics similar to those of the mangoes produced in Brazil, but has allowed the distance travelled to be reduced by more than 5,000 km and substitute air by sea transport, leading to a significant reduction in CO_2 emissions. This partnership also ensures a product of higher quality, since the reduction in distance makes it possible to harvest the mango when it is more mature.

Biedronka has joined the "Charter for Sustainable Cleaning" initiative, promoted by AISE - International Association for Soaps, Detergents and Maintenance Products, which promotes performance improvement of products in the Hygiene and Cleaning category according to a set of criteria: such as toxicity, eco-efficiency and consumption of raw materials, among others.

Certified Products

In an effort to continuously improve the sustainability of fishing products, in 2016, Biedronka launched a campaign for Private Brand products with Marine Stewardship Council (MSC) certification, which involved eight products: seven fresh and one frozen.

In Portugal, more than 90% of codfish (*Gadus morhua*) comes from Norway and around 50% of the frozen fish sold by Pingo Doce was caught in South African waters. In both cases, fishing was carried out by vessels which meet the standards of MSC certification. Pingo Doce maintained its assortment of six canned tuna products with the Dolphin Safe label.

Cocoa, tea and sustainable coffee in Private Brand products

In 2016, four tea product references were launched with "Rainforest Alliance" certification, ensuring that the black tea contained in the product comes from sustainable agriculture and that it meets the environmental and social criteria defined by that entity. The percentage of certified tea varies between 40% (two references) and 80% (two references) of the total tea composition.

In the same period, Pingo Doce launched the first coffee product reference with 100% Fairtrade certification. The certification ensures compliance with social, environmental and economic criteria, supporting small suppliers through payment of a guaranteed minimum value for production.

The Jerónimo Martins Group also maintained its investment in UTZ certification for cocoa products, and in 2016 reached a total of 18 products: 15 in Biedronka and three in Pingo Doce. An UTZ product seeks to demonstrate, through a certification programme, that the raw material was obtained using a sustainable agricultural model.

These certifications promote good agricultural practices while guaranteeing farmers an improvement in their working conditions and quality of life, as well as protecting the natural resources on which they depend.

In 2016, the range of Pingo Doce organic products accounted for a total of 52 Stock Keeping Units (SKUs) from the Fruit and Vegetables category. These products are developed according to organic production rules, certified by an independent external entity (Ecocert) and show the logo of the European Union, which ensures compliance with the Community Regulation for Organic Farming.

In 2016, Pingo Doce added a new product reference with EU-Ecolabel certification, which joined the six existing references. In the same period, Pingo Doce increased the number of references with Sustainable Forestry Initiative (SFI) certification to 30 and maintained the seven references with the Programme for the Endorsement of Forest Certification (PEFC). Recheio ended the year with eight SFI and five PEFC references. In both cases, certifications are mainly associated with articles from the Personal Care category.

6.5. Supplier Audits

Quality and Food Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-up in terms of management and control processes, implemented quality system, product formulation and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in territories where the Group operates.

The assessment of suppliers also covers environmental requirements, which have a 5% weight in the assessment. These requirements include criteria associated with the management of water, effluents, waste, atmospheric emissions, noise and hazardous substances.

Each supplier is reassessed at predefined intervals based on the score they obtained.

Audits to Perishables and Private Brand suppliers*

Portugal	**2016**	**2015**	**∆ 2016/2015**
Perishables	847	802	+6%
Private Brand – Food and Non-Food	244	239	+2%
Poland			
Perishables	1,454	1,550	-6%
Private Brand – Food and Non-Food***	451	425**	+6%
Colombia			
Perishables	56	48	+17%
Private Brand – Food and Non-Food	165	121	+36%

*The audits include the following topics: selection, control and follow-up.
** Corrected figure compared to 2015.
*** In 2016 a further 3,074 inspections on non-food Private Brand products were also carried out and in 2015 a further 2,691.

In Colombia the significant increase in the number of audits is associated with the increment in the number Ara's Perishables and Private Brand suppliers.

Certification

As regards to certifications, the Group favours and requires, in the case of foreign suppliers not covered by our internal audit system a relationship with suppliers who have a Food Safety certification recognized by the Global Food Safety Initiative, namely British Retail Consortium (BRC), Global Good Agricultural Practices (Global G.A.P.), HACCP/*Codex Alimentarius* or also ISO.

All potential new Biedronka Private Brand products suppliers must be audited in accordance with the Group's internal criteria, common to the three countries in which operations are carried out. In the case of suppliers who are not located in these countries, they must be certified according to the food standards of the BRC, the International Featured Standards (IFS) or the Food Safety System Certification (FSSC) 22000.

Distinguished Private Brand non-food products

In 2016, Biedronka non-food products were once again distinguished due to their quality and/or innovation. This was the case of the Dada Private Brand nappies, to which the Instytut Matki i Dziecka (Institute of Mother and Child) awarded the Golden Logo, the only product of its kind with this distinction. Skin cosmetics for children from the Private Brand Dada also obtained a positive assessment from the same Institute.

The trash bags Cedo and Plasbel were also distinguished by Polish consumers as "Produkt Roku. Wybór knosumentów" (Product of the Year. Consumer's Choice) for offering a self-adhesive tape as an alternative sealing form and also because of their fragrance.

Environment

The Group carried out 33 environmental audits on service providers in Portugal, four in Poland and one in Colombia. These seek to ensure compliance with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-compliances. The level of environmental performance (for all service providers in Portugal audited since 2009) was as follows: 13% achieved an "Excellent" performance, 8% "High", 78% "Basic" and 1% "Below basic".

With the same objectives, in Portugal the Group started a pilot auditing project exclusively dedicated to environmental issues and carried out on sales providers by an external entity, which involved 15 Perishables suppliers.

All the suppliers audited and classified with a "Below basic" level have received a corrective action plan which must be addressed within a maximum of six months. The aim of the Group is to annually carry out at least 35 environmental audits on its service providers and – from 2017 – at least 50 on its Perishables suppliers. We reserve the right to suspend collaboration with business partners who do not comply with the defined corrective action plan.

6.6. Supplier Training

In Portugal and Poland, over 220 actions, involving more than 220 participants, took place which were focused on issues of Quality and Food Safety, deepening the co-operation work with business partners, especially with regard to discussing areas of improvement and development of innovative products.

In the area of Environment, in 2016, the review of the technical standard on "Environmental Management for Products and Service Providers" was assured, in order to adapt to evolving legislation. In addition, workshops on this standard took place in Portugal, attended by 18 participants from service providers, and two workshops on the Sustainable Agriculture Manual, involving 33 participants, representative of Fruit and Vegetables suppliers.

7. Supporting Surrounding Communities

7.1. Introduction

With a number of stores greater than 3,000, in more than a thousand cities, towns and villages in three countries, we recognize the importance of actively contributing towards overcoming socio-economic challenges faced by communities, such as fighting malnutrition and hunger, and helping to break the cycles of both poverty and social exclusion.

This is the guidance from the Policy for Supporting Surrounding Communities, available at www.jeronimomartins.pt, which focuses on the most vulnerable groups in society: the elderly and disadvantaged children and young people.

7.2. Managing the Policy

The actions supported and promoted by the Group are monitored and assessed according to the impact they produce, with a view to efficient allocation of resources to social projects covering the largest possible number of people and/or generating the greatest and best results.

The criteria underlying the methodology of social impact assessment, the London Benchmarking Group (LBG), a corporate network of which the Group has been a member since 2012, enables the assessment of whether social changes are achieved. The results of the consultation carried out annually are available at the corporate website of the Group.

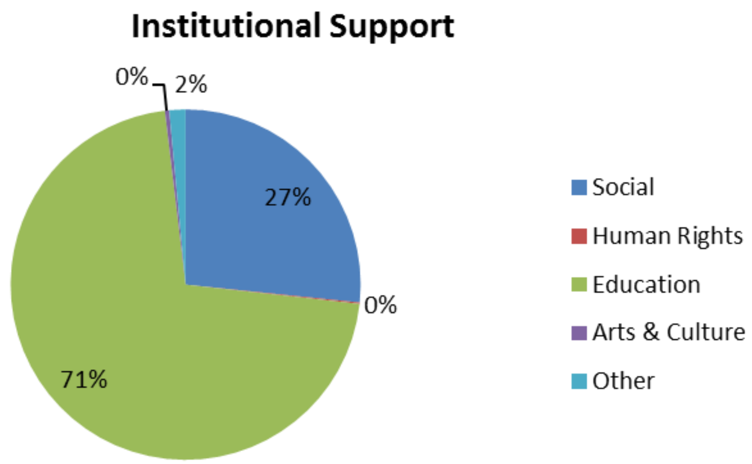
Follow-up visits to the institutions which have concluded a cooperation agreement with the Group are also carried out. The Group has a relationship guided by the sharing of knowledge with institutions which focus on providing senior citizen homes for the elderly or temporary foster homes for children and young people at risk. With a spirit of transparency and partnership, the Group checks the quality of the infrastructures and the service provided.

7.3. Direct Support

In 2016, the Group remained committed to supporting charitable organizations which carry out work to fight social exclusion in the countries where it is present. This commitment is carried out through the direct supply of food products, monetary support to organisations carrying out pedagogic work with children and young people at risk, in an attempt to curb school dropout and social exclusion, and/or encourage entrepreneurship, also through developing campaigns driving the company's contribution to social causes.

Direct support in money and in kind attributed to the surrounding communities by all the Group’s Companies amounted to around 18 million euros, which represents an increase of 3% compared to 2015.

At the corporate level, support was divided as follows:



The Group supported more than 40 institutions, donating around 1.5 million euros, mainly in the social area, with the main beneficiaries continuing to be children, young people and elderly people.

Started in 2015, support for the Academia do Johnson (Johnson's Academy) was consolidated. The mission of the Academia do Johnson (Johnson's Academy) is to combat social exclusion and dropout of about 140 children and young people from vulnerable communities in the Lisbon region. This Academy offers educational, professional and cultural tools provided by trained personnel, who use the practice of sport and helping study as a means of developing behavioural, social and technical skills, which help prevent risk situations in their lives and that enhance their integration into schools and into society.

Support from the Group, around 60 thousand euros annually, supports the sports field so that various teams practice sport, along with the preparation of daily lunches for children and young people, adjusted to the demands of their physical activity, and the purchase of school materials for use in the Academy's activities, among other applications.

In addition, other cultural or educational initiatives were sponsored. For example, the 11th Social Responsibility Week was sponsored, promoted by the Portuguese Association for Corporate Ethics and by the Portuguese Network for Global Compact. Under the theme, "Cooperation for Sustainable Development", it was possible to address and discuss all the Sustainable Development Goals (SDG) approved by the United Nations by 2030.

Greenfest

In Portugal, support was given to the 8th edition of the largest festival dedicated to sustainability which, in its four days, brings together companies, non-governmental organisations, universities and public entities to show sustainable products or programmes.

The Group took part in talks aimed at students and the general public on fighting food waste (including showcooking on the creative reuse of surpluses in consumer homes), the importance of environmental sustainability in the Modern Distribution sector and the importance of the Johnson's Academy mission for young people from vulnerable communities.

The festival registered around 25 thousand visitors.

Pingo Doce provided foodstuffs and money to more than 440 institutions that fulfil a social mission in the communities surrounding the chain stores. In total, it donated more than 15.4 million euros, an increase of more than 5% compared to the previous year. Over 95% of this amount corresponded to donations of surplus food, with the weight equivalent to 9.8 thousand tonnes, to 380 institutions throughout the country serving hundreds of people in disadvantaged situations.

Recheio offered donations in foodstuffs and money to 124 institutions, worth more than 300 thousand euros. 86% of this amount were offers of surplus food, equivalent to 170 tonnes.

The Companies Jerónimo Martins Distribuição de Produtos de Consumo, Jerónimo Martins Restauração e Serviços (JMRS) and Hussel supported the Banco Alimentar Contra a Fome (Portuguese Food Bank), among other institutions. Donations amounted to more than 151 thousand euros[14], equivalent to the supply of more than 51 tonnes of foodstuffs.

In Poland, support initiatives were continued to institutions that help fight hunger and malnutrition, and which sought to raise the awareness of society to social causes such as the importance of healthy eating, the welfare of institutionalised children and the centrality of the family. The amount of support was over 385 thousand euros (more than 1.7 million zlotys).

Just as in previous years, Biedronka supported the Let's Stay Together campaign, as part of International Children's Day, developed along with Caritas Polska, to foster the strengthening of ties between children and their families. The campaign took place in 21 cities in various regions in Poland and more than 200 thousand children and parents were registered, who had the opportunity to enjoy various entertainment activities and foodstuffs offered by Biedronka, representing an investment of over 170 thousand euros.

Fighting Food Waste in Poland

In 2016, Biedronka started donating food surpluses which, although fit for consumption, could not be put on sale, through its Distribution Centres and stores.

In this first year, 63 stores and seven Distribution Centres made donations to local Caritas Polska dioceses and other charities, which reach people with food situation shortages.

Around 87 tonnes of foodstuffs were donated, equivalent to over 52 thousand euros.

Biedronka also supported the organisation of charitable events carried out by Caritas Polska, such as World Day of the Sick and Saint Nicholas' Day, supporting communications campaigns and donating food products.

Other charitable initiatives from Biedronka included continued support for the association Hope for the Euro, a partnership established in 2011 that aims, through sport, to promote the social development of institutionalized children from families with economic difficulties and/or which are dysfunctional. This organisation promoted football tournaments involving children and young people from Poland and from more than 36 countries. Besides financial support, Biedronka offered foodstuffs to 670 children participating in the championships, as well as special prizes, with a total investment of around 70 thousand euros.

[14] The reported amount corresponds to the period between January and September 30, 2016, date from which these businesses no longer belong to the Jerónimo Martins Group.

In Colombia, Ara continued its partnership with the Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), offering foodstuffs to community nannies who take care of children under five years of age from families and neighbourhoods with very few financial resources.

The programme *Madres Comunitarias* (Community Mothers) aims to address the nutritional deficiencies children have related to proteins, vitamins and minerals and, through ICBF, check the routing of the foodstuffs, as well as the mental and physical well-being. It also aims to evaluate the nutritional indicators of children who benefit from this.

Along with the Departamento para la Prosperidad Social (Department for Social Prosperity), Ara carried out three workshops targeted at 80 nannies from the Costa do Caribe, the second region where it set up its chain of stores, focusing on food handling methods and the need for children to have a balanced and controlled diet.

In 2016, the partnership between Ara and ICBF involved 3,668 children, 268 more than in the previous year, involving a total of 262 nurseries. 8,683 food baskets were offered, representing a value of more than 82 thousand euros and 130 tonnes of donated foodstuffs, 55% more than in 2015.

Also in this country, support was continued to Abaco – Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks), the mission of which is to establish strategic alliances with public and private partners to fight against hunger and food waste by channeling surpluses to people in need In 2016, within the framework of this programme, more than 30 tonnes of foodstuffs were donated, equivalent to more than 81 thousand euros, while avoiding the emission of 700 tonnes of CO_2 equivalent that would result from the landfill of food surplus.

***Imagina Só* (*Just Imagine*)**

Pingo Doce partnered with Science4you to produce a collection of 23 *Imagina Só* (*Just Imagine*) books in Portugal, which involves various Portuguese personalities creating stories covering various topics for children including ethnic differences, bullying, stereotypes, the preservation of the planet and family.

Under this partnership, for each copy of more than 7,450 sold, Science4you donated 0.50 euros to Operation Red Nose.

This organisation is dedicated to ensuring the weekly visit of professional clowns to children in 14 hospitals covered by the programme. These artists have specialized training for hospitals and work closely with health professionals, carrying out performances adapted to each child in each situation.

7.4. Internal Volunteering and Other Campaigns

The Group's employees continue to participate in the programmes of Junior Achievement Portugal, an association whose objective is to foster entrepreneurship among children and young people, by teaching on topics such as relations with family and the community, economics, the European Union and on how to set up a business.

During the Christmas season, an internal welfare campaign was organised, with the aim of offering presents requested by 124 children, coming from dysfunctional families, who live throughout the year in foster homes supported by the Jerónimo Martins Group.

In addition, during the Christmas Party, which brought together more than 900 managers and the senior management of the Group, a fund-raising campaign was promoted for the Association for Cerebral Palsy of Odemira, a region where social needs are high. Following our matching donation logic, the Group equalled the amount collected by individual donations among the managers present. The amount raised was used for logistical support needs and for purchasing pedagogic instruments to support the work of technicians who work with 105 children and young people in special education, aged up to 18, who attend schools in the district.

7.5. Indirect Support

Raising the awareness of society to become involved in campaigns to collect foodstuffs and other articles, as well as initiatives to raise funds, may help to create a collective awareness towards the fight against the hunger and malnutrition of more vulnerable people, through supporting the work carried out every day by charities.

The Group, similarly to previous years, made its networks of stores available for this purpose, with the banners also supporting the communication costs for the actions.

In the campaigns of the Banco Alimentar Contra a Fome (Portuguese Food Bank) and other institutions, such as the CASA – Centro de Apoio ao Sem-Abrigo (Support Centre for the Homeless), over 1,300 tonnes of foodstuffs were collected by volunteers in Pingo Doce stores.

The cards sold to consumers, convertible into foodstuffs aimed at supporting these and other institutions, totalled more than 184 thousand euros.

In Poland, in cooperation with the Federation of Polish Food Banks and Caritas Polska, Biedronka customers offered foodstuffs in various campaigns throughout the year, enabling the collection of more than 1,870 tonnes of foodstuffs, which were then channelled to people in need.

In Colombia, Ara has been carrying out a campaign to raise the awareness of consumers to help the most needed through rounding up the value of their purchases. The value donated is delivered monthly to the Fundación Aldeas Infantiles SOS Colombia (SOS Colombia Child Villages Foundation) for their programme *Fortalecimiento Familiar* (Family Support), in the municipalities of Ríosucio and Bolívar. In 2016, following the expansion of Ara, this support was extended to the municipality of Bogotá.

With donations made by customers surpassing 51 thousand euros, a 55% growth, this guaranteed an important support to the work carried out by Aldeas SOS, which support 1,654 children and young people from 2,138 families.

7.6. Other Support

Biedronka, in partnership with its vegetable supplier Green Factory, started the program *Zielona Kraina* (Green Earth, available at zielona-kraina.com), involving the participation of the Instytut Żywności i Żywienia (Polish Institute for Food and Nutrition), with the aim of fostering healthier food habits among younger generations.

Involving nutritionists and cooks, and working with school programmes and food standards recommended by specialists, 200 free workshops in 70 schools in four

Polish cities were carried out, involving more than 4,000 children from the fourth year of schooling and 200 teachers. The content included talks, joint preparation of meals with fresh fruit and vegetables and educational games. In Warsaw, workshops were held in 29 primary schools, involving more than 3,000 children and around 150 teachers.

Poland also marked the 10th year of the *Partnerstwo dla Zdrowia* (Partnership for Health), which involves a collaboration between Biedronka, Danone, Lubella and the Instytut Matki i Dziecka (Institute of Mother and Child), to fight children malnutrition through, firstly, facilitating access to products with suitable nutritional content and, secondly, raising awareness of healthy eating.

This collaboration has, since 2006, resulted in the sale of a range of social products Mleczny Start (Milk Start, available at mlecznystart.pl), that was created with the purpose of offering families with fewer financial resources food solutions at reduced prices which provide up to 25% of the necessary daily recommended needs for vitamins and minerals for growing children. Each baby food or sandwich mix has calcium and vitamin D for bone formation, zinc and vitamin E for the immune system, magnesium and vitamin B6 which help concentration, as well as iron and vitamin C.

Without any associated profit, in 2016, a monthly average of 1.8 million units were sold, to make the total for the decade more than 200 million units.

Raising the awareness of society for this partnership is also seen as a supplementary factor in fighting malnutrition.

The programme *Sniadanie Daje Moc* (Breakfast Gives Strength, available at sniadaniedajemoc.pl) seeks to raise the awareness of children up to three years of age in partner primary schools, their parents and teachers, through pedagogic materials and in a playful manner, of the importance of the first meal of the day for a balanced nutrition and healthy growth.

The number of schools involved has increased 5.8% compared to the previous year and now stands at 7,826, which corresponds to more than 65% of the primary schools in the country. The programme covers 195,650 children, an increase of more than 13 thousand children, and its visibility has also increased by around 82%, with the presence of more than 2,500 published items in the written press, television, radio, Internet and social media.

Sniadanie Daje Moc

The programme *Sniadanie Daje Moc* (Breakfast Gives Strength) started in 2011, based on the World Food Day as a moment to raise awareness of healthy eating and the importance of breakfast as a meal for children.

On that day, in 2015, the Guinness World Record was broken for the largest food preparation class in multiple locations, recording 6,778 participants from 89 schools as part of the programme.

In the five years since it was set up, it has extended into year-round activities, involving parents and teachers and has become an essential element in fighting malnutrition – examples include the availability of educational material for lesson planning and competitions for classes, schools and students.

Pingo Doce and Biedronka Children's Literature Prizes

Aware that the promotion and dissemination of children's literature functions as a springboard for knowledge, critical spirit and creativity among younger generations, a decade ago Pingo Doce started to produce children and young people's books at prices affordable to all family budgets.

This strategy to promote reading has resulted in more than 350 exclusive titles launched in these 10 years, and more than 1,800 copies sold have been registered in the last three years.

As part of this, in 2014, Pingo Doce launched its Children's Literature Prize (premiodeliteraturainfantil.pt), aiming to establish itself as a promoter of new talents in the areas of writing and illustration. In 2016, the third edition of this Prize had more than 2,500 entrants from all over the country. In addition to the monetary value offered, 50 thousand euros shared equally between the text and illustration categories, the winners would also have the opportunity to publish and sell their first work in Pingo Doce stores.

After the success of the first edition of the Children's Literature Prize in Poland (piorko2016.biedronka.pl), which led to sales greater than 35 thousand copies for the winning work, a new edition was held in 2016. More than 5 thousand works were submitted for consideration, with the winning work published and sold exclusively in Biedronka stores.

8. Being a Benchmark Employer

8.1. Introduction

In a context of expansion of its activities in the geographies where the Group operates, in 2016 the focus was on creating employment opportunities through investment in programmes for attracting and retaining talent.

The Group created 7,206 jobs, representing a net increase of 8.1% compared to 2015. More than 1,000 internships and on-the-job training initiatives were also provided in the Group's different Companies.

In 2016, the Jerónimo Martins team was characterised by the following indicators:

- 96,233 people: 62,413 in Poland, 30,732 in Portugal and 3,088 in Colombia;
- 77% women;
- 66% of the management positions are held by women;
- 14% are under 25 years of age; 40% are aged between 25 and 34; 31% between 35 and 44; 12% between 45 and 54; 3% are aged 55 or over;
- 87% are hired on a full-time basis;
- 67% are permanent staff.

In 2016, the Group continued to develop its Human Resources policies and processes that are in different stages of maturity in its different countries, in order to increase the commitment of its employees.

8.2. Principles and Values

The Group's Code of Conduct reflects the principles and ethical values that guide behaviour and decisions across the entire organisation, including concerning the employees' conduct when carrying out their duties and in the relations with other stakeholders.

After having strengthened the disclosure of the Code of Conduct in the Companies in 2015, through an explanatory brochure and reinforced information circulated using the Group's internal and external communication channels, in order to ensure that fulfilment of those principles is continuously promoted, the document has a prominent position on the Intranet portal, which now covers all the countries in which the Group operates.

The Ethics Committee is the body responsible for impartially and independently monitoring the disclosure of and compliance with the Jerónimo Martins Group's Code of Conduct. Further information on the Code of Conduct and the Ethics Committee can be found at www.jeronimo-martins.pt.

Respect for Human and Worker's Rights

The Group operates in strict compliance with the national labour legislation of the countries in which it operates, namely, with the prior notice period established by law, with regard to changes of an operational nature.

Also concerning Human and Worker's Rights, the Group complies with international legislation and applies the guidelines of the United Nations Organisation and the International Labour Organisation.

Its activity is based on the principles of respect and decent treatment of each individual, both during the recruitment and selection processes and regarding professional development and performance appraisals, forbidding any direct or indirect discriminatory practice and fostering a culture of fairness and meritocracy.

The Group does not hire under-age employees and the risks arising from child labour and forced labour are duly safeguarded. In the same way, in the countries where the Group operates the rights of indigenous people are in no way put at risk by the activity of our Companies.

Freedom of Association and Collective Bargaining

The Group respects freedom of association and collective bargaining, as well as union activity within the terms established in the applicable legislation in each country, as set out in its Code of Conduct.

The collective bargaining agreement negotiated between the parties, only existing in Portugal for the time being, covers more than 90% of the employees in that country.

8.3. Communication with Employees

Aware of the challenges inherent to internationalisation, especially the need for its people to be aligned with the organisational culture, which includes the values and principles and the business context of the Group in 2016 the Group continued to invest in developing a multi-format communication strategy, making it possible to reach all emplyees, regardless of the place where they work.

Besides the internal magazines "A Nossa Gente" (Our People), in Portugal, and "Razem w JM" (Together with JM), re-launched in Poland, or the "Open Letter" which aims to disclose institutional messages featuring the Group's managers, of particular note is the Group's new Intranet – "Our JM" – available in all the countries and to all the employees who have a computer as a work tool. Along with the corporate content common to all countries, this internal network enables local content to be published, which is of specific interest to the employees of each country.

In Colombia, we would highlight "Ara TV", a channel available in the workplaces which ensures that training and informative content is broadcast to the employees.

In Portugal and Poland, employees have Assistance Services for clarifying any work-related issues and for receiving requests for social support, ensuring that such contacts are handled in accordance with the guarantees of confidentiality, independence and impartiality. These services aim to establish a close and trusting relationship with the employees and contribute towards the continuous improvement in their quality of life and their satisfaction at work.

In Colombia, a Comité de Convivencia Laboral (Committee for Labour Coexistence) is in place, in accordance with the applicable legislation, aimed at receiving and resolving employees' complaints, including cases of alleged or possible discrimination.

	Employee Assistance Service	
	No. of Contacts/Procedures Initiated	**% of Procedures Concluded**
Portugal	16,606	99.4%
Poland	5,054	96.4%

After carrying out the "Organisational Climate Questionnaire" amongst employees in all the Companies in Portugal, 2016 was the year for sharing the results obtained using an intensive plan of personal meetings with all the teams, aiming to celebrate the strengths and actively work on the identified points for improvement.

The same questionnaire will be implemented in Poland and in Colombia in 2017, thereby establishing a global programme that aims not only to listen to the employees, valuing their opinion and fostering a participative culture, but also to incorporate the results of the questionnaire in the Organisation's improvement and evolution process, through extensive discussion and by implementing action plans.

8.4. Attracting and Retaining Talent

Within the scope of the programmes for attracting new employees, internal and external recruitment and mobility best practices were identified, with the objective of making the respective alignment and ensuring that there is a continuous improvement to the effectiveness of these processes, as well as widened the variety of academic profiles which include not only the areas of Economics, Management, Engineering and Science, but also Arts and Humanities.

Likewise, the Group believes internal mobility to be an enabler of people's development and a driver of knowledge transfer between business areas.

Recruitment and Internal Mobility

The professional network LinkedIn continues to be a valuable tool as a means of attracting talent and for Employment Branding, with a substantial increase in the number of candidates recruited from this network and in the number of followers of the Group's page, which at the end of the year, already amounted to more than 87 thousand.

The Group continued with its talent attraction initiatives with universities, which due to both their teaching prestige and their geographical scope, ensure that these initiatives have national coverage and disclosure. Examples of these are job fairs, workshops, sponsorship of personal leadership and development events, open days, among others.

Also of particular note is the Jerónimo Martins Campus Ambassador, a programme in partnership with students from various faculties and universities, both in Portugal and Poland, where these students undertake to represent the Group on their campus and carry out various Employer Branding initiatives receiving in exchange, access to personal and professional development tools.

Talent Programmes

The Management Trainee Programme is the main strategic programme for attracting young talent to the Group, offering new Master's graduates a career in the Food Distribution business and the opportunity to acquire competencies and knowledge, through a unique combination of on-the-job experience and a dedicated training programme.

Counting almost 30 years of existence, in 2016, this programme took place for the third consecutive time and simultaneously in the three countries, involving a total of 65 trainees.

Also, the Summer Internship Programme, designed to offer students a unique learning experience enabling them to have a privileged perspective of the Group and which has made it possible to identify recruitment opportunities and candidates for the Management Trainee Programme, welcomed a total of 70 interns in Portugal and Poland, during the months of July and August.

Internal Mobility

As a reflection of the investment in internal mobility as a mean of boosting their development, during 2016 39,731 employees changed their position, workplace or joined a new Company within the Group.

During the year, the international mobility strategy was also consolidated, by increasing the number of expatriated employees to a total of 50. This mobility seeks to address specific business needs, by applying critical competencies, combined with creating individual development opportunities for all those who aspire to an international challenge.

There were also 8,714 promotions in the stores, the Distribution Centres and the Head Offices.

8.5. Development and Compensation

Endeavouring to overcome the challenges inherent to the Group managers' progression, we sought to gain further knowledge of their areas of competence and of their development needs, with a view to defining individual medium-term plans and succession plans for the business's critical positions.

The response to these challenges is a key part of all the Human Resources Management policies and so the performance management in 2016 was also adjusted in order to contribute more directly towards the business results.

With regard to remuneration, the Group has sought to follow fair and market-based remuneration policies in the different geographies where it operates.

Variable remuneration plays an important role in the Group's remuneration policy, being the instrument that guarantees the alignment of the policy with a culture of performance and meritocracy. In 2016, the total amount of awards attributed to the Group's employees amounted to 82 million euros. The Jerónimo Martins Group also provides a competitive benefits package considering the best market practices in the geographies.

8.6. Training

In 2016, the Group continued to strongly invest in developing its employees through training and knowledge-sharing programmes, focusing on already consolidated tailor-made programmes as one of its priorities.

At a global level, of particular note is the 4th edition of the Strategic Management Programme which was held with participants from the three countries. This is a programme developed by Universidade Católica de Lisboa and Kellogg School of Management, in Chicago, which aims to reinforce the organisational culture, promote knowledge-sharing and contribute towards a team spirit and innovation.

Cooperation with national and international benchmark training entities was maintained. In Portugal, with Católica Lisbon School of Business & Economics and the Nova School of Business and Economics;in Poland, with Warsaw University and Kozminsky Academy; and, at an international level, with Stanford University, London Business School, Kellogg School of Management, Babson College and Instituto Internacional San Telmo.

In Portugal, various programmes for developing management and leadership skills were continued, including of particular note:

- General Management Programme in Retail (GMPR), in partnership with Universidade Católica de Lisboa, focused on developing employees' common management competencies, as well as promoting innovation in responding to the specific business challenges;
- General Store Management Programme (GSMP) for future Pingo Doce deputy store managers and future heads of Perishables at Recheio;
- Advanced Store Management Programme (ASMP) for Pingo Doce store managers and deputy managers;
- Executive Management Programme (EMP), for current Recheio store managers;
- Sales Academy, for Recheio and Caterplus sales representatives;
- General Section Management Programme (GSEMP), for future Pingo Doce heads of section;
- Advanced Section Management Programme (ASEMP), for current Pingo Doce heads of section. With the objective of qualifying operators for the Perishables areas, the different Pingo Doce regions implemented various editions of courses for operators in the Butcher's, Bakery, Delicatessen and Take Away, Fishery, Fruit and Vegetables areas. There were 1,064 trainees on those courses, with a total of 252,257.5 hours of training.
- With a view to furthering technical competencies, a training partnership was also established with an external entityin the areas of Bakery and Meal Solutions, in the courses for Bread-Making Operators, Food Masters and Kitchen Masters.

Within the scope of the knowledge-sharing programmes, with a view to stimulating self-learning and informal learning, of note are the "JM Talks", a cycle of conferences encouraging discussion on world market trends which have an impact on the retail sector, thereby reinforcing the Organisation's culture.

Among other formats, we would highlight the "Leadership Talks", which cover the topic of universal leadership principles. Also noteworthy are the workshops that were held for the operations and Information Technology teams, focused on innovation, on the topic of "Customer Centricity" and on the methodology of Design Thinking.

The first edition of the "Jerónimo Martins Academic Thesis Programme" was launched, which combines knowledge from the academic world with experience from the business world, and aims to accompany university students while they develop their Master's or Doctoral theses in areas that respond to the business challenges identified by the Group.

The partnership that was established between the Group and Universidade de Aveiro celebrated its fifth anniversary, with new activities being introduced such as publicising the "Loja 2020" (Store 2020) ideas contest, open classes, the mentoring programme, professional internships, study visits and also the award of the "Jerónimo Martins Prize" to the two best students.

In Poland, the Biedronka Management Academy continued with the training programmes, comprising 1,897 employees on topics related to Leadership, and 137 employees in Talent Development in the Organisation programmes.

Also in this country, training focused on the strategic areas of Perishables, namely in the Fruit, Vegetables, Flowers and Butcher's categories, with the support of a wide team of trainers, reaching 37,442 employees. Following on from the changes that took places in Biedronka's operations, training sessions were developed in the Change Management area, which involved 506 employees.

Of note, still in Poland, is the implementation of an e-learning platform, a valuable support for the training strategy and for transmitting knowledge, which has all the advantages linked to digital format, such as the provision of content at the workplace.

At Hebe, the introduction of e-learning since September has allowed the dynamization of 2,220 hours of training in several areas of customer service, cosmetics, among others.

For the new admissions, the training in customer service and "cosmetology" stands out in order to guarantee the best advice of the clients.

The Hebe Academy also developed a training program for managers and deputy store managers, composed of two distinct modules: "How to Manage" and "How to Teach", which included 64 employees.

In Colombia, training in Store Operations totalled 472,283 hours of training. The Bakery area was considered a priority and so, a competency centre was created and training was reinforced about this dimension.

In addition to being a communication channel, Ara TV was an effective training tool along with the introduction of other teaching tools, including the revision of manuals.

The 1st edition of the Innovation Programme was launched, resulting in more than 360 innovative ideas from employees from the stores, Distribution Centres and head-offices.

Overall, in 2016, the effort of investing in training resulted in an increase of 35% in the total number of training sessions held, while the training volume rose 52% compared to the previous year.

Training Indicators	2016	2015	Δ2016/2015
Total No. Sessions	67,063	49,752	35%
Training Volume*	3,954,810	2,605,285	52%

** Training volume = No. training hours x No. employees in training*

Programmes for Joining the Job Market

The Group continued with its programmes for joining the job market of groups of more vulnerable people in Portugal, through partnerships with organisations and teaching institutions, which promote social inclusion.

The objective is to make it possible, for certain groups of citizens who are especially vulnerable in terms of access to the job market, to attend on-the-job training.

The following programmes are highlighted in 2016:

- Serviço Jesuíta aos Refugiados (JRS – Refugee Support Service) – at the end of the "Capacitação 4 Job" (Training for Job) programme financed by European Economic Area Grants, a fund managed in Portugal by Fundação Calouste Gulbenkian, which integrated 36 young migrants;
- Casa Pia de Lisboa – during the 5th year of cooperation, 17 young people had access to on-the-job training, as a complement to their training paths;
- Associação Portuguesa de Síndroma de Asperger (APSA – Portuguese Association of Asperger Syndrome) – by integrating two young people in practical on-the-job training to acquire personal, relational, technical and professional skills, in the Odivelas Central Kitchen, which resulted in one of the young people being hired;
- Girl Move – two young Mozambican women graduates were taken in, who had the opportunity of an internship at the Group, which was part of a programme for promoting female leadership;
- BIPP – Banco de Informação de Pais para Pais (Parents to Parents Information Bank) – developed the "Projecto Semear", by integrating

Support for the Inclusion of Young Migrants

In order to support the inclusion in the Portuguese society of migrants from countries affected by extreme poverty, hunger or political conflicts, Jerónimo Martins integrated, for training in the store and in the Central Kitchen of Odivelas, young people between the ages of 18 and 30 of age.

In collaboration with JRS - Serviço Jesuíta aos Refugiados (Refugee Support Service), during 18 months it was possible to offer 36 people the opportunity to obtain a training course in a real work context and to develop technical and relational skills of socialization.

22 young people were hired by the Group.

12 young people with intellectual development difficulties in on-the-job practical training in Pingo Doce and Recheio stores, as a complement to their formative processes;

- Rumo, Cooperativa de Solidariedade Social – nine young people with slight disabilities had access to practical on-the-job training in Pingo Doce stores, to complement their formative paths.

In Colombia, Ara's partnership with SENA – Servicio Nacional de Aprendizaje (National Learning Service) – enabled 94 students to attend on-the-job training.

8.7. Safety in the Workplace

With the motto "Safety starts with each of us", in Portugal, the Prevention and Safety in the Workplace 2016 Campaign was launched, based on topics such as load handling, the use of protective equipment and the organisation of work spaces. Within the campaign's dynamics, of particular note, among others, were the prevention and training programmes specifically for all heads of Perishables and area supervisors.

An integral part of the campaign was the Safety in the Workplace Award, which aimed to acknowledge the employees from stores with the best performance in adopting preventative workplace accident measures.

World Safety in the Workplace Day was commemorated on "Safety Day" (the Group's 3rd HSW Meeting), where there were guest speakers from the Authority on Working Conditions and the Directorate-General for Health. The meeting stood out for its focus on the need to confer authority on the Safety Deputy, the employee responsible in the workplace for ensuring that actions are implemented aiming to improve working conditions.

In accordance with a legal precept, in Portugal all employees were consulted regarding Health and Safety in the Workplace conditions, with the objective of helping to contribute towards a safer working environment for everyone.

In Poland, there was a reduction in the number of workplace accidents which was due to the various prevention campaigns concerning the most common accidents, as well as the training sessions for Operations and the development of new versions of the internal safety in the workplace manuals, among other initiatives.

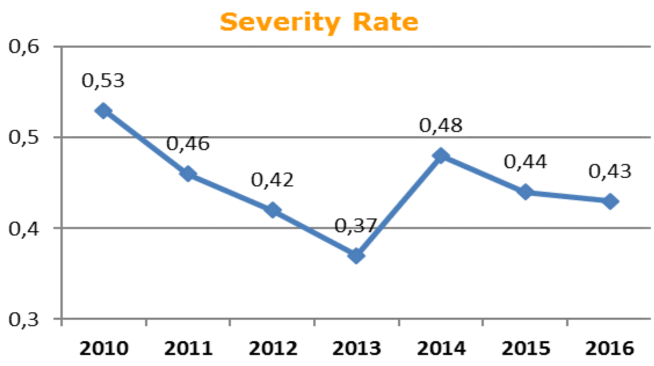
In 2016, Biedronka obtained the certification of the OHSAS 18001 standard regarding its system of management of health and safety at work, process conducted by Det Norske Veritas. The application of this standard benefits, among others, the continuous improvement of the health and safety management system at work in order to prevent, minimize or eliminate risks to the physical health of employees.

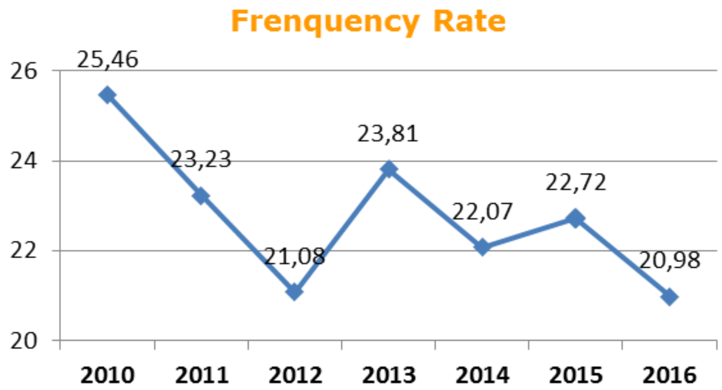
Also of note is the Company's participation in various educational initiatives related to safety in the workplace, such as Biedronka's first aid competition and participation in the Ministry of Health's public surveys.

Health and Safety in the Workplace is also a priority in Colombia and so the following prevention campaigns were launched: "I'm Committed" (Yo Me Comprometo), aimed at employees in the stores and Distribution Centres, with the objective of obtaining their cooperation in defining Safety in the Workplace best practices and in adopting appropriate safety behaviour.

Also with regard to the operational and administrative areas, the "I choose to look after myself for me and my family" *(Yo elijo cuidarme por mí y por mi familia)* campaign was launched, which was used to promote the adoption of healthy lifestyle habits when carrying out daily work tasks and to reinforce the prevention of workplace accidents.

Aggregate Safety in the Workplace Indicators





Scope	Training Hours	Simulations	Audits
Portugal			
Distribution	19,119	246	648
Restaurants and Services	40	-*	68
Poland	29,897	2,148	953
Colombia	2,500	204	240

* Not obligated by law.

In addition, in 2016, 24,994 health check-ups were carried out in Portugal, 66,330 in Poland and 1,626 in Colombia.

8.8. Internal Social Responsibility

The Group's Internal Social Responsibility area continued with the strategy for implementing programmes and initiatives that aim to improve the quality of life of the employees and their families in three fundamental areas; Health, Education and Family Well-being. The investment in these programmes totalled over 16.6 million euros.

Health

In 2016, the 3rd edition of the "SOS Dentista" (SOS Dentist) programme was launched in Portugal, which aims to support employees with less income in carrying the burden of their dental treatment and, simultaneously, to promote oral health, thereby helping to improve their quality of life. There were 1,500 and 678 employees have concluded their treatments.

Despite the improvement seen over the last few years, Portugal is still classified as a country with moderate severity regarding child dental decay, which is why the SOS Dentista Júnior Programme" (SOS Dentist Junior) was launched, which is for employees' children between the ages of 7 and 17. A total of 500 children joined the programme and 219 were screened.

The "Mais Vida" (More Life) programme, which provides family support to the cancer patient, was also extended to the entire country. Through this programme, employees, spouses and children benefit from the services of a second medical opinion at an international benchmark institution (Fundação Champalimaud), from psychological support for the entire family unit, from transport for consultations and/or treatment (through the Portuguese Red Cross) and also from home support.

The "Famílias Especiais" (Special Families) programme, which is for families with children and young people with neurological diseases provided complementary support to that offered by the National Health System, namely specific therapies (Hydrotherapy and Riding Therapy), therapies at home (Physiotherapy, Speech Therapy and Occupational Therapy) and rest for the carer at home.

It should also be highlighted that, within the scope of the partnership with Raríssimas - Associação Nacional de Deficiências Mentais e Raras (Portuguese Association of Mental and Rare Disabilities) which is targeted at employees' children bearers of rare diseases, support was extended geographically, leading to completely free consultations and treatment.

The employees continue to highly value the protocol with the Lusíadas Saúde Group, as it enables them to have access to specialist consultations and treatment at a benchmark medical institution in Portugal, at competitive prices.

The "Psicologia Infantil e Juvenil" (Child and Youth Psychology) programme aims to support children and young people with growth and development difficulties, through follow-up by a specialised professional. Within the scope of this programme, 158 children/young people received follow-up.

In Poland, the "Let's Take Care of our Health Together" programme enabled around 3,500 employees to perform more than 17,500 free health screenings, being introduced new diagnosis specialties, such as nutrition, dermatology, gynaecology and specific exams according to gender.

Through the "Apoio a Crianças com Necessidades Especiais" (Support to Children with Special Needs) programme, 200 employees received financial support to cover expenses with medicines, consultations, rehabilitation and therapy, medical equipment or surgery. In addition, three holiday camps were held, where 70 children with physical disabilities, autism or respiratory diseases participated.

In 2016, the Group invested over 1.3 million euros in promoting the health of its employees and their families.

Education

The education support programmes continued, with a special note for the "Bolsas de Estudo" (Scholarships), which are already in their 6th edition. This is support given to employees and their children who, despite not having the necessary financial means, wish to enrol or re-enrol in higher education. 90 scholarships were attributed for the 2016/2017 academic year. Since being launched, 332 scholars have already benefited from this measure.

Within the scope of the "Regresso às Aulas" (Back to School) campaign, 4,358 school kits were offered to employees' children in Portugal and in Poland who started the 1st year of schooling.

In 2016, around 2,500 children participated in the Summer Holiday Camps, both in Portugal and in Poland. Also in 2016, "Hello Biedronka" holiday camps and an "English Summer Camp" were organised for learning English and in which 120 children participated.

Also in Poland, the "To School with Biedronka" programme continued, whereby support was given to around 2,700 families without financial means, to cover the school expenses.

In 2016, over 1.3 million euros was invested in promoting education to the universe of our employees.

Family Well-Being

In Portugal, the Group's Social Emergency Fund supported 783 employees, corresponding to an investment of 560 thousand euros, divided between support for food, health, education, legal advice and financial guidance. This Fund provides professional follow-up by five social workers from the Group, thereby ensuring, on one hand, a rapid and efficient response and, on the other, a more assertive response to the more critical cases. In 2016, the social workers provided follow-up to 404 cases of social support.

In Poland, the "You Can Count on Biedronka" programme supported more than 4,300 employees in situations of economic difficulty.

Also in Poland, a pre-paid card to provide financial support to employees was implemented, as well as a new external portal especially for all those who do not have access to a computer in their place of work, thereby enabling them to find all the information about the internal social responsibility programmes.

Children's Day and Christmas were celebrated with 27 thousand gifts being distributed in Portugal and more than 90 thousand in Poland. More than 4,600 Baby Kits were also attributed in the two countries.

In order to publicise the more than 180 existing protocols in Portugal, communication was strengthened through the Group’s intranet.

In 2016, around 14 million euros were invested in the Family Well-Being pillar.

9. Commitments for 2015-2017

Action pillars	Commitments for 2015-2017	Progress
Promoting Good Health through Food	Further improve the nutritional profile of both the Private Brand products, through product innovation and reformulation, and in the Meal Solutions meals.	In progress. In 2016, the Group prevented 152 tonnes of fat, 142 tonnes of sugar and 31 tonnes of salt from entering the market, which encompasses the reformulations that were made within the scope of the Meal Solutions business unit. In the case of the latter, in 2016, we endeavoured to eliminate fried ingredients or replace them with other healthier alternatives, and also sought to reduce the amount of oil present. Another focus of concern was the level of salt, having launched salt-free soups. By reformulating some recipes, it was possible to avoid placing on the market over a tonne of fat, over 685 kilograms of salt and more than four tonnes of sugar in this business segment. For detailed information on the innovation and reformulation of Private Brand products, please refer to subchapter 4. "Promoting Good Health through Food".
	Continue to develop programmes promoting the Mediterranean Diet and awareness for reading food labels amongst consumers.	In progress. In Portugal, Pingo Doce maintained its commitment to the magazine "Sabe Bem" (Tastes Good) with an average print run of 150 thousand copies, highlighting healthier ways of preparing products and the offer of the Pingo Doce brand. In Poland, within the scope of promoting information about nutrition, in conjunction with Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), Biedronka developed the "Wiesz Co Jesz" (Know What You're Eating) campaign, whereby it provided a special telephone line to advise consumers on making healthier nutritional choices. For further information about campaigns carried out please refer to subchapter 4. "Promoting Good Health through Food".
	Increase the number of references of the lactose-free and gluten-free range, in Private Brand products in Portugal and Poland.	In progress. This year, 24 gluten-free product references and 10 lactose-free references were launched in Poland. In Portugal, five references of the brand Pura Vida "0% Lactose" were launched.
	In Portugal, ensure that products intended for children have a higher nutritional profile than the market benchmark.	In progress. Seeking to offer products to new-born babies, the Farinha Láctea Pêra Pingo Doce was launched for babies from the age of four months, which is gluten-free and contains transition milk. It has a 9 p.p lower sugar content than the benchmark. As for the

Action pillars	Commitments for 2015-2017	Progress
		Bolsas de Fruta, these products are made from fruit puree, standing out from the benchmark which uses concentrate. In turn, Bebidas de Soja Kids contain vitamins B1, E, D or iodine, differentiating from the benchmarks.
	In Portugal, develop and implement nutritional information in the Meal Solutions area.	Accomplished. Within the scope of adapting to national and community regulations, the Meals Solutions' meals were labelled with information on their nutritional profiles, and are available for consultation at the customer's request, and communication materials were also developed in the service areas in order to publicise the legally required aspects concerning allergens.
	In Portugal, in the Meal Solutions area, test meals for consumers with special dietary requirements or those who seek other dietary options.	In progress. During 2016, the offer of meals for vegetarians or consumers seeking healthier options increased from seven references to 12. Every week three of these kinds of dishes were available in the Pingo Doce Restaurants and Take Away.
	In Portugal, continue to develop and implement nutritional information in the Bakery.	Accomplished. Within the scope of adapting to national and community regulations on nutrition profiles and communication of allergens, Pingo Doce labelled its pre-packed Bakery and Pastry products and those packed on request by the customers, with the necessary information.
Respecting the Environment	Reduce the Group's carbon footprint by 2% in the 2015-2017 three-year period (per €1,000 of sales), compared to 2014.	In progress. 2016: carbon footprint increased 10.1% 2015: carbon footprint decreased 5.8%
	Make an annual reduction in the consumption of water and electricity of 2% per year (comparing the same store network in Portugal and Poland).	In progress. 2016 – Water: -0.6%; Electricity: +0.8% 2015 – Water: +1.5%; Electricity: +1.0%
	Reduce the amount of waste sent to landfill by 5 p.p. in the 2015-2017 three-year period, compared to 2014 (objective measured using the ratio amount of waste recovered / total amount of waste).	In progress. 2016: waste recovery rate increased 1.2 p.p. 2015: waste recovery rate decreased 0.6 p.p.
	Increase the number of locations with environmental certification (at least 20).	In progress. The number of DC in Portugal with environmental certification remained at four. In Poland there are 15 DC with environmental certification.
Sourcing Responsibly	In all brands, ensure continuity of the sourcing of at least 80% of food products from local suppliers.	In progress. In 2016, the Food Distribution banners in Portugal, Poland and Colombia fulfilled this commitment by buying over 80% of food products from local suppliers.

Action pillars	Commitments for 2015-2017	Progress
	Continue to introduce sustainability certificates (UTZ certification, Fairtrade, MSC, EU-Ecolabel or others) for at least: • Private Brand (two products); • Perishables (four products).	Accomplished. In 2016, the following were launched: • 13 Private Brand references with UTZ certified cocoa (12 at Biedronka and one at Pingo Doce); • eight references of Private Brand fish products with Marine Steward Council certification (Biedronka); • five references of perishables with European Union Organic Farming certification (Pingo Doce); • four references of Private Brand tea with the Rainforest Alliance certified seal (Biedronka); • one reference of coffee Fairtrade certification (Pingo Doce); • one reference with the EU-Ecolabel ecological certification (Pingo Doce).
	Reduce by 5% the presence of palm oil in the total sales of Private Brand products. Reduce by 5% soya, beef, wood and paper products from countries at risk of deforestation.	In progress. The calculation of the presence of palm oil and the assessment of the countries of origin of the production of these commodities are made when preparing the Group's official response to the Carbon Disclosure Project (CDP) index, in the "Forests" segment. In 2015, the Group reduced the following (in weight): • the presence of palm oil by 18% in the total sales of Private Brand products; • the Private Brand products containing soya (-35%), beef (-90%) and wood (-90%), from countries at risk of deforestation. For further details on the Group's actions in this area, namely the 2016 progress, information will be provided during 2017 at www.jeronimomartins.pt and at www.cdp.net.
Supporting Surrounding Communities	Monitoring and disclosure of the social impacts resulting from the support offered, according to the LBG (London Benchmarking Group) model.	Accomplished. The results relating to 2015 were disclosed by the Group at www.jeronimomartins.pt.
	In Portugal, start at least one project of community investment per year, aimed at children, young people or older people from vulnerable environments.	Not accomplished. In 2016, support to the community project Academia do Johnson was maintained, which commenced the previous year. For further details on the activity of this institution, please refer to subchapter 7. "Supporting Surrounding Communities".

Action pillars	Commitments for 2015-2017	Progress
	In Poland, strengthen the involvement in social projects, focused on children, young people and older people from vulnerable environments.	Accomplished. Various social projects were continued, including "Hope for the Euro", that aims to contribute towards the development of institutionalized children from families with economic difficulties. Biedronka continued to participate in two projects on the Partnership for Health platform: "Milk Start" and "Breakfast Gives You Strength".
	In Poland, further develop the programme to combat child malnutrition, under the project *Partnerstwo dla Zdrowia* (Partnership for Health): - increase the number of schools by at least 5% in each academic year.	Accomplished. On this multi-stakeholder platform, the number of schools involved in 2016 increased by 5.8% compared to the previous academic year, reaching 7,826, which is the equivalent of more than 65% of the country's primary schools. The programme encompassed 195,650 children, an increase of over 13 thousand children.
	In Colombia, continue to support the programme *Madres Comunitarias* (Community Mothers), supporting two community nurseries, for each Ara store opened.	Not accomplished. Support through the regular provision of foodstuffs to 262 community nurseries was maintained, the same number as in 2015, despite the expansion of the Ara stores, due to the programme having been redefined at a government level. The number of children supported increased from 3,400 in 2015 to 3,668, an increase of 8%. The volume of foodstuffs offered also increased by 55% compared to 2015.
	In Colombia, extend the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages) and Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) for the donation foodstuffs.	Accomplished. The Aldeas Infantiles SOS Colombia (SOS Children's Villages) project was extended to Ara's third operating region, in Bogotá. As indirect support, through the voluntary rounding up of the value of customers' purchases for this cause, which was in excess of 51 thousand euros, it was possible to ensure that important support was given to 1,654 children and young people from 2,138 families from all the regions covered. Support to Abaco - Asociación de Bancos de Alimentos de Colombia (Colombian Association of Food Banks) was materialised through the donation of more than 30 tonnes of food surplus, the equivalent of over 81 thousand euros that reached an average of 790 people each month.

Action pillars	Commitments for 2015-2017	Progress
Being a Benchmark Employer	Following the commitments made for the previous three-year period and with the continued tough and very challenging economic environment for the employees' families, particularly in Portugal and in Poland, the strategic focus will remain on: i. continuously improving the employees' working conditions; ii. supporting the quality of life of our families in the different geographical areas in which we operate.	In progress. With regard to safety in the workplace, the severity indices recorded the best performance since 2010, achieving 20.98 points, a result which is due to the employees' performance and to the Group's investment in training sessions, simulations, awareness campaigns and audits. The "SOS Dentista Júnior" (SOS Dentist Junior) programme was launched, which is for employees' children between the ages of 7 and 17. 279 children began treatment under this programme. The "Mais Vida" (More Life) programme, which provides family support to the cancer patients, was extended throughout the country. To find out more, please refer to subchapter 8. "Being a Benchmark Employer".

10. The Global Compact Principles

	The United Nations' Global Compact Principles	Jerónimo Martins Annual Report
1	Businesses should support and respect the protection of internationally proclaimed human rights	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
2	Make sure that businesses are not complicit in human rights abuses	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 6. "Sourcing Responsibly" and subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 6. "Sourcing Responsibly" and subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 6. "Sourcing Responsibly" and subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
5	Businesses should uphold the effective abolition of child labour.	Chapter V – "Corporate Responsibility in Value Creation"; subchapter 6. "Sourcing Responsibly" and subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".
7	Businesses should support a precautionary approach to environmental challenges.	Chapter IV. "Corporate Governance"; Part I, section C, subsection III. Chapter V. "Corporate Responsibility in Value Creation"; subchapter 5. "Respecting the Environment".
8	Businesses should undertake initiatives to promote greater environmental responsibility.	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 5. "Respecting the Environment" and subchapter 6. "Sourcing Responsibly".
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	Chapter V. "Corporate Responsibility in Value Creation"; subchapter 5. "Respecting the Environment" and subchapter 6. "Sourcing Responsibly".
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter IV. "Corporate Governance"; Part I, section C, subsection III. Chapter V. "Corporate Responsibility in Value Creation"; subchapter 8. "Being a Benchmark Employer", section 8.2. "Principles and Values".

VI.

Individual Financial Statements

Jerónimo Martins, SGPS, S.A.
Public Company
Registered at the Commercial Registry Office
and Tax Number: 500 100 144
Share Capital EUR 629,293,220
Rua Actor António Silva, N.º 7
1649 - 033 LISBOA

JERÓNIMO MARTINS

INCOME STATEMENT BY FUNCTIONS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	2016	2015
Services rendered	28	20,797	19,619
Cost of the services rendered	3	(13,719)	(12,942)
Gross profit		**7,078**	**6,677**
Other operating revenues	3	102	769
Administrative costs	3	(10,737)	(6,102)
Other operating costs	3	(7,250)	(6,485)
Exceptional operating profits (losses)	3	(261)	150
Operating profit		**(11,068)**	**(4,991)**
Net financial costs	5	(105)	120
Gains (losses) in subsidiaries	8	360,002	266,231
Gains (losses) in other investments	9	(295)	194
Profit (loss) before taxes		**348.534**	**261,554**
Income taxes	7.1	2,111	(1,066)
Net profit (loss)		**350,645**	**260,488**
Basic and diluted earnings per share – euros	20	0.558	0.415

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	2016	2015
Net profit (loss)		**350,645**	**260,488**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	4.2	(641)	(770)
Related tax	7.3	144	173
		(497)	**(597)**
Items that may be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets	15	297	(94)
Related tax	7.3	(67)	21
		230	**(73)**
Other comprehensive income, net of taxes		**(267)**	**(670)**
Total comprehensive income for the year		**350,378**	**259,818**

To be read with the attached notes to the Individual Financial Statements

BALANCE SHEET AS AT 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	2016	2015
Assets			
Tangible assets	10	725	601
Intangible assets	11	1,221	431
Investment property	12	2,470	2,470
Investments in subsidiaries	13	665,016	667,946
Loans to subsidiaries	14	500,840	664,050
Available-for-sale financial assets	15	80	274
Deferred tax assets	7.3	5,600	5,496
Other debtors	16	19,367	19,367
Total non-current assets		**1,195,319**	**1,360,635**
Income tax receivable	7.4	73	166
Loans to subsidiaries	14	93,445	27,300
Trade debtors, accrued income and deferred costs	16	15,288	13,212
Cash and cash equivalents	17	120,910	122
Total current assets		**229,716**	**40,800**
Total assets		**1,425,035**	**1,401,435**
Shareholders' equity and liabilities			
Share capital	19.1	629,293	629,293
Share premium	19.1	22,452	22,452
Own shares	19.2	(6,060)	(6,060)
Other reserves	19.3	-	(230)
Retained earnings	19.4	745,814	562,201
Total shareholders' equity		**1.391.499**	**1,207,656**
Borrowings	21	-	100,000
Employee benefits	4.2	18,745	18,923
Provisions for risks and contingencies	22	5,464	5,016
Deferred tax liabilities	7.3	584	1,300
Total non-current liabilities		**24,793**	**125,239**
Trade creditors, accrued costs and deferred income	23	8,743	6,688
Borrowings	21	-	61,852
Total current liabilities		**8,743**	**68,540**
Total shareholders’ equity and liabilities		**1,425,035**	**1,401,435**

To be read with the attached notes to the Individual Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Shareholders' equity
Balance as at 1st January 2015		**629,293**	**22,452**	**(6,060)**	**(157)**	**691,939**	**1,337,467**
Change in fair value of available-for-sale financial assets							
- Gross amount	15				(94)		(94)
- Deferred tax	7.3				21		21
Remeasurements of post-employment benefit obligations							
- Gross amount	4.2					(770)	(770)
- Deferred tax	7.3					173	173
Other comprehensive income		**-**	**-**	**-**	**(73)**	**(597)**	**(670)**
Net Profit in 2015						260,488	260,488
Total comprehensive income		**-**	**-**	**-**	**(73)**	**259,891**	**259,818**
Dividend payment	19.5					(389,629)	(389,629)
Balance as at 31st December 2015		**629,293**	**22,452**	**(6,060)**	**(230)**	**562,201**	**1,207,656**
Change in fair value of available-for-sale financial assets							
- Gross amount	15				297		297
- Deferred tax	7.3				(67)		(67)
Remeasurements of post-employment benefit obligations							
- Gross amount	4.2					(641)	(641)
- Deferred tax	7.3					144	144
Other comprehensive income		**-**	**-**	**-**	**230**	**(497)**	**(267)**
Net profit in 2016						350,645	350,645
Total comprehensive income		**-**	**-**	**-**	**230**	**350,148**	**350,378**
Dividend payment	19.5					(166,535)	(166,535)
Balance as at 31st December 2016		**629,293**	**22,452**	**(6,060)**	**-**	**745,814**	**1,391,499**

To be read with the attached notes to the Individual Financial Statements

CASH FLOW STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

Euro thousand

	Notes	2016	2015
Operating activities			
Cash received from customers and other debtors		23,696	24,475
Cash paid to suppliers		(21,848)	(18,561)
Cash paid to employees		(12,796)	(10,023)
Cash generated from operations	18	(10,948)	(4,109)
Interest and other similar costs paid	5	(212)	(133)
Income taxes		753	2,404
Cash flow from operating activities		**(10,407)**	**(1,838)**
Investment activities			
Disposal of investments in subsidiaries	13	306,460	-
Repayment of loans and capital contributions from subsidiaries	14	53,595	25,550
Disposals of tangible assets	10	2	9
Interest received	8	4,636	6,410
Dividends received	8	280,000	259,900
Loans and capital contributions given to subsidiaries	14	(184,530)	(111,400)
Acquisition of tangible assets	10	(302)	(218)
Acquisition of intangible assets	11	(632)	(265)
Cash flow from investment activities		**459,229**	**179,986**
Financing activities			
Received from loans	21	-	161,852
Interest and similar income received	5	353	338
Repayment of loans	21	(161,852)	-
Dividends paid	19.5	(166,535)	(389,629)
Cash flow from financing activities		**(328,034)**	**(227,439)**
Net changes in cash and cash equivalents		**120,788**	**(49,291)**
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		122	49,413
Net changes in cash and cash equivalents		120,788	(49,291)
Cash and cash equivalents at the end of the year	**17**	**120,910**	**122**

To be read with the attached notes to the Individual Financial Statements

Index to the Notes to the Individual Financial Statements **Page**

1. Activity

Jerónimo Martins, SGPS, S.A. (JMH) is the parent Company of Jerónimo Martins Group (Group). Its activity consists mostly of managing its investment portfolio. The activities of the Group and its performance during the year 2016 are detailed in Chapter II of this Annual Report.

Head Office: Rua Actor António Silva, n.º 7, 1649-033 Lisboa

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office and Tax Number: 500100144

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Individual Financial Statements on 21 February 2017.

2. Accounting policies

The most significant accounting policies are described in the notes to these Financial Statements. The accounting policies identified in this note are applied across the preparation of the Financial Statements. These policies were consistently applied in comparative periods, except where otherwise stated.

2.1 Basis for preparation

All amounts are shown in thousand euros (EUR thousand) unless otherwise stated.

The Individual Financial Statements of JMH were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as at 31 December 2016.

The Financial Statements were prepared in accordance with the historical cost principle, except for investment property, financial assets at fair value through profit or loss, and available-for-sale financial assets, which were measured at fair value.

The preparation of Financial Statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. However, Management firmly believes that the estimates and assumptions adopted do not involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities (note 2.8).

Change in accounting policy and basis for presentation

2.1.1 New and amended standards adopted by JMH

In 2015 and 2016, the EU issued the following Regulations, which were adopted by JMH from January 1, 2016:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 28/2015	Annual Improvements to IFRS's 2010–2012 Cycle: IFRS 2 Share-Based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets (amendment)	December 2013	1 February 2015
Regulation no. 29/2015	IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions (amendment)	November 2013	1 February 2015
Regulation no. 2113/2015	IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants (amendment)	June 2014	1 January 2016
Regulation no. 2173/2015	IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations (amendment)	May 2014	1 January 2016
Regulation no. 2231/2015	IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)	May 2014	1 January 2016
Regulation no. 2343/2015	Annual Improvements to IFRS's 2012–2014 Cycle: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting (amendment)	September 2014	1 January 2016
Regulation no. 2406/2015	IAS 1 Presentation of Financial Statements: Disclosure Initiative (amendment)	December 2014	1 January 2016
Regulation no. 2441/2015	IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements (amendment)	August 2014	1 January 2016
Regulation no. 1703/2016	IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities - Applying the Consolidation exemption (amendment)	December 2014	1 January 2016

JMH adopted the new amendments, with no significant impact on its Individual Financial Statements.

2.1.2 New standards, amendments and interpretations endorsed by EU but not effective for the financial year beginning 1 January 2016 and not early adopted

The EU adopted in 2016 several new standards, issued by the International Accounting Standards Board (IASB), to be applied in subsequent periods:

EU Regulation	IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	Mandatory for financial years beginning on or after
Regulation no. 1905/2016	IFRS 15 Revenue from Contracts with Customers (new)	May 2014	1 January 2018
Regulation no. 2067/2016	IFRS 9 Financial Instruments (new)	July 2014	1 January 2018

These new standards are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these Individual Financial Statements. None of these standards is expected to have a significant impact on JMH Individual Financial Statements.

2.1.3 New standards, amendments and interpretations issued by IASB and IFRIC, but not yet endorsed by EU

IASB issued in 2014 and 2016 the following standards, amendments and interpretations that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 14 Regulatory Deferral Accounts (New)	January 2014	To be decided[1]
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	September 2014	To be decided[2]
IFRS 16 Leases (new)	January 2016	1 January 2019
IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (amendment)	January 2016	1 January 2017
IAS 7 Statement of Cash Flows: Disclosure Initiative (amendment)	January 2016	1 January 2017
IFRS 15 Revenue from Contracts with Customers: Clarifications (amendment)	April 2016	1 January 2018
IFRS 2 Share-based Payment: Classification and Measurement of Transactions (amendment)	June 2016	1 January 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendment)	September 2016	1 January 2018
Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 12 Disclosure of Interests in Other Entities (amendment)	December 2016	1 January 2017
Annual Improvements to IFRS's 2014–2016 Cycle: IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (amendment)	December 2016	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration (new)	December 2016	1 January 2018
IAS 40 Investment Property: Transfers (amendment)	December 2016	1 January 2018

[1] The EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
[2] The EU, as well as IASB, decided to defer indefinitely the endorsement of these changes.

The Management is currently evaluating the impact of adopting these new standards, amendments and interpretations to standards already in place, not being expected so far a significant impact on JMH Individual Financial Statements.

2.1.4 Change of accounting policies

In addition to the above, JMH has not changed its accounting policies during 2016, nor were any errors identified regarding previous years, which would require the restatement of Financial Statements.

2.2 Transactions in foreign currencies

Transactions in foreign currencies are translated into euros at the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate prevailing on that date, and exchange differences arising from this conversion are recognised in the income statement, except when qualifying as cash flow hedges, for which the exchange differences are deferred in equity or when classified as available-for-sale financial assets, which are equity instruments.

2.3 Investments and loans to subsidiaries

Subsidiaries are all entities over which JMH has control. JMH controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and when it has the ability to affect those returns through its power over the entity.

Investments and loans to subsidiaries are stated at cost. When so justified, adjustments for impairment losses are set up, namely when the financial shareholdings register significant deterioration in their financial position and the impairment tests performed by JMH conclude that it is necessary to recognise impairment losses in respect of investments and other net assets (note 2.5).

2.4 Financial assets

Financial assets are recognised in the JMH balance sheet on their trade or contracting date, which is the date on which JMH commits to acquire an asset. Financial assets are initially recognised at their fair value plus directly attributable transaction costs, except for financial assets carried at fair value through profit and loss in which the transaction costs are immediately recognised in the results. These assets are derecognised when: i. JMH contractual rights to receive their cash flows expire; ii. JMH has substantially transferred all the risks and rewards of ownership; or iii. although JMH has transferred control over the assets, it retains a portion but not substantially all the risks and rewards of ownership.

Financial assets and liabilities are offset and presented by their net value only when JMH has the right to offset the amounts recognised and has the intention to settle on a net basis.

JMH classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which they were acquired.

Financial assets at fair value through profit or loss

A financial asset is recognised in this category if it was classified as held for trading or is designated as such on initial recognition. Financial assets are held for trading if acquired with the principal intention of being sold in the short term. This category also includes those derivatives that do not qualify for hedge accounting.

The gains and losses of changes in the fair value of financial assets measured at fair value through profit and loss are recognised as net financial costs in the results of the year in which they occur, where interest received and dividends are also included.

Loans and receivables

These correspond to non-derivative financial assets, with fixed or determined payments, that are not quoted in an active market. The assets are those that result from the normal operational activities of JMH, in the supply of services, and that JMH has no intention of selling. Subsequently, loans and receivables are measured at amortised cost in accordance with the effective interest rate method.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

The available-for-sale financial assets are non-derivative financial assets that: i. JMH intends to maintain for an indeterminate period of time; ii. are designated as available for sale when they are first recognised; or iii. they do not fit into the above mentioned categories. They are recognised as non-current assets, unless there is the intention to sell them within 12 months of the balance sheet date.

Equity holdings other than in subsidiaries, joint ventures or associates are classified as available-for-sale financial assets and included within non-current assets.

These financial assets are initially recognised at fair value increased by transaction costs. Subsequent fair value changes are recognised directly in other reserves until the financial asset is sold, received or in some way derecognised, at which time the accumulated gain or loss previously recognised in equity is included in income for the period. The dividends of equity holdings classified as available-for-sale are recognised in gains in other investments, when the right to receive the payment is established.

Available-for-sale financial assets related to equity holdings are recognised at cost when the fair value cannot be reliably determined.

2.5 Impairment

2.5.1 Impairment of non-financial assets

Except for investment property (note 12) and deferred tax assets (note 7.3), all other JMH assets, essentially investments in subsidiaries, are considered at each balance sheet date in order to assess for indicators of possible impairment losses. If such indicators exist, the asset’s recoverable amount is estimated.

In the impairment tests for investments in subsidiaries, the inputs of these valuations for calculation of the value in use are determined by past performance and the expectation of market development for each business area. Based on future cash flow projections, for a five year period, and on medium and long term plans approved by the Board of Directors.

The recoverable amount of assets with indicators of potential impairment loss is determined annually. Whenever the carrying value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount and the impairment is recognised in the income statement.

Determining the recoverable amount of assets

The recoverable amount of non-financial assets corresponds to the higher amount of fair value less costs of disposal and value in use.

The value in use of an asset is calculated as the present value of estimated future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

The recoverable amount of assets that do not generate independent cash flow is determined together with the cash-generating unit to which these assets belong.

Reversal of impairment losses

Impairment losses are reversed whenever there are changes in the estimates used to determine the respective recoverable amount. Impairment losses are reversed to the extent of the amount, net of amortisation or depreciation, which would have been determined for the asset if no impairment loss was recognised.

2.5.2 Impairment of financial assets

At each reporting date JMH analyses if there is objective evidence that a financial asset or group of financial assets is impaired.

The recoverable amount of receivables corresponds to the present value of estimated future cash inflows, using as a discount rate the actual interest rate implicit in the original operation.

An impairment loss recognised in a medium and long-term receivable is only reversed if justification for the increase in the respective recoverable amount is based on an event taking place after the date the impairment loss was recognised.

Loans to subsidiaries

The impairment test for loans to subsidiaries is held simultaneously with the impairment test to investments in subsidiaries. The investment considered for comparison with the calculated value in use considers the historical cost of the subsidiary and the loans. An impairment loss on loans to subsidiaries will only be recognised after the total investment in the subsidiary is fully covered by an impairment loss.

Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, a prolonged or significant decline in the fair value of the instrument below its cost is considered to be an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through the income statement.

Clients, debtors and other financial assets

Impairment losses are recognised when there are objective indicators that JMH will not receive the entire amounts it is due according to the original terms of established contracts. When identifying situations of impairment, various indicators are used, such as:

I. Analysis of breach;
II. Breach for more than three months;
III. Financial difficulties of the debtor;
IV. Probability of the debtor's bankruptcy.

Impairment losses are determined by the difference between the recoverable amount and the carrying amount of the financial assets and are recognised in the profit and loss. The carrying amount of these assets is reduced to the recoverable amount by using an impairment account. When an amount receivable from customers and debtors is considered to be unrecoverable, it is written-off using the impairment account. Subsequent recovery of amounts that had been written-off is recognised as a gain.

Whenever overdue receivable amounts from clients and other debtors are subject to renegotiation of its terms, they are no longer considered as overdue and are considered as new credits.

2.6 Revenue recognition

Services rendered

Revenues from services rendered are recognised as income in accordance with their stage of completion as at the balance sheet date.

2.7 Segment information

Given that JMH's main activity consists of the management of equity holdings, it does not make sense to report the operating segments related information in these Individual Financial Statements. Detailed information is presented in the Group Consolidated Financial Statements.

2.8 Critical accounting estimates and judgments made in preparation of Financial Statements

Tangible and intangible assets and investment property

Determining the fair value of investment properties, as well as the useful life of assets, is based on Management estimates. Determining impairment losses of tangible or intangible assets also involves the use of estimates. The value in use or the fair value of these assets is normally determined using the discounted cash flow method, which incorporates market assumptions. Identifying indicators of impairment, as well as estimating future cash flows and determining the fair value of assets, requires significant judgment by Management in validating indicators of impairment, expected cash flows, applicable discount rates, estimated useful life and residual values.

Fair value of financial instruments

The fair value of financial instruments not quoted on an active market is determined based on valuation methods. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

Impairment in investments and loans to subsidiaries

As a rule, according to IFRS an investment is recorded as impaired when the carrying amount of the investment exceeds the present value of future cash flows. Calculating the present value of estimated cash flows and the decision to consider an asset as impaired involves judgment and substantially relies on Management analysis of the future development of its subsidiaries. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the subsidiaries. JMH considers the capacity and intention to retain the investment for a reasonable period of time that is sufficient to predict recovery of the fair value up to (or above) the carrying amount, including an analysis of factors such as the expected results of the subsidiary, the economic environment, and the status of the sector.

Deferred taxes

Recognising deferred taxes assumes the existence of results and future taxable income. Deferred tax assets and liabilities were determined based on tax legislation currently effective or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

If the rates used to recognise deferred taxes increase by 1 p.p., the impact in JMH accounts would be the following:

	Impact on JMH accounts	
	Income statement	Other comprehensive income
Rate increase of 1 p.p.	191	50

A positive amount means a gain in JMH accounts.

Impairment losses of clients and debtors

Management maintains impairment losses for clients and debtors, in order to reflect the estimated losses resulting from clients' inability to make payments on the required dates and for the contracted amounts. When evaluating the reasonability of the adjustment for the impairment losses, Management bases its estimates on an analysis of the ageing of the accounts receivable from its clients, its historical experience of write-offs, the client's credit history and changes in the client's payment terms.

If the client's financial conditions deteriorate, impairment losses and actual write-offs may be higher than expected.

Pensions and other long-term benefits granted to employees

Determining responsibilities for pension payments and other long-term benefits requires the use of assumptions and estimates, including actuarial projections and other factors that may impact the costs and responsibilities of the benefit plans.

In determining the appropriate discount rate, Management considers the interest rates of corporate bonds with an 'AA' rating or above, as set by an internationally acknowledged rating agency. These rates are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The definition of the criteria to select the corporate bonds to include in the population from which the yield curve is derived requires significant judgement, the most significant being the selection of the size of the population, the bond issue size, the quality of the bonds, and identification of outlier data to exclude.

Considering the information available from Bloomberg and some necessary estimation to derive the yield curve, JMH defined the following ranges:

- Narrow range [1.2% - 1.6%]
- Extended range [1.0% - 1.8%]

Based on these results, JMH has decided to reduce its discount rate from 1.75% to 1.4%.

The table below shows the impacts on the obligations with defined benefit plans of JMH, resulting from changes in the following assumptions:

		Impact on defined benefit obligations		
	Assumption used	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.40%	0.50%	(726)	777
Salary growth rate	2.50%	0.50%	31	(30)
Pension growth rate	2.50%	0.50%	745	(696)
Life expectancy	TV 88/90	1 year	1,119	(1,070)

A positive amount means an increase in liabilities. A negative amount means a decrease in liabilities.

Provisions

JMH exercises considerable judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings. This judgment is necessary to determine the probability that a lawsuit may be successful or to record a liability. Provisions are recognised when JMH expects that proceedings under way will result in cash outflows, the loss is considered probable and may be reasonably estimated. Due to the uncertainties inherent in the evaluation process, real losses may be different from those originally estimated. These estimates are subject to changes as new information becomes available, mainly with the support of internal specialists, if available, or through the support of external consultants, such as actuaries or legal advisers. Revisions to estimates of potential losses on proceedings under way may affect future results.

2.9 Fair value of financial instruments

To determine the fair value of a financial asset or liability, the market price is applied, if such a market exists. A market is regarded as active if quoted prices are readily and regularly available from an exchange, broker or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Otherwise, which is the case of some financial assets and liabilities, valuation techniques that are generally accepted in the market are used based on market assumptions.

JMH applies valuation techniques for unlisted financial instruments, such as derivatives and fair value financial instruments through profit and loss. The evaluation models most frequently used are discounted cash flow and options models which incorporate, for example, interest rate curves and market volatility. For derivatives valuation JMH also uses the valuations provided by the counterparties.

In the case of more complex derivatives, advanced valuation models are used. These models include assumptions and data that are not directly observable in the market and for which JMH uses estimates and internal assumptions.

Cash and cash equivalents, debtors and accruals

These financial instruments include mainly short-term financial assets and, for that reason, their accounting value at the reporting date is considered approximately its fair value.

Available-for-sale financial assets

Listed financial assets are recognised in the balance sheet at their fair value.

Borrowings

The fair value of borrowings is achieved from the discounted cash flow of all expected payments. The expected cash flows are discounted using actual market interest rates. At the reporting date the accounting value is approximately its fair value.

Creditors and accruals

These financial instruments include mainly short-term financial liabilities, and for that reason their accounting value at the reporting date is considered approximately their fair value.

2.10 Fair value hierarchy

The following table shows JMH's financial assets and liabilities that are measured at fair value as at 31 December, according to the following hierarchy levels:

- Level 1: the fair value of financial instruments is based on quoted prices obtained in active and liquid markets at balance sheet date. This level includes equity investments quoted on Euronext Lisbon;
- Level 2: the fair value is not based on quoted prices obtained in active markets included in level 1, but using valuation models, involving other comparable quoted prices obtained in active markets or adjusted quotes. Thus, main inputs used on these valuation models are based on observable market data. This level includes the over-the-counter derivatives entered into by JMH, whose valuations are provided by the respective counterparties;
- Level 3: the fair value is not based on quoted prices obtained in active markets, but determined by using valuation models and main inputs are not based on observable market data. This level includes investment property, which are evaluated by external independent experts, using in their valuations inputs that are not directly observable in the market.

2016	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity investments	80	80	-	-
Investment property	2,470	-	-	2,470
Total assets	**2,550**	**80**	**-**	**2,470**
Liabilities measured at fair value				
Total liabilities	**-**	**-**	**-**	**-**

2015	Total	Level 1	Level 2	Level 3
Assets measured at fair value				
Available-for-sale financial assets				
Equity investments	274	274	-	-
Investment property	2,470	-	-	2,470
Total assets	**2,744**	**274**	**-**	**2,470**
Liabilities measured at fair value				
Total liabilities	**-**	**-**	**-**	**-**

2.11 Financial instruments by category

2016	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non financial assets or liabilities	Total assets and liabilities
Assets						
Cash and cash equivalents	120,910	-	-	**120,910**	-	**120,910**
Available-for-sale financial assets	-	80	-	**80**	-	**80**
Loans to subsidiaries	594,285	-	-	**594,285**	-	**594,285**
Trade debtors, accrued income and deferred costs	32,735	-	-	**32,735**	1,920	**34,655**
Other non-financial assets	-	-	-	**-**	675,105	**675,105**
Total assets	**747,930**	**80**	**-**	**748,010**	**677,025**	**1,425,035**
Liabilities						
Borrowings	-	-	-	**-**	-	**-**
Trade creditors, accrued costs and deferred income	-	-	3,514	**3,514**	5,229	**8,743**
Other non-financial liabilities	-	-	-	**-**	24,793	**24,793**
Total liabilities	**-**	**-**	**3,514**	**3,514**	**30,022**	**33,536**

2015	Borrowings and accounts receivable	Available-for-sale financial assets	Other financial liabilities	Total financial assets and liabilities	Non financial assets or liabilities	Total assets and liabilities
Assets						
Cash and cash equivalents	122	-	-	**122**	-	**122**
Available-for-sale financial assets	-	274	-	**274**	-	**274**
Loans to subsidiaries	691,350	-	-	**691,350**	-	**691,350**
Trade debtors, accrued income and deferred costs	31,034	-	-	**31,034**	1,545	**32,579**
Other non-financial assets	-	-	-	**-**	677,110	**677,110**
Total assets	**722,506**	**274**	**-**	**722,780**	**678,655**	**1,401,435**
Liabilities						
Borrowings	-	-	161,852	**161,852**	-	**161,852**
Trade creditors, accrued costs and deferred income	-	-	2,213	**2,213**	4,475	**6,688**
Other non-financial liabilities	-	-	-	**-**	25,239	**25,239**
Total liabilities	**-**	**-**	**164,065**	**164,065**	**29,714**	**193,779**

3. Operating costs

Costs of services rendered

The costs of services rendered correspond to the costs incurred by JMH in rendering technical and specialised services to its subsidiaries. In this sense, the costs incurred in each one of JMH departments are charged to the Companies in the percentage that each one has in the referred services rendering.

Administrative costs

The administrative costs shown in the income statement include, among others, the percentage of the costs incurred by each of the departments which is not charged to the Companies, as well as the non-deductible VAT arising from the application of the effective allocation method.

Other operational costs and losses

Other operational costs and losses include, among others, the costs incurred by studies of other markets, as well as donations and sponsorships granted according with the Group’s Social Responsibility policies.

Exceptional operating profits or losses

The exceptional operating profits or losses (non-recurrent items) that by their nature or materiality distort JMH financial performance, as well as its comparability, are presented in a separate line of the consolidated income statement by function. These results are excluded from the operational performance indicators adopted by the Management.

3.1 Operational costs by nature

	2016	2015
Supplies and services	14,659	12,465
Rents	1,133	1,065
Staff costs	12,219	10,390
Depreciations and amortizations	416	378
Other operational (profit) loss	3,438	312
	31,865	**24,610**

3.2 Exceptional operating profits (losses)

	2016	2015
Impact of actuarial assumptions changes	(261)	150
	(261)	**150**

4. Employees

4.1 Staff costs

	2016	2015
Wages and salaries	8,201	7,515
Social security	1,551	1,380
Employee benefits (see note 4.2)	968	544
Other staff costs	1,499	951
	12,219	**10,390**

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities, among others. The number of employees at the end of 2016 was 122 (2015 was 114). The average number of employees during the year was 116 (105 in 2015).

4.1 Employees benefit

Post-employment benefits (retirement)

Defined contribution plans

Defined contribution plans are pension plans for which JMH makes defined contributions to independent entities (funds), and for which it has no legal or constructive obligation to pay any additional contribution at the time when the employees come into use of those benefits.

The contributions are based on a percentage of the fixed and variable remuneration of the employees included in the plan, which is defined in the respective Regulation and only changes according to the seniority of the beneficiaries.

JMH encourages the employees to participate in their own pension scheme. Therefore, the funds are open to employee private contributions, with no guaranties given by JMH over those contributions.

JMH contributions to defined contribution plans are recognised as expenses at the time they are due.

Defined benefit plans

Defined benefit plans are pension plans where JMH guarantees a certain benefit to the employees included in the plan at the time such employees retire, with the respective responsibilities assured directly by JMH.

The liability recognised in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using life annuity method, taking into account that the plans include only retired employees. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

No service costs are recognised since the current defined benefit plans only include retired employees. The net interest is recognised in the income statement on a yearly basis.

Remeasurements (actuarial gains and losses) arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

At the time of plan amendments in defined benefit plans, past-service costs are immediately considered due and are recognised immediately in the income statement.

Other benefits

Seniority awards

The programme of seniority awards existing in JMH comprises a component of defined contribution and a defined benefit.

The defined contribution component consists in a life insurance granted to the employees covered by this programme, starting from a specific number of years of service. This benefit is awarded only when employees reach the age defined in the programme and the costs related to this component are recognised in the year to which they relate.

The component of defined benefit consists of an award in the year that employees complete a number of years of service. Accordingly, the liabilities for this component are determined annually based on actuarial valuations, carried out by a specialised independent entity.

The costs of current services, net interest as well remeasurements (actuarial gains or losses) are recognised as costs of the year.

Amounts of employee benefits in the balance sheet:

	2016	**2015**
Retirement benefits - Defined contribution plan	-	-
Retirement benefits - Defined benefit plan paid for by the Group	17,894	18,385
Seniority awards	851	538
Total	**18,745**	**18,923**

Amounts recognised in the income statement in staff costs and remeasurements reflected in other comprehensive income:

	Income statement		**Other comprehensive income**	
	2016	**2015**	**2016**	**2015**
Retirement benefits - Defined contribution plan	323	265	-	-
Retirement benefits - Defined benefit plan paid for by the Group	309	360	641	770
Seniority awards	336	(81)	-	-
Total	**968**	**544**	**641**	**770**

A brief description of the changes in each plan is detailed below:

	Defined contribution plans for active employees		**Defined benefit plans for former employees**		**Other long term benefits granted to employees**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Balance as at 1 January	**-**	**-**	**18,385**	**18,691**	**538**	**634**
Interest costs	-	-	309	360	10	13
Current service cost	323	265	-	-	65	56
Actuarial (gains)/losses						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	-	-	492	373	18	9
Changes in experience	-	-	149	397	243	(159)
Contributions or retirement pensions paid	(323)	(265)	(1,441)	(1,436)	(23)	(15)
Balance as at 31 December	**-**	**-**	**17,894**	**18,385**	**851**	**538**

Actuarial assumptions used in the calculation of the responsibilities for defined benefit plans and other long term benefits:

	2016	2015
Mortality table	TV 88/90	TV 88/90
Discount rate	1.40%	1.75%
Pension and salaries growth rate	2.5%	2.5%

The mortality assumptions used are those most commonly adopted in Portugal, and are based on actuarial advice in accordance with published statistics. The sensitivity analyses made to the assumptions is stated in note 2.8.

Expected future payments

The expected maturity for the next ten years for the liabilities associated with defined benefit plans is as follows:

	1 year	1 to 5 years	5 to 10 years
Retirement benefits - Defined benefit plan paid for by the Group	1,366	4,788	4,346
Seniority awards	81	273	484
Total	**1,447**	**5,061**	**4,830**

5. Net financial costs

Net financial costs represent the interest on borrowings, the interest on investments made, foreign exchange gains and losses in financial operations, gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit and loss, and costs and income with financing operations. Net financial costs are accrued in the income statement in the period in which they are incurred.

	2016	2015
Interest expense	(133)	(35)
Interest received	154	196
Other financial costs and gains	(126)	(41)
Net financial costs	**(105)**	**120**

Interest expenses includes the interest related with loans measured at amortised cost. Other financial costs include, namely, stamp tax and issuance costs related to non-current debt recognised in the income statement for the loan's term.

6. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made for these contracts are recognised in the income statement on a straight-line basis over the period of the leases.

The costs recognised in the income statement as operating leases are as follows:

	2016	2015
Buildings – third parties	19	6
Buildings – group	517	510
Vehicles – third parties	536	511
IT equipment – third parties	39	30
	1,111	**1,057**

Apart from the costs above, there were occasional rentals throughout the year that amounted EUR 22 thousand (2015: EUR 8 thousand).

Vehicle and IT equipment lease contracts entered into by JMH are treated as operating leases. These contracts do not include renewal or purchase option at termination date, or any amount relating to contingent rents. All contracts may be cancelled by means of prior notice and do not provide any type of restrictions concerning dividends or debt.

The minimum lease payments related with vehicles and IT equipment lease are as follows:

	2016	2015
Payments in less than 1 year	354	343
Payments between 1 and 5 years	419	367
Total future payments	**773**	**710**

All the contracts may be cancelled upon the payment of a penalty. At the end of 2016, the liabilities arising from penalty clauses were EUR 74 thousand (2015: EUR 78 thousand).

7. Taxes

Income tax includes current and deferred taxes. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in the same heading.

Tax on current income is calculated in accordance with tax criteria prevailing as of the balance sheet date.

Deferred tax is calculated in accordance with the balance sheet liability method on temporary differences between the carrying amount of assets and liabilities and the respective tax base.

The measurement of deferred tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company estimates, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. The rate used to determine deferred tax is that in force during the period when temporary differences are reversed.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be used. Deferred tax assets are revised on an annual basis and derecognised when it is no longer probable that they may be used.

7.1 Income tax

	2016	2015
Current tax		
Current tax of the year	1,370	(348)
Adjustment to prior year estimation	(2)	(2)
	1,368	**(350)**
Deferred tax		
Temporary differences originated or reversed in the year	743	(716)
Change in income tax rate	-	-
	743	**(716)**
Total income tax	**2,111**	**(1,066)**

7.2 Reconciliation of effective tax rate

	2016	2015
Profit/loss before taxes	348,534	261,554
Income tax 22.5% rate	(78,420)	(58,850)
Tax effect from:		
Non-taxable or non-recoverable results	81,260	58,336
Non-deductible expenses	(339)	(320)
Change in income tax rate	(117)	-
Adjustment to prior year estimation	(2)	(2)
Results subject to special taxation	(271)	(230)
Income tax for the year	**2,111**	**(1,066)**
Effective tax rate	**(0.61%)**	**0.41%**

In 2016, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21% (in 2015 it was 21%). For companies with a positive tax result, there is a surcharge of 1.5% regarding municipal tax, and an additional state tax that varies between 3%, 5% and 7%, for taxable profits higher than EUR 1,500 thousand, EUR 7,500 thousand and EUR 35,000 thousand respectively.

JMH's effective tax rate is significantly influenced by the fiscal effect of the dividend income received from subsidiaries. This income is not subject to taxation according with the current tax legislation, as they have already been considered for Income Tax purposes in the companies which generated them.

7.3 Deferred tax assets and liabilities

Deferred taxes are presented in the balance sheet as follows:

	2016	2015
Deferred tax assets	5,600	5,496
Deferred tax liabilities	(584)	(1,300)
	5,016	**4,196**

	01/01/2016	Impact on results	Impact on equity	31/12/2016
Deferred tax assets				
Revaluation of available for sale financial assets	824	110	(67)	867
Employee benefits	4,258	(184)	144	4,218
Provisions and adjustments above tax limits	414	101	-	515
	5,496	**27**	**77**	**5,600**
Deferred tax liabilities				
Revaluation of assets	(178)	-	-	(178)
Other temporary differences	(1,122)	716	-	(406)
	(1,300)	**716**	**-**	**(584)**
Net change in deferred tax	**4,196**	**743**	**77**	**5,016**

	01/01/2015	Impact on results	Impact on equity	31/12/2015
Deferred tax assets				
Revaluation of available for sale financial assets	803	-	21	824
Employee benefits	4,348	(263)	173	4,258
Provisions and adjustments above tax limits	644	(230)	-	414
	5,795	**(493)**	**194**	**5,496**
Deferred tax liabilities				
Revaluation of assets	(178)	-	-	(178)
Other temporary differences	(899)	(223)	-	(1,122)
	(1,077)	**(223)**	**-**	**(1,300)**
Net change in deferred tax	**4,718**	**(716)**	**194**	**4,196**

7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

	2016	2015
Income tax receivable	73	166
Income tax payable	-	-
	73	**166**

Since 1st January 2014, JMH has integrated a group of companies taxed according with the Special Group Taxation Regime (RETGS), as the dominant Company of the group. In addition to JMH, the taxation group is currently composed of the following companies:

- Recheio, SGPS, S.A.
- Recheio Cash & Carry S.A.
- Imocash – Imobiliário de Distribuição, S.A.
- Larantigo – Sociedade de Construções, S.A.
- Masterchef, S.A.
- Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Serviços, S.A.
- Desimo – Desenvolvimento e Gestão Imobiliária, Lda.
- Jerónimo Martins – Agro-Alimentar, S.A.
- Jerónimo Martins – Lacticínios de Portugal, S.A.
- Best-Farmer - Actividades Agro-pecuárias, S.A.

Due to a subsidiary disposal, as referred in note 13, the following companies left the taxation group:

- Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Restauração e Serviços, S.A.

8. Gains (losses) in subsidiaries

	2016	2015
Dividends received	280,000	259,900
Interest from loans granted	4,472	6,331
Disposal of subsidiaries	75,530	-
	360,002	**266,231**

9. Gains (losses) in other investments

Rents received for the lease of investment property are recognised as gains (losses) in other investments in the income statement in the period to which they relate.

	2016	2015
Rents from investment property	196	194
Fair value adjustment in available-for-sale financial assets	(491)	-
	(295)	**194**

10. Tangible assets

Tangible assets are recognised at historical cost net of accumulated depreciation and impairment losses.

Historical cost includes the purchase price and any other expenditure that is directly attributable to the acquisition of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the operating profit.

Repairs and maintenance costs that do not extend the useful life of these assets are charged directly to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated by the straight-line method, on a monthly basis on acquisition cost according to the useful life estimated for each class of asset. The most important annual depreciation rates, in percentage, are as follows:

	%
Buildings and other constructions	10
Tools	25
Transport equipment	25
Office equipment	10-25
Other tangible assets	10

The estimated useful life of assets are reviewed and adjusted when necessary, at the balance sheet date. Residual values are not taken in consideration, as it is JMH intention to use the assets until the end of their economic life.

10.1 Changes occurred during the year

Gross assets

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Buildings and other constructions	256	88	-	-	344
Transport equipment	142	-	-	(54)	88
Tools and utensils	2	-	-	-	2
Office equipment	2,232	214	(2)	143	2,587
Other tangible assets	389	-	-	-	389
Tangible assets in progress	143	-	-	(143)	-
	3,164	**302**	**(2)**	**(54)**	**3,410**

Accumulated depreciation and impairment

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Buildings and other constructions	88	33	-	-	121
Transport equipment	90	22	-	(54)	58
Tools and utensils	2	-	-	-	2
Office equipment	2,057	121	-	-	2,178
Other tangible assets	326	-	-	-	326
	2,563	**176**	**-**	**(54)**	**2,685**
Net book value	**601**				**725**

10.2 Changes occurred in the previous year

Gross assets

	01/01/2015 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2015 Closing balance
Buildings and other constructions	215	41	-	-	256
Transport equipment	142	-	-	-	142
Tools and utensils	2	-	-	-	2
Office equipment	2,165	79	(12)	-	2,232
Other tangible assets	389	-	-	-	389
Tangible assets in progress	-	143	-	-	143
	2,913	**263**	**(12)**	**-**	**3,164**

Accumulated depreciation and impairment

	01/01/2015 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2015 Closing balance
Buildings and other constructions	65	23	-	-	88
Transport equipment	68	22	-	-	90
Tools and utensils	2	-	-	-	2
Office equipment	1,976	84	(3)	-	2,057
Other tangible assets	326	-	-	-	326
	2,437	**129**	**(3)**	**-**	**2,563**
Net book value	**476**				**601**

10.3 Equipment under financial lease

At the end of 2016 and 2015, there was no equipment under financial lease.

10.4 Guarantees

No assets have been pledged as security for the fulfilment of bank or other obligations.

11. Intangible assets

Intangible assets are stated at acquisition cost net of accumulated amortisation and impairment losses.

Research and development expenditure
Research expenditure incurred in the search for new technical or scientific knowledge or alternative solutions are recognised in the income statement as incurred.

Development expenditure is recognised as an intangible asset when the technical feasibility of the product or process being developed can be demonstrated and JMH has the intention and capacity to complete its development and start trading or using it.

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, being amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred, except if those costs are directly associated with development projects that will probably generate future economic benefits (reliably measured), they are recognised as development expenditure in intangible assets.

Amortisations

Amortisations are recognised in the income statement on a linear basis over the estimated useful life of the intangible assets, except if that life is considered indefinite.

Amortisation of the intangible assets is calculated by the straight-line method, on a duodecimal basis on acquisition cost. The most important annual amortisation rates, in percentage, are as follows:

	%
Development expenditure	20-33.33
Computer software	33.33

The estimated useful life of assets is reviewed and adjusted when necessary, at the balance sheet date.

Intangible assets are made up of development expenses and include expenses incurred with the implementation of information system platforms.

11.1 Changes occurred during the year

Gross assets

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Development expenses	1,387	515	-	122	2,024
Intangible assets in progress	122	515	-	(122)	515
	1,509	**1,030**	**-**	**-**	**2,539**

Accumulated amortisation and impairment

	01/01/2016 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2016 Closing balance
Development expenses	1,078	240	-	-	1,318
	1,078	**240**	**-**	**-**	**1,318**
Net book value	**431**				**1,221**

11.2 Changes occurred in the previous year

Gross assets

	01/01/2015 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2015 Closing balance
Development expenses	1,195	143	-	49	1,387
Intangible assets in progress	49	122	-	(49)	122
	1,244	**265**	**-**	**-**	**1,509**

Accumulated amortisation and impairment

	01/01/2015 Opening balance	Increases	Disposals	Transfers and write-offs	31/12/2015 Closing balance
Development expenses	829	249	-	-	1,078
	829	**249**	**-**	**-**	**1,078**
Net book value	**415**				**431**

12. Investment property

Investment property are land and buildings that are accounted at fair value, determined by specialised independent entities, with appropriate recognised professional qualifications and experience in valuing assets of this nature.

The fair value is based on market values, being the amount at which two independent willing parties would be interested in making a transaction of the asset.

The methodology adopted in the valuation and determination of fair value consists of applying the market's comparative method, in which the asset under valuation is compared with other similar assets that perform the same function, negotiated recently in the same location or in comparable zones. The known transaction values are adjusted to make a proper comparison, and the variables of size, location, existing infrastructure, state of conservation and other variables that may be relevant in some way are considered.

In addition, and particularly in cases in which comparison with transactions that have occurred is difficult, an income approach is used. It is assumed that the value of the asset corresponds to the present value of all the future benefits and rights arising from its ownership.

For this purpose, an estimation of the market rent is used, considering all the endogenous and exogenous variables of the asset under valuation, and a yield that reflects the risk of the market of which that asset is a part, as well as the characteristics of the asset itself. Thus, the assumptions used in the evaluation of each asset vary according to its location and technical characteristics, using an average yield between 8% and 9%.

Changes to fair value of investment property are recognised in the income statement, in gains/losses in other investments, since it is related with assets owned for appreciation.

If an investment property starts being used by the business operations of JMH, it is transferred to tangible assets and its fair value at the date of transfer becomes its acquisition cost for accounting purposes.

JMH owns a property, which was partially rented to a Group Company generating profits in the amount of EUR 196 thousand (2015: EUR 194 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2,470 thousand (2015: EUR 2,470 thousand).

In 2016, JMH incurred in expenses regarding this property in the amount of EUR 4 thousand (2015: EUR 4 thousand), recognised in results in other operating costs.

13. Investments

13.1 Investments in subsidiaries

The equity holdings in subsidiaries correspondes to investments in the acquisition of shareholdings in the companies listed in note 26.

	2016	2015
Net value at 1 January	**667,946**	**667,946**
Increases	-	-
Decreases	(123,956)	-
Provisions reduction	121,026	-
Net value at 31 December	**665,016**	**667,946**

In September 2016, JMH sold 100% of the share capital of its subsidiary Monterroio – Industry & Investments B.V. ("Monterroio") to Sociedade Francisco Manuel dos Santos B.V. (SFMS). This transaction included the shareholding (EUR 2,930 net of imparment losses adjustment), supplementary capital contributions (EUR 138,000 thousand) and shareholders loans that existed at date (EUR 90,000 thousand) - see note 14.1. - , representing a net cash flow received of EUR 306.460 thousand, and an income of EUR 75.530 thousand.

Monterroio was the sub-holding for manufacturing and services businesses comprising its subsidiaries Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and Jerónimo Martins – Restauração e Serviços, S.A., fully owned (100%), as well as the shareholdings in Unilever Jerónimo Martins, Lda. (45%), Gallo Worldwide, Lda. (45%), Hussel Ibéria – Chocolates e Confeitarias, S.A. (51%) and Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A. (27.545%).

In December 2016, JMH reaquires indirect control of Jerónimo Martins – Restauração e Serviços (100%) and Hussel Ibéria – Chocolates e Confeitarias, S.A. (51%), as result of the share buy back of said investments by the subsidiary Tagus – Retail & Services Investments B.V..

In 2015, the net amount in investments in subsidiaries reflects the deduction of EUR 121,026 thousand regarding impairment losses (note 22).

14. Loans

14.1 Loans to subsidiaries

Non-current loans	2016	2015
Net value as at 1 January	**664,050**	**562,400**
Increases	112,060	104,445
Decreases	(47,270)	(2,795)
Disposal of business units (shareholders loans)	(90,000)	-
Disposal of business units (supplementary capital contributions)	(138,000)	-
Net value as at 31 December	**500,840**	**664,050**

Non-current loans are granted as supplementary capital contributions (which do not bear interest), and as medium and long-term shareholders loans (remunerated at normal market rates).

Current loans	2016	2015
Net value as at 1 January	**27,300**	**43,100**
Increases	72,470	6,955
Decreases	(6,325)	(22,755)
Net value as at 31 December	**93,445**	**27,300**

Current loans are liable to interest rates at normal market levels.

15. Available-for-sale financial assets

	2016	2015
BCP shares	3,936	3,936
Fair value adjustment (note 22)	(3,856)	(3,662)
	80	**274**

As at 31 December 2016, all BCP shares in the Company's portfolio were 74.643 (2015: 5.598 million shares), and were marked to market (level 1 of fair value hierarchy) according to the price on Euronext Lisbon as at 31 December 2016 of Euro 1,071 per share (2015: Euro 0.0489 per share). The change in the number of stocks was merely due to a share regrouping operation lead by this institution in October 2016.

The changes in the fair value of these assets of negative EUR 194 thousand were recognised in profit and loss accounts (2015: EUR 94 thousand were recognised directly in equity). In 2016, this profit and loss heading includes also EUR 297 thousand, transferred from Other reserves, which referes to fair value adjustments registered in previous years.

16. Trade debtors, accrued income and deferred costs

Customers and debtor balances are amounts to be received regarding services rendered by JMH in the ordinary course of the business. They are initially recognised at fair value, being subsequently measured at amortised cost in accordance with the effective interest rate method, net of any impairment losses.

	2016	2015
Non current		
Other debtors (collateral deposits)	19,367	19,367
	19,367	**19,367**
Current		
Subsidiaries and joint-ventures	9,060	7,621
Receivables from suppliers	91	52
Staff	3	-
Other debtors	76	92
Other taxes receivable:		
Corporate income tax from previous years	1,094	1,228
VAT receivable	25	19
Accrued income	4,131	3,832
Deferred costs	808	368
	15,288	**13,212**

JMH has EUR 19,367 thousand of remunerated deposits in financial institutions, with limited availability according to specific conditions. These deposits are being used as a collateral guarantee for Group Companies financial loans.

Amounts recognised in subsidiaries and joint ventures refers mainly to invoices issued to Group Companies relating to various services provided, in the amount of EUR 2,489 thousand (2015: EUR 2,006 thousand), as well as the allocation of Corporate Income Tax (CIT) between JMH Group Companies, which is taxed by the Special Group Taxation Regime (RETGS), in the amount of EUR 6,505 thousand (2015: 5,546 thousand).

Accrued income refers mainly to EUR 3,997 thousand (2015: EUR 3,472 thousand) regarding the rendering of technical and administrative services to subsidiaries and EUR 70 thousand (2015: EUR 230 thousand) of interest receivable.

Deferred costs includes EUR 7 thousand (2015: EUR 70 thousand) of issuance costs of bonds and commercial paper, and EUR 801 thousand (2015: EUR 298 thousand) of other costs relating to future periods, paid in 2016 or when not paid, already charged by the competent entities.

17. Cash and cash equivalents

Cash and cash equivalents includes cash, deposits on hand and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

	2016	2015
Bank deposits	120,901	108
Short-term investments	-	-
Cash and cash equivalents	9	14
	120,910	**122**

18. Cash generated from operations

	2016	2015
Net results	**350,645**	**260,488**
Adjustments for:		
Income tax	(2,111)	1,066
Depreciation and amortization	416	378
Net financial costs	105	(120)
(Gains) losses on subsidiaries	(360,002)	(266,231)
(Gains) losses on other investments	295	(194)
(Gains) losses on disposal of tangible assets	-	-
	(10,652)	**(4,613)**
Changes in working capital:		
Trade debtors, accrued income and deferred costs	(1,470)	1,126
Trade creditors, accrued costs and deferred income	1,544	1,572
Provisions and employee benefits	(370)	(2,194)
Cash generated from operations	**(10,948)**	**(4,109)**

19. Capital and reserves

Share capital

Share capital corresponds to the nominal value of the ordinary shares issued.

Share premium is recognised when the issued share price exceeds its nominal value. Costs incurred with the issuance of new shares are recognised directly in this heading, net of respective taxes.

Own shares purchased are shown at cost as a deduction in equity. When they are disposed, the amount received, net of costs related with the transaction and taxes, is recognised directly in equity.

Payable and receivable dividends

Payable dividends are recognised as a liability in JMH financial statements in the period in which they are approved by the shareholders for distribution.

Receivable dividends are recognised as revenues when the right to receive payment is established.

19.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2015: 629,293,220), each with a nominal value of one euro.

The owners of ordinary shares have the right to receive dividends in accordance with the deliberations of the General Shareholder's Meeting, and have the right to one vote for each share owned. There are no preferential shares. Rights relating to own shares are suspended until they are placed on the market.

During the year 2016, no changes occurred in the amount of EUR 22,452 thousand showed in share premium in 2015.

19.2 Own shares

At 31 December 2016, JMH held 859,000 own shares, acquired in 1999 at an average price of 7.06 euros per share. There were no transactions in 2016.

19.3 Other reserves

	Available-for-sale financial assets	Total
Balance as at 1 January 2015	**(157)**	**(157)**
Change in fair value of available-for-sale financial assets		
- Gross value	(94)	(94)
- Deferred tax	21	21
Balance as at 1 January 2016	**(230)**	**(230)**
Change in fair value of available-for-sale financial assets		
- Gross value	297	297
- Deferred tax	(67)	(67)
Balance as at 31 December 2016	**-**	**-**

These reserves cannot be distributed to the shareholders.

19.4 Retained earnings

As at 31 December 2016 the total amount of retained earnings was EUR 745,814 thousand (2015: EUR 562,201 thousand), resulting from profit generated in the financial year and previous years.

Of this amount, EUR 316,721 thousand (2015: EUR 312,380 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

19.5 Dividends

According with the decision made at the April 14th 2016 General Shareholders Meeting, the amount of EUR 166.535 thousand was distributed to JMH shareholders in May 2016.

In accordance with the dividend distribution policy described in point 7 included in the Management Report chapter, which is integrated in the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 380,202,703.10 euros, which corresponds to a dividend per share of EUR 0.605 (excluding own shares in the portfolio).

20. Earnings per share

Basic and diluted earnings per share are calculated based on the net profit attributable to shareholders divided by the weighted average of outstanding ordinary shares.

20.1 Basic and diluted earnings per share

	2016	2015
Ordinary shares issued at the beginning of year	629,293,220	629,293,220
Own shares at the beginning of year	(859,000)	(859,000)
Own shares acquired during the year	-	-
Ordinary shares issued during the year	-	-
Weighted average outstanding shares (equal to diluted)	**628,434,220**	**628,434,220**
Net results of the year attributable to ordinary shares (equal to diluted)	**350,645**	**260,488**
Basic and diluted earnings per share – euros	**0.558**	**0.415**

21. Borrowings

Borrowings are initially recognised at fair value less the transaction costs that were incurred, and are subsequently measured at the amortised cost. Any difference between the issued value (net of transaction costs incurred) and the nominal value is recognised in the results during the period of the borrowings, in accordance with the effective interest rate method.

Borrowings are classified as current liabilities, unless JMH has the unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

This note provides information on the terms of loan contracts and other forms of financing. For further details regarding the Company's exposure to interest rates see note 29.

21.1 Current and non-current loans

	2016	2015
Non-current loans		
Bank loans – commercial paper	-	100,000
	-	**100,000**
Current loans		
Bank loans – commercial paper	-	55,000
Bank overdrafts	-	6,852
	-	**61,852**

21.2 Loan terms and maturities

	Average rate	2015	Payable in less than 1 year	Payable between 1 and 5 years
Bank loans – commercial paper	2.31%	155,000	55,000	100,000
Bank overdrafts	5.26%	6,852	6,852	-
		161,852	**61,852**	**100,000**

JMH uses, with other Group Companies, grouped credit lines, which means that the maximum amount approved by a financial entity can be used simultaneously by more than one Company. The amount of credit lines granted to JMH which are not being used amount to EUR 116,000 thousand (2015: EUR 24,378 thousand).

21.3 Bank loans: commercial paper

There are several issued bank loans in the form of a commercial paper programme, in the global amount of EUR 155,000 thousand (2015: EUR 155,000 thousand), with variable interest rate. At the end of 2016, no amount of these credit lines was being used (2015: EUR 155,000 thousand was being used).

21.4 Financial debt

	2016	2015
Non-current loans	-	100,000
Current loans	-	61,852
Interest accruals and deferrals	(77)	(129)
Bank deposits	(120,901)	(108)
Short-term investments	-	-
	(120,978)	**161,615**

22. Provisions and adjustments to the net realisable value

Provisions are recognised in the balance sheet whenever JMH has a present obligation (legal or implicit) as a result of a past event and it is probable that a rationally estimated outflow of resources embodying economic benefits will be required to settle the obligation.

Restructuring provision

Provisions for restructuring costs are set up whenever a formal restructuring plan has been approved by JMH and the restructuring has started to be implemented or has been announced publicly.

Provisions for restructuring include all liabilities to be paid with the implementation of the plan, including employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Provision for other risks and contingencies (Legal claims)

Provisions related with litigation against JMH are set up in accordance with risk assessments carried out by JMH, with the support and advice of its legal advisors.

2016	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Investments in subsidiaries	121,026	-	(121,026)	-
Available-for-sale financial assets	3,662	194	-	3,856
Total adjustments to the net realisable value	**124,688**	**194**	**(121,026)**	**3,856**
Other risks and contingencies	5,016	448	-	5,464
Total provisions	**5,016**	**448**	**-**	**5,464**

2015	Opening balance	Set up and reinforced	Used and reversed	Closing balance
Investments in subsidiaries	121,026	-	-	121,026
Available-for-sale financial assets	3,568	94	-	3,662
Total adjustments to the net realisable value	**124,594**	**94**	**-**	**124,688**
Other risks and contingencies	6,038	450	(1,472)	5,016
Total provisions	**6,038**	**450**	**(1,472)**	**5,016**

The adjustment in investment in subsidiaries was reduced in 2016, due to the disposal of the investment in its subsidiary Monterroio (as referred in note 13.1.).

The adjustment for available-for-sale financial assets reflects the update to fair value, as described in note 15.

The heading other risks and contingencies consists of provisions for possible compensation to be paid by JMH regarding guarantees provided in business sales agreements entered into over the last few years and provisions for litigation processes where there are no prospects for resolution in less than one year.

23. Trade creditors, accrued costs and deferred income

Suppliers and other creditors' balances are obligations to pay services that have been acquired in the ordinary course of the business. They are initially recognised at the fair value and subsequently at the amortised cost, in accordance with the effective interest rate method.

Suppliers and other creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

	2016	2015
Payables to subsidiaries and joint-ventures	1,254	1,084
Other trade creditors	1,604	658
Other non-trade creditors	14	8
Taxes payable:		
VAT payable	-	189
Income tax withheld	214	197
Social security	175	150
Other taxes	24	35
Accrued costs	5,442	4,351
Deferred income	16	16
	8,743	**6,688**

Accrued costs includes salaries and wages payable in the amount of EUR 4,800 thousand (2015: EUR 3,888 thousand), and EUR 642 thousand (2015: EUR 463 thousand) regarding various costs (utilities, insurance, consultants, rents, among others), relating to 2016 and not invoiced by the respective entities prior to the end of the year.

24. Guarantees

The bank guarantees are as follows:

	2016	2015
Guarantees for the Tax Authority	14,623	12,328
Financing bank guarantees	18,974	18,371
Other guarantees provided	1,426	1,420
	35,023	**32,119**

25. Contingencies

There are several relevant disputes pending resolution. With respect to these issues, the Board of Directors, supported by the opinion of its tax and legal advisors, considers that there is enough ground for its appeal in court assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur, a provision is taken (note 22):

- The Portuguese Tax Authorities have informed Jerónimo Martins, SGPS, S.A. (Jerónimo Martins), to restate the dividends received, amounting to EUR 10,568 thousand, from its subsidiary in the Madeira Free Zone in 2004 and 2005, considering them as interest for tax purposes. According to the Portuguese Tax Authorities the said income should be subject to CIT as opposed to the dividends received that are exempt. Regarding this correction the tax amount in dispute is EUR 3,065 thousand;
- The Portuguese Tax Authorities have claimed EUR 989 thousand from JMH in relation to the CIT for an indemnity paid by the Company due to an agreement reached in arbitration court, and which the Tax Authorities considered as dealing with a payment to an entity subject to a more favourable tax regime, and therefore not accepted for tax purposes. The Board of Directors, does not consider the report of the Tax Authorities to have legal basis or validity, and has challenged it;
- The Portuguese Tax Authorities have informed Jerónimo Martins that they do not accept losses on capital gains associated with a liquidation of one Company and the sale of another, amounting to EUR 24,660 thousand, which generated a correction on the Company's tax losses regarding 2007.

26. Subsidiaries and available-for-sale financial assets

The direct investments owned by JMH, as at 31 December 2016, are as follows:

Company	Notes	Head office	% Owned	Stake held directly	Total assets	Shareholder's equity	Net profit /loss
Investments in subsidiaries							
Desimo – Desenvolvimento e Gestão Imobiliária, Lda.	a)	Lisbon	100.00%	50	106	94	21
Jerónimo Martins Serviços, S.A.	a)	Lisbon	100.00%	50	6,088	520	46
Eva – Soc. Invest. Mobiliários e Imobiliários, Lda.	a)	Funchal	5.60%	28	72,231	72,211	1,119
Friedman – Soc. Invest. Mobiliários e Imobiliários, Lda.	a)	Funchal	100.00%	5	173	156	1
Warta – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	514,526	514,160	271,513
Tagus – Retail & Services Investments B.V.	a)	Amsterdam	100.00%	18	1,538,399	1,538,346	74,651
New World Investments B.V.	a)	Amsterdam	100.00%	18	218,904	218,790	14,527
Origins – Agro Business Investments B.V.	a)	Amsterdam	100.00%	18	11,540	11,531	(23)
Available-for-sale financial assets							
BCP - Banco Comercial Português, S.A.	b) c)	Oporto	0.008%	75	74,884,879	5,680,571	235,344

a) For the purposes of the article 486, paragraph 3, of the Portuguese Commercial Companies Code, we declare that we hold the control of the companies indicated.
b) A fair value adjustment provision has been set up.
c) The balance sheet amounts shown refer to 2015.

27. Subsidiaries, joint ventures and associates – interests held directly and indirectly

The Companies held directly and indirectly by Jerónimo Martins, SGPS, S.A., as at 31 December, 2016 are those mentioned in notes 28 and 30 of Chapter III of the Group Consolidated Annual Report.

28. Related parties

A related party is a person or entity that is related to JMH, including those that have, or are subject to, the influence or control of JMH.

Transactions with related parties are always carried out at market prices.

28.1 Transactions with related parties (shareholders)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos B.V.. Besides the transaction identified in note 13, there were no direct transactions between this Company and JMH in 2016, nor are there any open amounts between them as at 31 December 2016.

28.2 Transactions with other related parties

28.2.1 Technical and administrative services provided

As the Group's Holding Company and Corporate Center, JMH co-ordinates and provides consultancy services to its subsidiaries. The functional areas of support to the Group range from Administration, Environment and Food Safety, Legal Affairs, Internal Audit, Corporate Communications and Responsibility, Financial Control, International Expansion and Strategy, Fiscal Affairs, Risk Management, Marketing and Consumer, Financial Operations, Quality and Private Brand Development, Human Resources, Investor Relations, Security, Information Security and Information Technology. The turnover from these services, as well as management services for negotiations on behalf of the Group Companies, rose in 2016 to EUR 18,740 thousand (2015: EUR 17,784 thousand).

28.2.2 Financial services

The Financial Operations Department of the holding centralises part of the Jerónimo Martins Group Companies' financial management.

This management includes acting on behalf of the Companies in the negotiation and contracting of debt conditions and application of funds with banks and other financial institutions. The purpose of this centralised management is to obtain more favourable conditions for funding and applications than would be obtained if negotiated on an individual basis. This centralised management is remunerated for this service, which amounted to EUR 1,535 thousand in 2016 (2015: EUR 1,344 thousand).

This management includes also the centralised treasury operations, responsible for payments to suppliers, employees and other entities, as well as daily cash flow management. This management is also remunerated for this service, which amounted to EUR 522 thousand in 2016 (2015: EUR 491 thousand).

28.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented costs of EUR 517 thousand (2015: EUR 510 thousand).

As mentioned in note 12, JMH owns a property which is partially rented out to a Group Company, and generated profits in 2016 in the amount of EUR 196 thousand (2015: EUR 194 thousand).

28.2.4 Supplementary income

Until 2015, JMH charged annually a joint venture Company a sales commission. In 2016 no commission was charged (2015: EUR 150 thousand).

28.2.5 Loans (current and non-current loans)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 4,472 thousand (2015: EUR 6,331 thousand).

28.2.6 Staff related costs

As a Group JMH takes advantage of the synergies existing between various Companies, and frequently transfers staff from one Company to another according to the needs of the various businesses. In 2016, total costs incurred with personnel from other companies amounted to EUR 7,202 thousand (2015: EUR 6,072 thousand).

28.2.7 Open balances as at 31 December 2016

Company	Current Loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary Companies							
Best-Farmer - Actividades Agro-Pecuárias, S.A.	855	-	1	2	-	113	-
Caterplus – Com. Dist. Produtos de Consumo, Lda.	-	-	-	1	-	56	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	-	6	-	-	-	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	764	14	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	3	49	-	43	-
João Gomes Camacho, S.A.	-	-	38	8	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	2,160	-	56	3	-	124	-
Jeronimo Martins Colombia, S.A.S.	-	-	6	-	-	-	-
Jerónimo Martins - Lacticínios de Portugal, S.A.	8,065	-	10	9	-	653	-
Jeronimo Martins Polska S.A.	-	-	500	1,574	-	21	-
Jerónimo Martins – Restauração e Serviços, S.A.	1,420	-	-	-	-	-	-
Jerónimo Martins Retail Services, S.A.	-	-	250	-	-	-	-
Jerónimo Martins Serviços, S.A.	-	500	-	-	-	131	2,486
JMR – Gestão Empresas Retalho, SGPS, S.A.	59,405	-	32	213	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	24	56	-	63	-
Larantigo - Sociedade de Construções, S.A.	-	-	2	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	3	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	63	1	-	-	-
Masterchef, S.A.	-	-	-	-	-	13	-
New World Investments B.V.	-	221,450	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	11,570	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	790	1,665	-	32	-
Recheio - Cash & Carry, S.A.	-	-	6,315	386	16	5	-
Recheio, SGPS, S.A.	21,270	-	176	12	-	-	-
Seaculture - Aquicultura, S.A.	270	-	-	1	-	-	-
Tagus - Retail & Services Investments B.V.	-	65,250	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	201,900	-	-	-	-	-
Subtotal	93,445	500,840	9,036	3,997	16	1,254	2,486
Other related parties							
Jerónimo Martins - Dist. Prod. Consumo, Lda.	-	-	24	-	-	-	-
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	4	-
Subtotal	-	-	24	-	-	4	-
Total	**93,445**	**500,840**	**9,060**	**3,997**	**16**	**1,258**	**2,486**

28.2.8 Open balances as at 31 December 2015

Company	Current Loans	Non-current loans	Accounts receivable	Accrued income	Deferred income	Accounts payable	Accrued costs
Subsidiary Companies							
Best-Farmer - Actividades Agro-Pecuárias, S.A.	110	-	-	-	-	-	-
Caterplus – Com. Dist. Produtos de Consumo, Lda.	-	-	-	-	-	213	-
Desimo – Desenv. Gestão Imobiliária, Lda.	-	20	-	-	-	2	-
Friedman - Soc. Inv. Mobiliários e Imobiliários, Lda.	-	170	-	-	-	-	-
Hussel Ibéria – Chocolates e Confeitaria, S.A.	-	-	-	1	-	-	-
Imocash – Imobiliário de Distribuição, S.A.	-	-	254	11	-	-	-
Imoretalho – Gestão de Imóveis, S.A.	-	-	1	39	-	38	-
João Gomes Camacho, S.A.	-	-	11	8	-	-	-
Jerónimo Martins - Agro-Alimentar, S.A.	3,750	-	50	1	-	224	-
Jeronimo Martins Colombia, S.A.S.	-	-	2	-	-	-	-
Jerónimo Martins – Dist. Prod. Consumo, Lda.	4,735	-	160	22	-	-	-
Jerónimo Martins - Lacticínios de Portugal, S.A.	3,095	-	10	11	-	368	-
Jeronimo Martins Polska S.A.	-	-	131	1,185	-	143	-
Jerónimo Martins – Restauração e Serviços, S.A.	-	-	-	-	-	15	-
Jerónimo Martins Serviços, S.A.	-	500	138	-	-	-	1,988
JMR – Gestão Empresas Retalho, SGPS, S.A.	-	-	4	180	-	-	-
JMR - Prestação de Serviços para a Distribuição, S.A.	-	-	21	43	-	28	-
Larantigo - Sociedade de Construções, S.A.	-	-	1	-	-	-	-
Lidinvest - Gestão de Imóveis, S.A.	-	-	-	3	-	-	-
Lidosol II – Distrib. Produtos Alimentares, S.A.	-	-	97	15	-	-	-
Masterchef, S.A.	-	-	-	-	-	20	-
Monterroio - Industry & Services Investments B.V.	-	228,000	-	160	-	-	-
New World Investments B.V.	-	118,600	-	-	-	-	-
Origins - Agro Business Investments B.V.	-	2,360	-	-	-	-	-
Pingo Doce – Distribuição Alimentar, S.A.	-	-	700	1,568	-	26	-
Recheio - Cash & Carry, S.A.	-	-	5,439	366	16	3	-
Recheio, SGPS, S.A.	15,610	-	418	19	-	-	-
Tagus - Retail & Services Investments B.V.	-	112,500	-	-	-	-	-
Warta - Retail & Services Investments B.V.	-	201,900	-	-	-	-	-
Subtotal	27,300	664,050	7,437	3,632	16	1,080	1,988
Joint ventures							
Fima - Produtos Alimentares, S.A.	-	-	-	-	-	4	-
Unilever Jerónimo Martins, Lda.	-	-	184	-	-	-	-
Subtotal	**-**	**-**	**184**	**-**	**-**	**4**	**-**
Total	**27,300**	**664,050**	**7,621**	**3,632**	**16**	**1,084**	**1,988**

28.2.9 Remuneration paid to Directors

	2016	**2015**
Salaries and cash awards	1,239	1,542
Retirement benefits	213	188
	1,452	**1,730**

The Board of Directors of the Company consists of 9 Members. The remuneration shown includes the amounts paid to the members of the Board of Directors that work on the Audit comitee, which annual amount was of EUR 48 thousand (2015: EUR 48 thousand).

The remuneration of the Members of the Board of Directors and of the Supervisory Board is stated in the Consolidated Annual Report, under the Corporate Governance Chapter.

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 4.2.

29. Information on financial risks

JMH, and in particular its Board of Directors, dedicates a great deal of attention to the risks affecting the businesses. Success in this area depends on the ability to identify, understand and handle exposure to events which, whether or not under the direct control of the Management Team, may materially affect the physical, financial and/or organisational assets of the Company. The Group's Risk Management Policy, which aims to stimulate and reinforce the type of behaviour necessary for success, provides the necessary guidance to the Management of the Group to manage risks and opportunities.

JMH is exposed to various financial risks, namely market risk (which includes exchange rate risk, interest rate risk and price risk), liquidity risk and credit risk.

The management of these risks is focused on the unpredictable nature of the financial markets and aims to minimize its adverse effects on the Company's financial performance. To achieve this, certain types of exposure are managed using derivative financial instruments.

The activity in this area is carried out by the Financial Operations Department, under the supervision of the Chief Financial Officer, and is responsible for identifying, assessing and hedging financial risks by following the guidelines set out in the Financial Risk Management Policy that was approved by the Board of Directors in 2016.

29.1 Market risk (price risk)

As a result of its investment in Banco Comercial Português (BCP), Jerónimo Martins is exposed to equity price risk. At 31 December 2016, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 8 thousand in Profit and loss accounts (at 31 December 2015 would have a negative effect of EUR 27 thousand).

29.2 Interest rate risk (cash flow and fair value)

All financial liabilities are directly or indirectly indexed to a reference interest rate which exposes Jerónimo Martins to cash flow risk. A given portion of this risk is hedged through fixed interest rate swaps, thus Jerónimo Martins is also exposed to fair value risk.

Exposure to interest rate risk is monitored continuously. In addition to evaluating future cash flows based on forward rates, sensitivity tests to variations in interest rate levels are performed.

29.3 Credit risk

Credit risk is managed centrally. The main sources of credit risk are bank deposits, short-term investments and derivatives contracted with financial institutions.

The financial institutions that JMH chooses to do business with are selected based on the ratings they receive from one of the independent benchmark rating agencies. Apart from the existence of a minimum accepted rating there is also a maximum exposure to each of these financial institutions.

The following table shows a summary of credit quality of bank deposits and short-term investments, as at 31 December 2016 and 2015:

		2016	2015
Rating company	**Rating**	**Balance**	**Balance**
Standard & Poor's	[A+ : AA]	-	12
Standard & Poor's	[BBB+ : A]	13,030	39
Standard & Poor's	[BB+ : BBB]	107,058	7
Standard & Poor's	[B+ : BB]	778	35
Moody's	Caa1	24	12
	Not Available	11	3
	Total	**120,901**	**108**

The ratings shown correspond to those given by Standard and Poor's and Moody's. The maximum exposure to credit risk at 31 December 2016 and 2015 is the financial assets carrying value.

29.4 Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash or equivalents, as well as by negotiating credit facilities that not only allow the regular development of JMH activities, but also ensuring some flexibility to be able to absorb shocks unrelated to its activities.

To manage this risk, JMH uses, for example, credit derivatives in order to mitigate the impact of credit spreads increase that are the result of impacts beyond the control of JMH. Treasury needs are managed based on short-term planning (executed on a daily basis) which it derives from the annual financial plans which are reviewed at least twice a year.

The following table shows JMH's liabilities by ranges of contractual residual maturity. The amounts shown in the table are the non-discounted contractual cash flow.

Exposure to Liquidity Risk			
2016	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bank overdrafts	-	-	-
Commercial paper	-	-	-
Creditors	2,872	-	-
Operational lease liabilities	354	419	-
Total	**3,226**	**419**	**-**
2015	Less than 1 year	1 to 5 years	More than 5 years
Borrowings			
Bank overdrafts	6,853	-	-
Commercial paper	55,658	100,000	-
Creditors	1,750	-	-
Operational lease liabilities	343	367	-
Total	**64,604**	**100,367**	**-**

30. Additional information requested by law

In accordance with article 66-A of the Portuguese Commercial Companies Code, we hereby inform of the following:

a) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the balance sheet or in these notes;

b) The total remuneration paid in 2016 to the External Auditor and Statutory Auditor was EUR 129 thousand, of which EUR 95 thousand correspond to legal accounts audit services, while the remaining EUR 34 thousand relate to access to a tax legislation database and support on human resources issues;

c) Note 28 of the Notes to the Financial Statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

31. Events after the balance sheet date

Where events occur after the balance sheet date that provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the financial statements. Otherwise, events after the balance sheet date of a material size or nature are disclosed below.

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

Lisbon, 21 February 2017

The Certified Accountant **The Board of Directors**

Statutory Audit Report and Auditors' Report issued in accordance with paragraph 1 b) of article No. 245 of the Portuguese Securities Market Code

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Jerónimo Martins, SGPS, S.A. (the Entity), which comprise the balance sheet as at December 31, 2016 (which shows total assets of Euro 1,425,035 thousand and total shareholders' equity of Euro 1,391,499 thousand including a net profit of Euro 350,645 thousand), the statement of income by functions, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	*Summary of audit approach*
Investments in subsidiaries	
Disclosures related to financial investments presented in note 13 to the financial statements. Jerónimo Martins, SGPS, S.A. shows under the Investments in subsidiaries heading the amount of Euro 665 million. Subsidiaries are all entities over which Jerónimo Martins, SGPS, S.A. has control. The Company is deemed to control an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are stated at cost. In accordance with IAS 36 - Impairment of assets, the investments in subsidiaries are analysed at each balance sheet date in order to detect indicators of possible impairment losses. When indicators are identified, the recoverable amount of the asset is tested. In impairment tests over the investments in subsidiaries, valuation data for the calculation of the value in use are supported by the past performance and expectations of market developments for each of the business areas, in accordance with the discounted cash flow method, based on assumption of cash flows projections, discount rates and perpetuity growth rates. Due to the complexity and level of judgment inherent in the model adopted for the calculation of impairment, this issue was a relevant matter for the purposes of our audit.	Understanding, evaluating and testing controls over the Investment on subsidiaries. Independent analysis of events indicating potential impairment. Obtaining impairment tests performed by management to the investment in subsidiaries, evaluating if the recoverable amount is higher than the carrying amount. Reviewing the assumptions and methodology followed by the management, when evaluating its investments in subsidiaries, namely the cash-flow projections, discount rates and perpetuity growth rates. Verifying the adequacy of the disclosures presented in the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the preparation and disclosure process of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which were the most important in the audit of the financial statements of the current year, which are the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

h) state to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our audit also included the verification that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation and that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our opinion that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, no material misstatements were identified in the information disclosed in this report and comply with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We have been appointed auditors of the Entity for the first time in the Shareholders' General Meeting of April 15, 2004 for the period from 2005 to 2006. We remain as statutory auditors since this first appointment. Our last appointment was in the Shareholders' General Meeting of April 14, 2016 for the year 2016.

b) The management has disclosed to us no knowledge of any allegations of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of March 6, 2017;

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

March 6, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

João Rui Fernandes Ramos, R.O.C.

Jerónimo Martins 2016

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