JERÓNIMO MARTINS

# ANNUAL REPORT 2015

# Message from the Chairman

2015 was a year of dual celebration at the Jerónimo Martins Group, with Biedronka and Pingo Doce marking important milestones in their history: their 20th and 35th anniversaries, respectively.

Throughout the decades of activity of each of these banners, they have been increasing their weight within the Group's business, representing more than 90% of Jerónimo Martins' consolidated sales at the end of 2015.

After 2014 being a year that put European food deflation and intense promotions at the centre of our challenges, we began 2015 better prepared, with sales performance and increased market shares as the main priorities for all the banners.

At the start of the year, it was clear to us that we would have to be capable of doing more and better, especially at Biedronka, where the key challenge is to continuously reinforce the Company's focus on the customer, particularly in urban areas. During the year, the teams worked on reviewing the assortment and reinforcing innovation in categories identified as being increasingly important, whilst simultaneously making a stronger integrated approach to address the challenges and opportunities.

With the economy growing, the unemployment rate dropping, salaries increasing and very strong competitive dynamics in the food retail sector, Polish households saw an improvement in their disposable income, which was confirmed by the increase in private consumption.

We have always stated that we keep identifying growth potential in the Polish market, mainly through an increase in the value of the shopping basket, and so Biedronka will continue to be our main investment priority.

Overall, the work carried out regarding an overall improvement to the offer and the selective opening of new locations (80 new stores, 48 of which in cities with over 100 thousand inhabitants), meant that the heightened deflation in Poland, which almost doubled from -0.9% to -1.7% in 2015, did not prevent Biedronka from performing above the market. Total sales increased by 9.2% and on a like-for-like store network basis, the increase was 3.2%.

In Portugal, food inflation stood at 1%, reflecting the increase in the price of non-processed food. The environment in 2015 remained tough, with consumers continuing to be very rational in their purchasing and strongly taking advantage of the best savings opportunities presented by food retailers.

In line with previous years, Pingo Doce continued to invest in intense promotional activity, whilst at the same time reinforcing its investment in improving its customers' shopping experience through an ambitious store refurbishing programme and an improvement in service levels. On this particular, the re-opening of the Telheiras store in Lisbon was an important and inspirational milestone for Pingo Doce and the Group.

Consumers reacted positively to the Company's efforts and there was an accelerated like-for-like sales growth in 2015, reaching 4.6% (excluding fuel) which, combined with the 19 store openings in the chain, led total sales to increase by 5.4%.

I believe this to be a notable performance at all levels, especially taking into account the fact that there has not yet been a consistent improvement in the financial situation of Portuguese households.

The improvement seen in the HoReCa channel, linked to Recheio's strong position and leading role, led to a solid 4.1% increase in the Company's sales in absolute terms and 3.5% when considering the like-for-like. It is hoped that the food service business will continue to be a source of growth for Recheio, which is also continuing to invest in protecting its traditional retail customer base through the Amanhecer chain.

With regard to the new businesses, Hebe inaugurated 15 stores during the year and had sales in excess of 100 million euros. In 2015, the Company's priority was to better adapt its overall offer and to reinforce its differentiating features.

In Colombia, in line with the defined strategy, Ara opened its second Distribution Centre to support the operation in a new region - the Caribbean Coast - where, at the end of the year, we already had 41 stores. In total, Ara ended the year with 122.5 million euros of sales and 142 stores.

The business in Colombia has been a very stimulating learning experience, as the diversity that exists between the various regions of the country is reflected in quite different consumption patterns, which means that we have to be capable of making our model flexible and streamlined in order to ensure that we are of increasing relevance to the consumers we want to serve, regardless of the part of the country in which they live.

As a Group, we increasingly view Colombia as a base that will support the future growth we want to build in the region and so as we further our knowledge of its people, its potential and opportunities, we reinforce our commitment to the country, as well as of our confidence in its institutions.

In the first nine months of the year, the development of our businesses and the strengthening of our competitive positions in all the markets in which we operate enabled us to recognise that the objectives set for the year would be achieved. At the same time, we had excess cash compared to our forecast.

As such, and as that capital was not required to carry out the defined investment plan, at its meeting on 4th November the Board of Directors decided to propose a Shareholders' Meeting be held to vote on the distribution of free reserves in the amount of around 235 million euros, which was approved by 99.9% of the Shareholders, with the payment being made at the end of the year.

In a year in which we clearly set a growth in sales and in market shares as our common priorities, total sales rose 8.3% to 13,728 million euros, supported by a like-for-like growth in all the banners and also by the selective expansion efforts (which absorbed around 224 million euros of investment, i.e. a little more the half of the total for the year).

2015 was also the year in which all the teams worked on defining the mid to long-term strategic and operating plans, setting clear goals until 2020.

On the closure of the 2015 accounts Jerónimo Martins posted an increase in EBITDA of 9% compared to 2014, to approximately 800 million euros, which reflects the solid combination of the good consolidated sales performance and the discipline and rigour applied to cost management in Portugal and in Poland.

The EBITDA margin was 5.8%, in line with the previous year, after considering the deflation which deteriorated in Poland and the investments carried out by the Companies to reinforce their competitiveness and to create promotional opportunities that are material to the consumers.

Consequently, net profit attributable to Jerónimo Martins increased by 10.5% to 333.3 million euros.

The cash flow generated at a Group level increased from 267 million euros in 2014 to 482 million euros in 2015, whilst the solidity of the balance sheet led to a reduction in gearing from 16.7% to 11.7%, even after the payment of free reserves.

In view of these results, which demonstrate the healthy combination of operational excellence and the solidity of the Group's balance sheet, and as we do not foresee any short-term extraordinary business investment needs, the Board of Directors will once again propose to the Shareholders an additional payment of 166.5 million euros by means of dividends, which is the equivalent of a gross remuneration of 0.265 euros per share. This proposal will not in any way affect the robustness of Jerónimo Martins' capitalisation, whose free reserves will be 83 million euros after paying the proposed dividend.

We believe that as the strength of the balance sheet and the ability to carry through the defined investment plans and seize any non-organic growth opportunities are safeguarded, it is good management practice to return to the Shareholders the money that the company does not need to ensure its profitable and sustainable growth, so that they may invest it as they deem fit.

In these first three months of 2016, in which Biedronka and Pingo Doce welcomed their new General Managers and Ara is celebrating its third anniversary, I should like to personally and on behalf of the management team, thank the investors for the trust we have felt throughout the demanding times in 2015. I should also like to leave a word of our determination and commitment to making 2016 another valuable and significant story.

*Pedro Soares dos Santos*
1st March, 2016

JERÓNIMO MARTINS

# I. The Group Jerónimo Martins

This Annual Report of the Jerónimo Martins Group covers the period from January 1st to December 31st, 2015, and includes the areas of Distribution and Services in Portugal, 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 2015, it achieved sales of 13.7 billion euros (67% in Poland) and an EBITDA of 800 million euros (80% in Poland). The Group has a total of 89,027 employees and ended the year with a market capitalisation of 7.5 billion euros on the NYSE Euronext Lisboa.

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 2,667 stores spread across the entire country. At the end of 2015, the Company reached 9.2 billion euros of sales, recording around 1.3 billion customer tickets. Also in Poland, since May 2011, the Group has a chain in the drugstore sector, under the **Hebe** banner, which has 134 stores, including an Apteka Na Adrowie pharmacy. This business concept is based on the offer of a Health and Beauty assortment with high quality services at a very competitive price.

In Colombia, **Ara** currently operates in two regions of the country: the Coffee Growing Region, and since September 2015, the Caribbean Coast. Ara operates proximity food stores, mostly set-up in residential neighbourhoods. Ara is positioned as a chain of quality products at the best prices, combining competitiveness with promotional opportunities in key categories to the Colombian consumer. At the end of the year, Ara was operating in 142 locations.

In Portugal, the Jerónimo Martins Group holds a leading position in Food Distribution, having reached a combined turnover of 4.2 billion euros in 2015. It operates with the banners **Pingo Doce** (399 supermarkets) and **Recheio** (37 cash & carries 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 and Take Away, Petrol Stations and **Bem-Estar** Stores, as well as through the **New Code** (adults and children's clothing) and **Spot** (shoes and accessories) banners. These last two through partnerships with specialised operators.

The main objective of **Jerónimo Martins Agro-Alimentar (JMA)** is to have direct access to the supply of strategic products, thereby guaranteeing the Group's internal needs, most specifically in the areas of dairy products and beef.

Through its partnership with Unilever and operating under the name of **Unilever Jerónimo Martins**, the Group is also the largest manufacturer of fast-moving consumer goods in Portugal, in the area of Food, Personal Care, Home Care and Out-of-Home consumption. This Company holds leadership positions in the Margarines, Ice Tea, Ice-Creams and Washing Detergents markets, among others.

Also within the area of Manufacturing, the partnership with Unilever is extended to **Gallo Worldwide**, operating in the Olive Oil, Vinegar, Olives and Vegetable Oil business. In 2015, the Company sold to over 30 countries, including Portugal, becoming the 2nd largest olive oil brand in the world.

In Portugal, the Group's portfolio also includes a business area geared towards Marketing, Representations and Restaurant Services, integrating the following businesses:

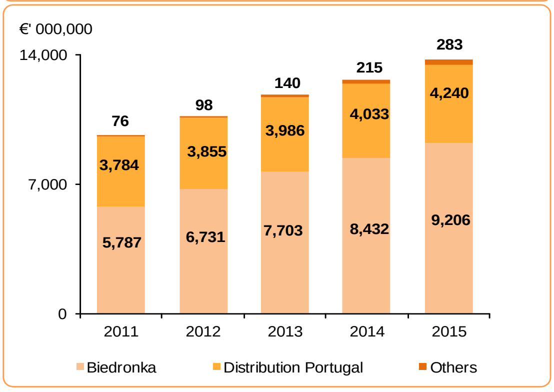
**Jerónimo Martins Distribuição de Produtos de Consumo**, which is the representative of international food brands in Portugal, some of which are market leaders in mass market food.

**Jerónimo Martins Restauração e Serviços** is engaged in the Restaurant Services sector and at the end of 2015 included: the Jeronymo chain of kiosks and coffee shops, with 18 points of sale, and the Olá chain of ice-cream parlours, with 30 stores, five of which are franchised.

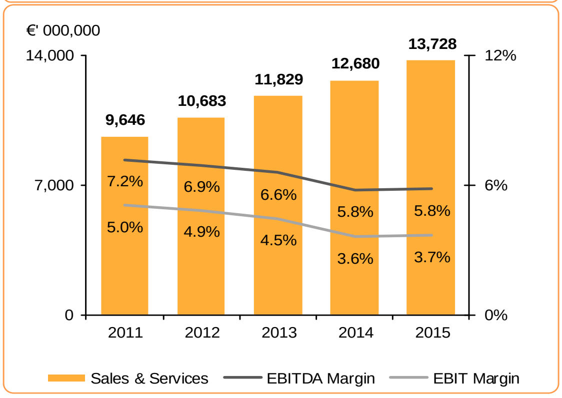
**Hussel**, a Specialised Retail chain selling chocolates and confectionery, had 27 stores at the end of 2015 (including three "Giro by Hussel" kiosks).

# 1.2. Operating and Financial Indicators

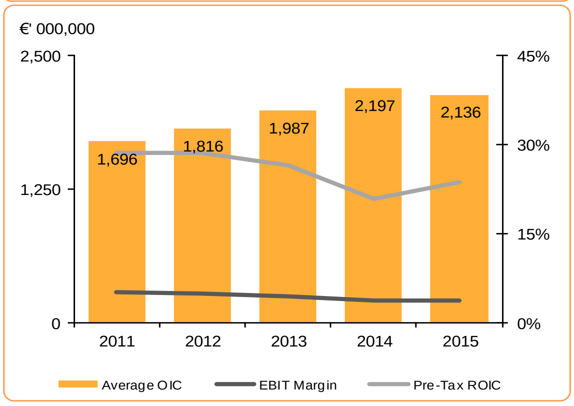
**Sales & Services**



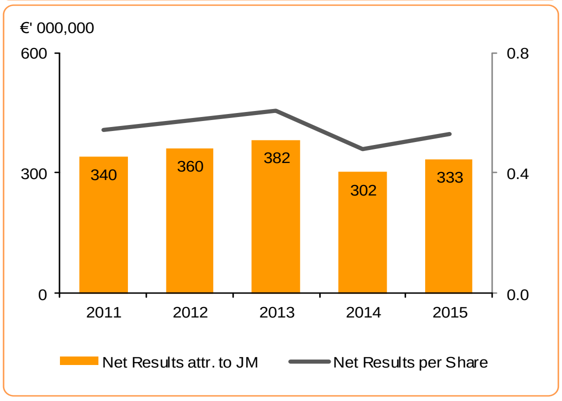

**Sales, EBITDA Margin & EBIT Margin**



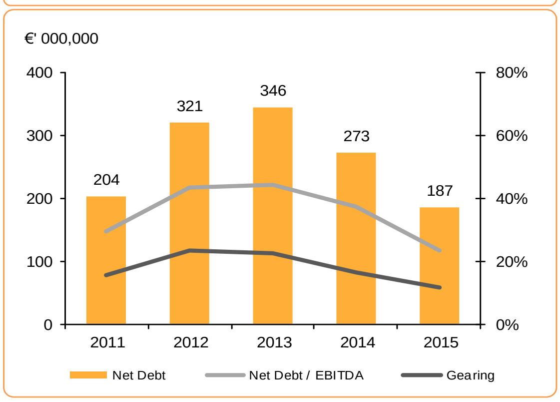

**Pre-Tax ROIC**



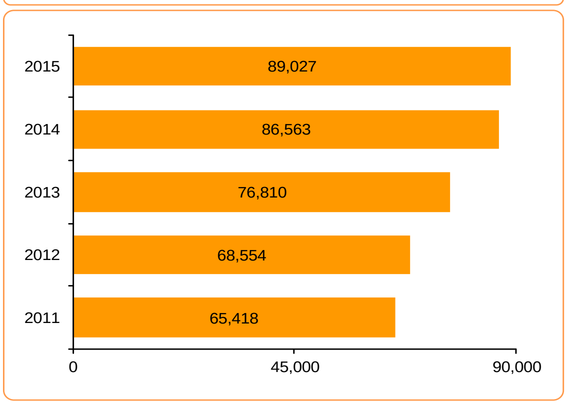

**Net Results and Net Results per Share**



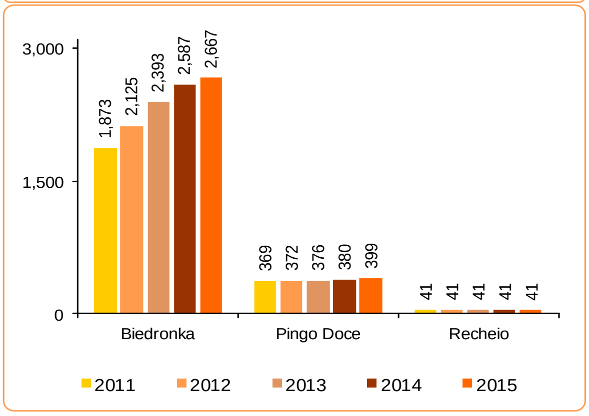

**Net Debt**



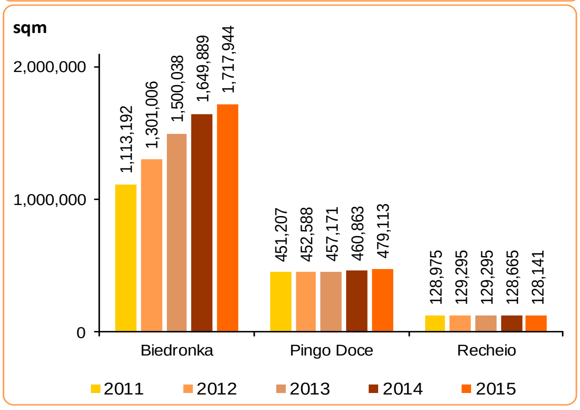

**Employees**



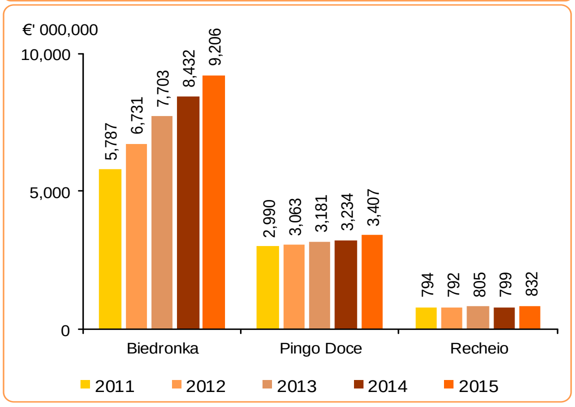
**Number of Stores**



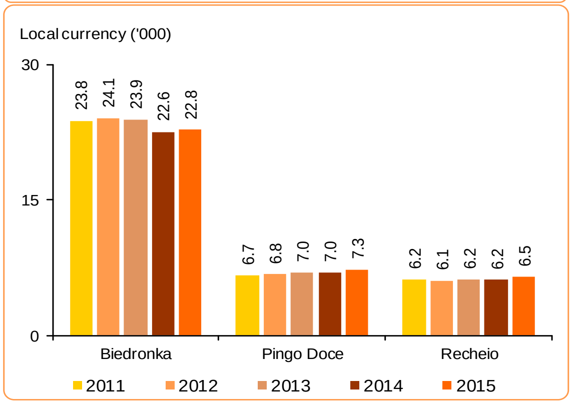

**Sales Area**



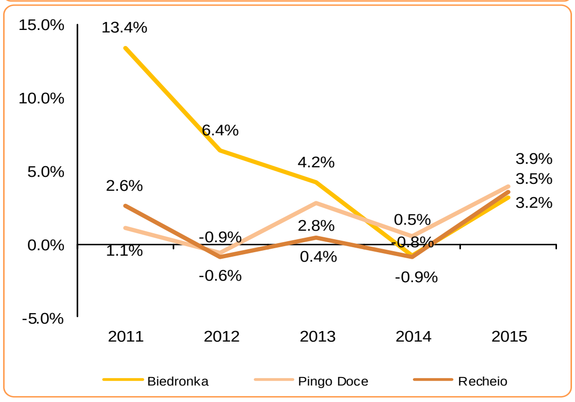

**Sales**



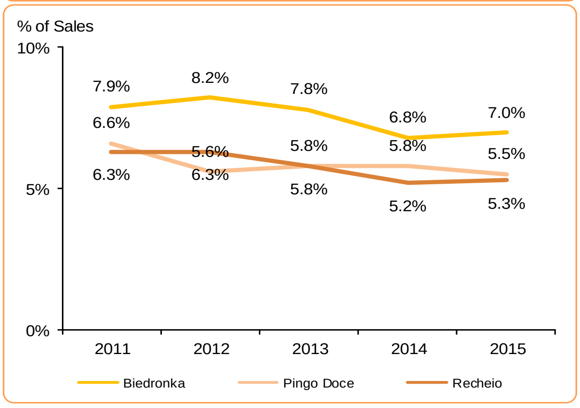

**Sales / sqm**




**LFL Sales Growth**




**EBITDA Margin**



# 1.3. Statutory Bodies and Structure

## 1.3.1. Statutory Bodies

**Election date:** 10th April, 2013

**Composition of the Board of Directors elected for the 2013-2015 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 1995**
- **Chairman of the Corporate Governance and Corporate Responsibility Committee since December 2013**

**Alan Johnson**
- Born on 18th September, 1955
- **Member of the Board of Directors since March 2012**

**Andrzej Szlezak**
- Born on 7th July, 1954
- **Member of the Board of Directors since April 2013**
- **Member of the Corporate Governance and Corporate Responsibility Committee since April 2013**

**António Pedro de Carvalho Viana-Baptista**
- Born on 19th December, 1957
- **Member of the Board of Directors since April 2010**
- **Member of the Audit Committee since April 2010**

**Artur Stefan Kirsten**
- Born on 22nd February, 1961
- **Member of the Board of Directors since 9th April 2015**

**Clara Christina Streit**
- Born on 18th December, 1968
- **Member of the Board of Directors since 9th April 2015**

**Francisco Manuel Seixas da Costa**
- Born on 28th January, 1948
- **Member of the Board of Directors since April 2013**
- **Member of the Corporate Governance and Corporate Responsibility Committee since April 2013**

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

**Henrique Manuel da Silveira e Castro Soares dos Santos**
- Born on 7th November, 1968
- **Member of the Board of Directors since 9th April, 2015**

- **Member of the Corporate Governance and Corporate Responsibility Committee since 23rd April, 2013**

**José Manuel da Silveira e Castro Soares dos Santos**
- Born on 6th April, 1962
- **Member of the Board of Directors from 2004 until 9th April, 2015**
- **Member of the Corporate Responsibility Committee and later, of the Corporate Governance and Corporate Social Responsibility Committee since April 2010**

**Nicolaas Pronk**
- Born on 2nd October, 1961
- **Member of the Board of Directors since 2007**

**Sérgio Tavares Rebelo**
- Born on 29th October 1959
- **Member of the Board of Directors since April 2013**
- **Member of the Audit Committee since April 2013**

**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:
**José Pereira Alves (R.O.C. no. 711) or António Joaquim Brochado Correia (R.O.C. no. 1076)**
Substitute:
**José Manuel Henriques Bernardo**

**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**

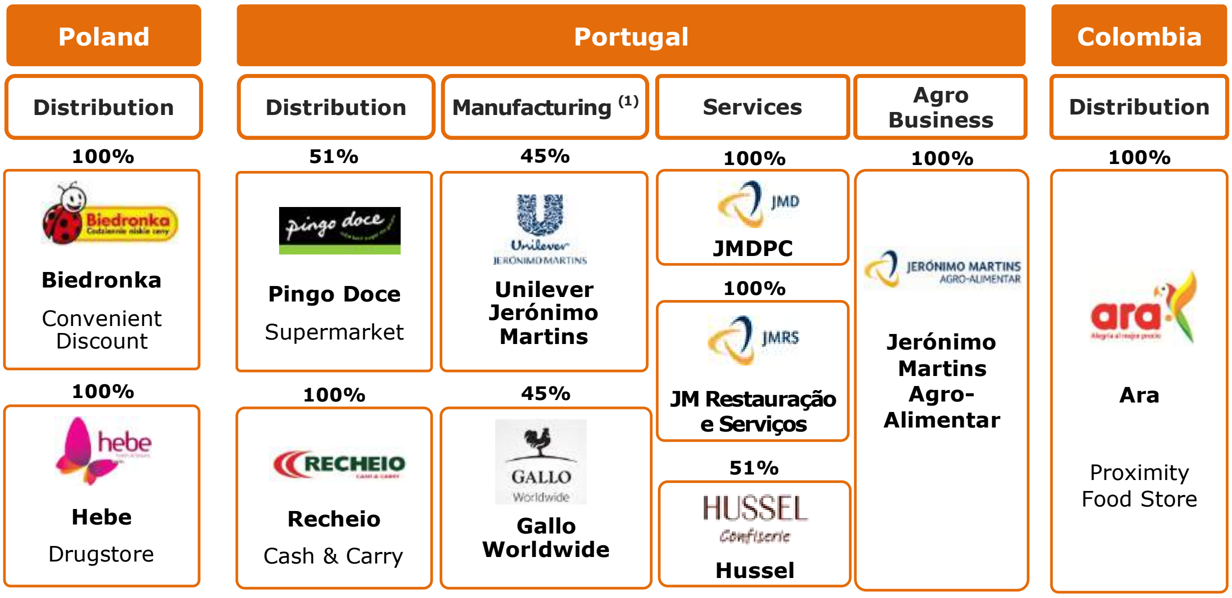
**Tiago Ferreira de Lemos**

## 1.3.2. Business Structure

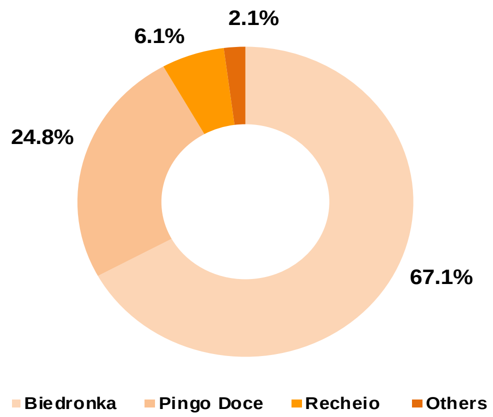
**JERÓNIMO MARTINS**

**2015 Sales**
13,727 million euros

**2015 EBITDA**
800 million euros




**Sales by Business Area 2015**




**EBITDA by Business Area 2015**

| Million euros | EBITDA | % Total |
|---|---|---|
| Biedronka | 641 | 80.2% |
| Pingo Doce | 188 | 23.5% |
| Recheio | 44 | 5.5% |
| Others | -73 | -9.2% |
| **JM** | **800** | **100%** |

(1) Since 2013, Manufacturing is consolidated using the equity method and not included in the figures here presented.

# 2. Strategic Positioning

## 2.1. Mission

Jerónimo Martins is an international Group with its head office in Portugal, operating in Food Distribution and Food Manufacturing, 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. This, 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. Encouragement of innovation and a pioneering spirit as factors for developing competitive advantages.

These four aspects aim to achieve 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 upgrading;
- Identifying opportunities for profitable growth.

## 2.3. Operating Profile

Our operational positioning reflects a clear value food retail approach, where the focus on value and mass market strategy define our presence in the market.

The Group offers proximity, 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 brands, and quality store environment.

The success of our formats is leveraged on our market leadership. Leadership within a mass-market approach is linked to relevant size, which is essential for creating economies of scale that enable us to be cost leaders and thus allows us to offer the best prices. Furthermore, it is leadership that enables us to create notoriety and trust, which is essential for building lasting relationships with strategic business partners and with our consumers.

# 3. Awards and Recognition

## Corporate

- The Jerónimo Martins Group climbed three positions in the **Global Powers of Retailing 2016** ranking, compared to the previous year's edition, to become ranked as the 59$^{th}$ largest retail company in the world. The study, conducted by Deloitte, in partnership with the North American magazine, "Stores", was based on 2014 financial information and shows that the Jerónimo Martins Group jumped eight places in just two years;

- The Group was awarded the **Founder Award** by Junior Achievement, in recognition of the role it has played in founding and promoting the institution's success since it was created in Portugal, in 2005;

- "Less is More" an internal publication aimed at raising awareness on the fight against food waste, won various awards attributed by the magazine "**Meios & Publicidade"**, by the North American **Content Marketing Institute**, by the **SPD Awards,** and by the **Pearl Awards;**

- The Group was also awarded the prizes **'National Champion'** and **'Ruban d'Honneur'** by the European Business Awards in the category "The Award for Environmental & Corporate Sustainability" for its strategy to combat food waste;

- It was awarded in the Euronext Lisbon Awards, in the "**Listed company - Best Performance – Compartment A**".

## Biedronka

- Biedronka reached the 3$^{rd}$ position in the ranking of the **100 Biggest Companies in Poland**, publicised by "Forbes" magazine;

- It was once again awarded the **Stars in Service Quality** award in the "Supermarkets" category, attributed within the scope of the Polish Service and Quality Programme;

- It won the **Success of the Year** award, from the magazine "Personalities and Successes";

- It remained in 1$^{st}$ position in the **List of the Largest Polish Companies in the Retail Sector**, by the publications "Gazeta Finansowa" and "Grocer Market";

- It was voted **Retailer of the Year**, in the "Discounts" category, by producers that participate in a survey by AC Nielsen Polska;

- The "Dada" Private Brand of baby nappies won three awards: **Super Product of the Year 2014, Hit Mammy it's me - Best for child**, and **M like Mum monthly**;
- The organisation **Responsible Business** awarded two of Jerónimo Martins Polska's initiatives in the area of Social Responsibility: "Young designers for Biedronka" and "Biedronka and well-known designers for DKMS Foundation";
- The "Linda" liquid soap and "Bebeauty" bath salts, which are Private Brand products, were honoured with the **Good Brand** award;
- Biedronka was given the **Biały Listek CSR** award by the magazine, "Polityka", for following the recommendations of ISO 26000;
- For the sixth time, it won the **Superbrand** award in the "Retail" category;
- It reached the 2nd position in the ranking of the **500 Biggest Polish Companies**, compiled by the publication "Rzeczpospolita";
- It once again achieved 1st place in the **Top Brand** ranking, in the "Retailers" category, publicised by "Press magazine" and by "Press Service Media Monitoring";
- The Bydgoszcz store was awarded the **Architecture with Energy** award, in the "Public Building" category. This award aims to select the buildings with the greatest energy efficiency in the Kujawsko-Pomorskie region;
- Biedronka received the **Business Partner Supporting** award, from Last Mile Solutions;
- It was awarded the **Best Image** trophy, attributed by The Flag of Regions' Business;
- It was recognized by the newspaper "Polska The Times", in its CSR report, for the launch of the Children's Literature Prize contest Biedronka (Piórko 2015);
- It reached 4th position in the ranking of the **500 biggest companies in Central and Eastern Europe**, set up by Coface;
- Jeronimo Martins Polska collected a **Golden Laurel of Super Biznes** for the work carried out in the agro-food sector;
- The Wojnicz Distribution Centre was classified in 1st place in the **Speed Docking** contest, organised by ECR Poland, with the objective of measuring and comparing truck offloading times in mass market companies' Distribution Centres;
- Jeronimo Martins Polska received the **Business Superbrands** Award;

- Biedronka was acknowledged as the second **Most Valuable Brand in Poland**, in the ranking compiled by the newspaper "Rzeczpospolita" and by the consultant Acropolis;

- Jeronimo Martins Polska was acknowledged in the **Polish Business Patriotism Index,** ranking as one of the most patriotic companies in Poland, in various categories.

## Pingo Doce

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

- The magazine "Sabe Bem" (Tastes Good) was awarded the silver in the **Pearl Awards**, in the "Best Retail" category.

## Recheio

- Recheio 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.

## Jerónimo Martins Distribuição de Produtos de Consumo

- **Best Global Brands** (Interbrand): Kellogg's in 34$^{th}$ position;

- **Marcas que marcam - Marcas com maior notoriedade espontânea (Brands that leave a mark - Brands with the greatest spontaneous notoriety)** (QSP - Consultoria de Marketing and the newspaper, "Diário Económico"): Kellogg's;

- **Master of Distribution**, in the "Confectionery" category: Reese's 2 Butter Cups;

- **Consumer's Choice 2015:** *Francesinha* Sauce and QB Original from Guloso;

- **Master of Distribution**, in the "Sauces and Seasonings" category: Guloso Pizza Sauce.

JERÓNIMO MARTINS

# II. Consolidated Management Report

# 1. Key Facts of the Year

## Biedronka

- Celebration of Biedronka's 20th anniversary
- Opening of 102 stores
- Launch of "Twoja Biedronka", a new mobile application that provides greater interaction with the consumer regarding the Company's offers
- Creation of www.testujemy.biedronka.pl, a website enabling consumers to suggest and vote on new products

## Pingo Doce

- Celebration of Pingo Doce's 35th anniversary
- Opening of 21 stores, eight of which are managed by third parties
- Opening of two Pingo Doce & Go convenience stores

## Recheio

- Inclusion of 105 stores in the Amanhacer concept, ending the year with a total of 249 units

## Ara

- Opening of 56 Ara stores, closing the year with 142 stores
- Start of operations in the Caribbean Coast region, with the opening of a Distribution Centre and 41 stores in that region

## Hebe

- Opening of 15 stores
- First tests of the new store concept, including a revised offer and with more focus on the consumer

## JMDPC, Hussel & JMRS

- Opening of two Jeronymo coffee shops
- Development of the "Giro by Hussel" concept, with the opening of three gummies kiosks
- Implementation of Hussel's new image in the Cascais Shopping store
- JMDPC starts representing the Barilla, Patak's and Amoy brands

## JMA (Jerónimo Martins Agro-Alimentar)

- Conveyance of the Cooperativa Serraleite factory in June
- Start of the operation of the Angus Beef Cattle Fattening Unit in October

# 2. 2015 Environment

## 2.1. Poland

### Macroeconomic Environment

In 2015, the Gross Domestic Product (GDP) grew 3.6%, according to the Polish Statistical Office (GUS). Domestic demand continued to be the GDP's main growth driver, supported by the increases in employment and household income. Further business investments and investments in family housing were other factors that also contributed towards the country's economic growth. According to that same institute, the average wage increased by 3.5% in 2015.

In 2015, the number of unemployed decreased, following the same trend seen the previous year, and the unemployment rate registered a reduction of 1.8 p.p compared to 2014, now standing at 10.5%.

In the forex market, the average exchange rate of the zloty against the euro was 4.1819 in 2015, almost in line with the 4.1850 recorded in 2014. When comparing the foreign exchange rate position at the end of the year (4.2639) with the one at the end of 2014 (4.2732), we can see a slight appreciation of the zloty against the euro of 0.2%.

Inflation in Poland reached historically lows levels in 2015: -0.9% compared to an evolution of zero in 2014. The variation in the price of food products was negative at -1.7%, compared to -0.9% in 2014. As a consequence of this level of prices in the economy, well below that desired by the Polish Monetary Council, it was decided in March 2015 to reduce the reference rate of 2.0% to 1.5%, the lowest level ever.

### Modern Food Retail

According to PMR Research, the Modern Food Retail market in Poland should have grown by 2.1% in 2015, exceeding 242 billion zlotys. This evolution was significantly influenced by the gradual recovery of the economy and the stimulation of consumption by food price deflation.

Consumers remained price-sensitive and very rational in their purchasing behaviour. With price continuing to be the key criterion, consumers sought intelligent purchases and as such, chose stores with the best cost-benefit ratio. The importance of the convenience factor continued to increase, with consumers preferring stores close to their place of residence or work.

In 2015, mid-range products gained importance, following the improvement in the Polish economy. The operators' strategy included extending the offer of these products as well as of the high-range products, making them available at affordable prices.

Sales of Private Brand products in Polish Food Retail grew by 6.6% compared to the previous year, continuing to show signs of growth potential, albeit at a slower pace. Current market penetration was driven by the increase in confidence in these products, which in turn, is a reflection of a constant improvement in its quality.

2015 was marked by the increase in popularity of the smaller size store formats, as a consequence of the increasing competition and reflecting new consumer habits. The number of operators that use a single store format has decreased and we can see an increase in the variety of formats operated by the retail chains. Also noteworthy was the heightened expansion of the convenience format and the increase in cooperation between retailers and petrol stations.

The Food Retail market continued to show signs of consolidation, with increased closures of independent stores or their integration into franchise networks. In 2015, the integration of the Real hypermarkets into the Auchan chain was completed.

In 2015, there was a further increase in the offer of organic products. This growth was mainly driven by the demands of consumers who are increasingly favouring food quality and food origin. Although this trend is essentially present in the big cities, it is also becoming increasingly visible outside urban areas.

### Health and Beauty Retail

According to the projections by PMR Research, in 2015 the Polish Health and Beauty market should have grown 4.4% compared to 2014, to 21.5 billion zlotys and the non-prescription pharmaceuticals market increased by 4.9%.

2015 was marked by a broader offer of Health and Beauty products in the discount stores and the resulting pressure on the main Beauty categories of the major players (hypermarkets and specialised stores). This trend was felt mainly in the second half of the year, making the market even more competitive. The main operators maintained their growth in the drug store channel, whilst the small and medium-sized operators felt a strong squeeze on their profit margins, which in the last quarter of 2015 resulted in the insolvency of 180 stores of the Dayli chain.

Benefiting from the changes in consumers' pace of life, as well as the increasing number of Internet users, the online distribution channel remained dynamic, promoting the concept of convenience combined with time savings and easy access to low prices.

According to PMR Research, the trend covered the purchase of low-priced products, but with a commitment to quality. On the other hand, the consumer remained attentive to novelties in the cosmetics market and, despite the lack of an environment of high economic confidence, the offer of premium products at more accessible prices became more relevant.

## 2.2. Portugal

### Macroeconomic environment

2015 was marked by the continuing gradual recovery of the economic activity, at a relatively moderate pace, reflecting the need for the various public and private economic agents to make additional adjustments to their balance sheets, following the preceding international financial crisis.

The economic bulletin published in December 2015 by Banco de Portugal (the Portuguese Central Bank), predicted an economic expansion of 1.6% compared to a growth of 0.9% in 2014. The acceleration in economic activity in the first half of 2015 was noted for being more dynamic, both with regard to domestic demand and exports. As far as the labour market is concerned, there was a decrease in the unemployment rate during the same period. The second half of the year was essentially characterised by the stabilisation in economic activity together with a somewhat stagnant employment environment. On the other hand, the consumer confidence indicator remained at historically high levels (albeit negative) and relatively stable since the beginning of the year.

The moderate recovery of domestic demand (+2.4%) was supported by an increase in private consumption (+2.7%), arising from a favourable evolution of the average disposable household income in real terms and by investments (+4.8%). This evolution reflects the improvement in the level of business investments (+4.6%) and in everyday consumption of goods and services to levels close to those seen before the international financial crisis. On the other hand, despite some recovery in 2015, public investment continued to be constrained by the need for budgetary consolidation.

Exports may have accelerated, with the prospect of a 5.3% growth (+3.9% in 2014). This evolution reflects, on the one hand, additional gains in market share arising from the positive impact of the devaluation of the euro on the growth of the economic activity, and on the other hand, temporary factors linked to the export of fuel. In contrast, the growth in imports (+7.3%) partly reflects the increase in domestic demand for goods with a high imported content, such as cars, machinery and equipment and energy.

With regard to inflation, following the decrease of 0.3% in 2014, this indicator stood at 0.5%, mainly reflecting the increase in the price of non-processed food and services, as the price of energy fell, although less than that suggested by the drop in the price of oil. It should be noted that the low level of inflation had a positive effect on real disposable household income and consequently on private consumption.

In 2015, the deficit is estimated at 3.2% of GDP (+4.5% in 2014). Nevertheless, despite this reduction Portugal still seems to be facing high risks of budgetary sustainability, in the mid-term.

## Modern Food Retail

With regard to macroeconomics, 2015 was noted for the consolidation of the growth that began in 2014.

From a consumer point of view, the most recent available data indicate a growth in both durable and non-durable private consumption in 2015, in line with 2014.

According to Banco de Portugal (the Portuguese Central Bank), this positive evolution must have benefited from a favourable evolution in actual disposable household income and from continuous recovery in consumer confidence.

Despite this more favourable environment, 2015 remained tough, with consumers consolidating the behaviour they adopted in the recent past, remaining focused on shopping more rationally and taking strong advantage of the food retailers' promotions. Aspects such as proximity and price continued to be critical in the choice of shopping location.

The year continued to be noted for strong promotional dynamics, in line with 2014, but more recent indicators suggest a slight recovery in Food Retail turnover in 2015, contrary to the previous year.

The Distribution business was marked by the dynamic activity of the new Food Retail formats, mainly arising from partnerships between the major chains and small traditional grocers, whilst there was also a faster pace of openings in Modern Retail than in 2014.

### Wholesale Market

In 2015, the turnover of the Cash & Carry operators registered a slight growth, resulting from the recovery of the Traditional Retail and HoReCa channel segments. The network of Cash & Carry stores remained stable.

In Traditional Retail, of note were the opening of more than 100 new Amanhecer stores and 70 new 'Meu Super' stores, reinforcing the positioning of the proximity retail chains with a high geographical expression.

## 2.3 Colombia

### Macroeconomic Environment

The prospects for economic growth in Colombia were successively revised downwards throughout 2015, conditioned by the end of the rising cycle of the price of commodities, particularly the price of oil and of some food. This drop in price strongly conditioned the Colombian trade balance, as a result of the importance of this type of goods in the country's foreign trade. Consequently, and in order to control the country's deficit, it was necessary to make a sharp reduction in the State expenditure.

According to the country's National Administrative Statistics Department, the Colombian economy grew 3.0% in the first nine months of the year, which represented a year-on-year decline of 1.9 p.p.. However, the Colombian economy continued to grow above the average for the Latin American countries, outperforming countries such as Brazil, Chile and Mexico.

With regard to the main GDP components, there was a significant slowdown in investments (+2.8% in the first nine months of 2015 compared to 12.8% in the same period in 2014). Equally of note is the Government's decline in consumption, which grew less than the average for the economy (+2.2% in the first nine months of the year compared to +7.1% in the same period in 2014).

As far as foreign trade is concerned, imports posted a growth of 2.9% and exports showed a decrease of 0.3% in the first nine months of the year.

Private consumption was the economic growth driver, with an increase of 3.7% in the first nine months of the year.

Average inflation in 2015 was 5.0% compared to 2.9% in 2014, remaining well above the objective of the Colombian Central Bank (3.0% ±1.0 p.p.). The main inflationary pressures were registered in food, goods and services categories, resulting from the el Niño weather phenomenon and the strong devaluation of the Colombian peso.

On the other hand, the accelerated inflation led the Central Bank to increase its reference interest rate by 125 base points during 2015 (from 4.50% to 5.75%).

Consequently, the consumer confidence index clearly fell in the first half of the year, and deteriorated further in July and August, with a slight recovery after September but in the balance for the year, it remained considerably below the previous year.

During 2015, there was a reduction in the unemployment rate, but nevertheless, not as much as initially forecast. The average unemployment rate was 8.9% in 2015, lower 0.2 p.p. than in 2014.

The Colombian peso suffered a strong decline during 2015. In average terms it devalued 14.5% against the euro.

The Colombian stock market had a negative performance in 2015, recording a fall of 22.5% compared to 2014.

## Modern Food Retail

Food retail in Colombia represents a market estimated at 61 billion dollars, with organised retail representing a market share of approximately 20%.

According to data from Nielsen, Food Retail sales increased by 2.9% in 2015. Traditional Retail grew 1.4%, well below the strong evolution of Modern Retail with a 5.1% growth. In the Supermarkets segment, the region with the highest growth was the Atlantic with an increase of 13%, followed by the Coffee Growing Region, with a 6% growth.

During 2015, there were fewer store openings in Modern Retail, with a total of 197 new stores opened in 2015 compared to 318 openings in 2014. The Discount format had the highest number of openings in organised retail, with 179 new stores, which represents 91% of the total number of stores opened, followed by the supermarkets with 18 new stores. Also of note was the fact that no hypermarkets were opened in 2015.

The rapid expansion of the Hard Discount format in new regions of Colombia brought additional dynamics to the Retail Market and increased consumers' choices.

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

# 3. Group Performance

## 3.1. Main Projects of 2015

The Group's Companies in Portugal and in Poland began 2015 anticipating the continued reduction in food inflation (or even deflation) on the one hand, and on the other hand, strong promotional dynamics in the Food Retail sector.

In general, all the defined strategies and objectives of the Management Teams were implemented and achieved, and duly monitored by the Board of Directors, which oversaw the business activities without any constraints.

Being aware of the market challenges, the Group defined three fundamental strategic objectives for the year, which it successfully achieved and which are structural for strengthening its competitiveness in the mid and long-term:

i. Execution of the programme to improve Biedronka's offer, whilst maintaining the efficiency of the business model at all levels;
ii. Strengthening of the strategic pillars of differentiation in both the Pingo Doce and Recheio models in Portugal;
iii. Entry into a new region in Colombia with the opening of a second Distribution Centre at the Caribbean Coast.

### 3.1.1. Execution of the programme to improve Biedronka's offer

In 2014, Biedronka outlined and began implementing a programme for improving its value proposition, with the objective of increasing its share-of-wallet.

In view of the development of the food basket in Poland, with very positive trends in the categories with better added value, Biedronka enlarged its assortment in the existing categories and developed its offer in areas that are drivers of future growth.

Between the fourth quarter of 2014 and the end of the second quarter of 2015, the Company focused on enlarging the offer, which had to be executed with great control regarding the supply chain and logistics, so that the change would not cause disruption in supply to the stores or in the efficiency of the logistics processes.

Throughout the second half of the year, Biedronka concentrated on adapting the stores in order to be able to operate the assortment, combining efficiency, consistency and the necessary visibility, so that customers could recognise the quality and variety of the offer.

The entire programme was executed without affecting the efficiency of the business model and while enabling flexibility to be incorporated into the assortment that is managed in the stores in urban locations. These locations can now have a set of products which, in addition to the Company's basic assortment, make it better adapted to urban consumption trends.

### 3.1.2. Strengthening of the strategic pillars of differentiation in both the models in Portugal

Pingo Doce and Recheio began 2015 with good sales dynamics, largely as a result of a strong promotional strategy, which was maintained throughout the year and complemented by measures for strengthening the strategic pillars of the two banners.

Pingo Doce accelerated its store remodelling plan, which covered 29 stores in 2015, with a very clear improvement in the shopping experience, which is one of its traditionally recognised strengths.

Also with regard to the offer of Private Brand, another differentiation pillar, Pingo Doce reinforced its innovation with 214 new products launches and reformulations throughout the year.

Recheio began the investment in improving the layout of two stores, enabling them to enhance their operation of Perishables, a strategic category for its positioning.

### 3.1.3. Entry into a new region in Colombia

In Colombia, Ara's major objective for 2015 was to enter the Caribbean Coast region, with the opening of a new Distribution Centre.

The construction of the new Distribution Centre took place whilst the Company prepared the pipeline of stores to be inaugurated. The Distribution Centre opened in September and, at the end of the year, there was a total of 41 stores in this region, in addition to the 101 already existing in the Coffee Growing Region.

As there are substantial differences in food habits and tastes between the various regions of Colombia, operating in a new region is fundamental for Ara to validate the flexibility of its value proposition, and to assess the impact of the increasing scale of operations in the country.

The opening of the operation and the expansion of the store network were successful in this new Colombian region and the value proposition was well accepted, reinforcing the belief that the opportunity in this new market has a great potential.

## 3.2. Execution of the Investment Programme

The investment programme is a fundamental pillar of the Group's growth strategy and also plays an important role regarding the quality of the operations and the innovation of the value propositions.

In 2015, the Group invested 412.3 million euros, 223.6 million euros (54%) of which were for expansion.

(million euros)

| Business Area | 2015 Expansion | 2015 Others | 2015 Total | 2014 Expansion | 2014 Others | 2014 Total |
|---|---|---|---|---|---|---|
| **Biedronka** | **90** | **114** | **204** | **235** | **126** | **361** |
| Stores | 84 | 110 | 193 | 182 | 119 | 302 |
| Logistics & Head Office | 6 | 5 | 11 | 53 | 6 | 59 |
| **Pingo Doce** | **75** | **59** | **133** | **13** | **42** | **55** |
| Stores | 54 | 57 | 111 | 13 | 41 | 54 |
| Logistics & Head Office | 21 | 2 | 23 | 0 | 1 | 2 |
| **Recheio** | **5** | **14** | **18** | **2** | **7** | **9** |
| **Ara** | **49** | **0** | **49** | **28** | **0** | **28** |
| Stores | 31 | 0 | 31 | 22 | 0 | 23 |
| Logistics & Head Office | 17 | 0 | 17 | 5 | 0 | 5 |
| **Total Food Distribution** | **218** | **187** | **404** | **278** | **175** | **453** |
| **Hebe** | 3 | 1 | 4 | 13 | 3 | 15 |
| **Services & Others** | 3 | 1 | 4 | 0 | 1 | 2 |
| **Total JM** | **224** | **189** | **412** | **291** | **179** | **470** |
| ***% of EBITDA*** | *28.0%* | *23.6%* | *51.6%* | *39.6%* | *24.5%* | *64.1%* |

Biedronka inaugurated 102 stores, 48 in cities with more than 100 thousand inhabitants, therefore pursuing the expansion plan as defined, and continuing to strengthen its position in the market.

Pingo Doce intensified its store opening efforts, inaugurating 21 stores in locations that are important for reinforcing its national presence. Of these new stores, eight were opened under third-party management, bringing the total number of locations operating under this regime to 15.

Ara, in Colombia, inaugurated 56 stores and a new Distribution Centre, moving ahead with its programme to enter the second region.

Hebe inaugurated 15 stores, ending the year with 134 locations in the Polish market.

| | New Stores 2015 | New Stores 2014 | Revampings [1] 2015 | Revampings [1] 2014 | Closed Stores 2015 | Closed Stores 2014 |
|---|---|---|---|---|---|---|
| **Biedronka** | 102 | 211 | 155 | 127 | 22 | 17 |
| **Pingo Doce** | 21 | 5 | 29 | 26 | 2 | 1 |
| **Recheio** | 0 | 0 | 2 | 1 | 0 | 0 |
| **Ara** | 56 | 50 | 0 | 0 | 0 | 0 |
| **Hebe** | 15 | 18 | 10 | 23 | 0 | 3 |
| **Other Businesses [2]** | 13 | 8 | 1 | 2 | 11 | 9 |

[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.

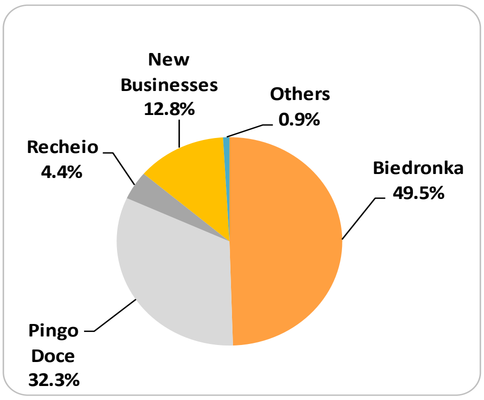
In 2015, investments in remodelling received special attention following the programme for strengthening Biedronka's assortment and as a result of accelerating Pingo Doce's remodelling programme. This kind of investment represented 34% of the Group's total capex programme for the year.

Apart from its annual store remodelling programme, which covered 155 locations during the year, in 2015, Biedronka also made investments with a view to optimising the operation of the new assortment in the stores and with specific work on the store layout.

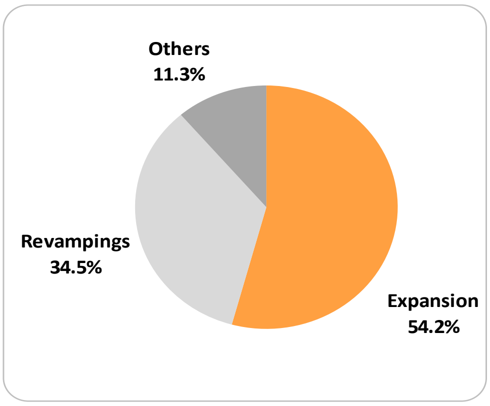
Pingo Doce having defined as a priority the reinforcement of its differentiation pillars, namely the shopping experience accelerated its remodelling programme that began in 2014, and refurbished 29 stores in 2015.

Paying attention to the specific nature of each location and according to the type of customer it serves, Recheio remodelled two of its stores, having focused the investment on reinforcing the areas of the stores that are most important for the local markets.

**Investment by Business Area**




**Investment breakdown**



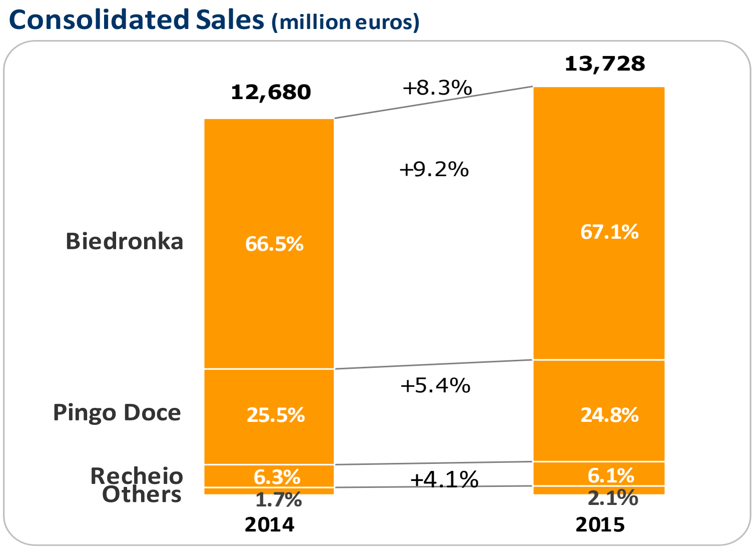

## 3.3. Consolidated Activity in 2015

### 3.3.1. Consolidated Sales

The Group's sales reached 13,728 million euros, +8.3% vs. previous year, with the like-for-like reaching a solid 3.4% growth for the year.

| (million euros) | 2015 | | 2014 | | Δ % | | LFL |
|---|---|---|---|---|---|---|---|
| | | % total | | % total | Zloty | Euro | |
| Sales & Services | | | | | | | |
| Biedronka | 9,206 | 67.1% | 8,432 | 66.5% | 9.1% | 9.2% | 3.2% |
| Pingo Doce | 3,407 | 24.8% | 3,234 | 25.5% | | 5.4% | 3.9% |
| Recheio | 832 | 6.1% | 799 | 6.3% | | 4.1% | 3.5% |
| Mkt, Repr. and Rest. Services | 81 | 0.6% | 79 | 0.6% | | 2.6% | n.a. |
| Others & Cons. Adjustments | 202 | 1.5% | 137 | 1.1% | | n.a. | n.a. |
| **Total JM** | **13,728** | **100%** | **12,680** | **100%** | | **8.3%** | **3.4%** |

The focus on sales led the banners to post good performances, reaching solid like-for-like growth and increasing their market shares.




In Poland, the competitive environment remained dominated by promotions and consumers remained value-oriented, despite the positive trends registered in food consumption.

Food inflation was negative (-1.7%), having moved towards positive ground throughout the year, with the last three months recording some positive values (+0.4%, +0.1% and -0.1% in October, November and December 2015, respectively).

In 2015, Biedronka gave priority to improving its offer, with the objective of reinforcing its relevance to consumers and increasing penetration (share-of-wallet).

The results of this focus were visible in the like-for-like performance, which quarter after quarter was supported by growth in volume more than offsetting the deflation in the basket. Growth in the value of like-for-like sales in the year was 3.2%, with a positive contribution from both the number of visits and the value of the average basket.

As predicted, the Company executed its expansion programme, inaugurating 102 stores (80 net additions) and ended the year with a total of 2,667 locations.

Biedronka's sales increased by 9.2% in the year (+9.1% in local currency) to 9,205.7 million euros.

In Portugal, the Food Retail environment remained extremely competitive throughout the year and was marked by ongoing promotions.

Food inflation in the country was positive, reaching 1.0%.

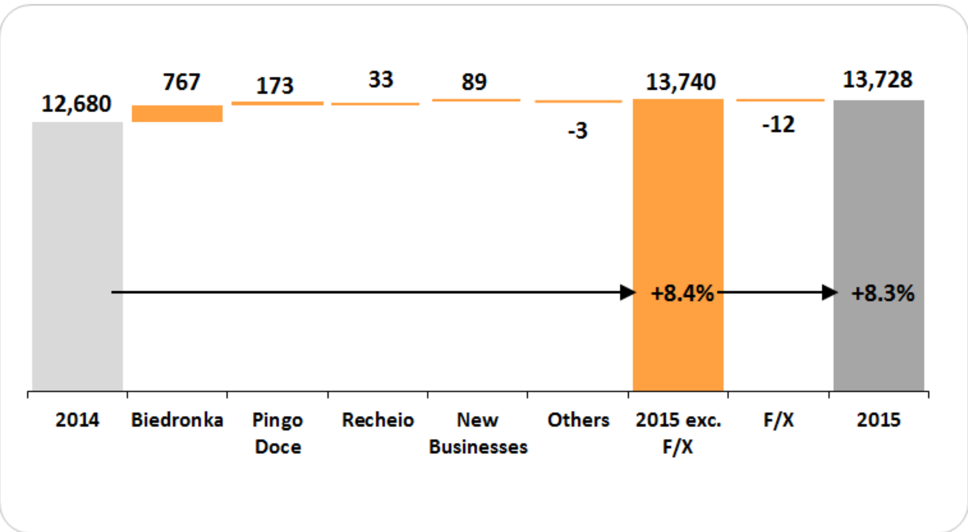
Pingo Doce maintained an intense promotional strategy whilst at the same time investing in improving the shopping experience for customers, through the store remodelling programme and through improvements in service levels. Taking advantage of the boost created last year, the like-for-like sales growth accelerated in 2015, reaching 4.6% (excluding fuel).

Combining the like-for-like growth with 21 store openings in the year, total sales increased by 5.4%, reaching 3,407.3 million euros.
Recheio's sales benefited from improved trends in the HoReCa channel and the Company's strong commercial position. Total sales increased by 4.1%, reaching 832.2 million euros with a like-for-like of 3.5%.

As planned, Ara opened its second Distribution Centre in a new region of Colombia (Caribbean Coast), where it ended the year with 41 stores. In 2015, Ara ended the year with a total of 142 stores and sales of 122.5 million euros.

At the end of 2015, Hebe had 134 stores and had surpassed 100 million euros of sales.

**Contribution to Consolidated Sales Growth** (million euros)




## 3.3.2. Consolidated Operating Results

| (million euros) | 2015 | % | 2014 | % | Δ% |
|---|---|---|---|---|---|
| **Net Sales & Services** | **13,728** | | **12,680** | | **8.3%** |
| Gross Margin | 2,937 | 21.4% | 2,692 | 21.2% | 9.1% |
| Operating Costs | -2,138 | -15.6% | -1,958 | -15.4% | 9.2% |
| **EBITDA** | **800** | **5.8%** | **733** | **5.8%** | **9.1%** |
| Depreciation | -294 | -2.1% | -277 | -2.2% | 6.4% |
| **EBIT** [1] | **505** | **3.7%** | **457** | **3.6%** | **10.7%** |

[1]EBIT above presented does not include operational items with non recurrent nature that in the Income Statement by Functions are classified as Exceptional Operating Losses and are included in the Operating Profit therein presented.

2015 was an important year for all our banners: i. Biedronka was totally focused on - executing an ambitious programme to improve its offer, whilst maintaining efficiency at all levels; ii. in Portugal, maintaining their promotional strategy, Pingo Doce and Recheio reinforced their overall value proposition, substantially outperforming their respective markets and iii. in Colombia, Ara planned and successfully carried out its entry into a new region, providing the business model with the necessary flexibility to better adapt to the specific nature of the markets.

The good sales performance and the cost discipline in Portugal and in Poland led to a strong performance with regard to the Group's operating results, with EBITDA increasing by 9.1% to 799.6 million euros.

The EBITDA margin was 5.8%, in line with the previous year, despite: i. the deflation that persisted at Biedronka and the efforts by the Company to implement its plan for improving the value proposition and ii. the promotional investment carried out by Pingo Doce and Recheio, simultaneously with the investment in improving their store experience.

| (million euros) | 2015 | | 2014 | | Δ % |
|---|---|---|---|---|---|
| | | % total | | % total | |
| Biedronka | 641 | 80.2% | 573 | 78.2% | 11.9% |
| Pingo Doce | 188 | 23.5% | 187 | 25.6% | 0.3% |
| Recheio | 44 | 5.5% | 42 | 5.7% | 5.7% |
| Others & Cons. Adjustments | -73 | -9.2% | -69 | -9.4% | 6.5% |
| **Consolidated EBITDA** | **800** | **100%** | **733** | **100%** | **9.1%** |

Biedronka posted an EBITDA of 641.1 million euros, a growth of 11.9% against the previous year. This performance reflected: i. the strong increase in sales, ii. the cost discipline and execution of the plan, and iii. the positive impact on the margin mix, related to an improvement in the assortment.

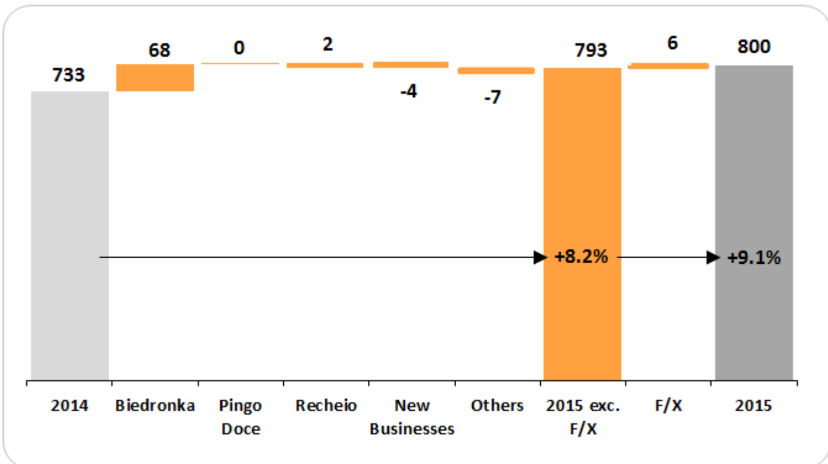
Biedronka's EBITDA margin was 7.0% (vs. +6.8% in 2014).

At Pingo Doce, the EBITDA generated was 187.9 million euros, in line with the previous year. The EBITDA margin was 5.5% of sales, the reduction compared to the 5.8% recorded in 2014 being due to the focus on sales, which led to the competitive position being strengthened without deterioration in cash EBITDA.

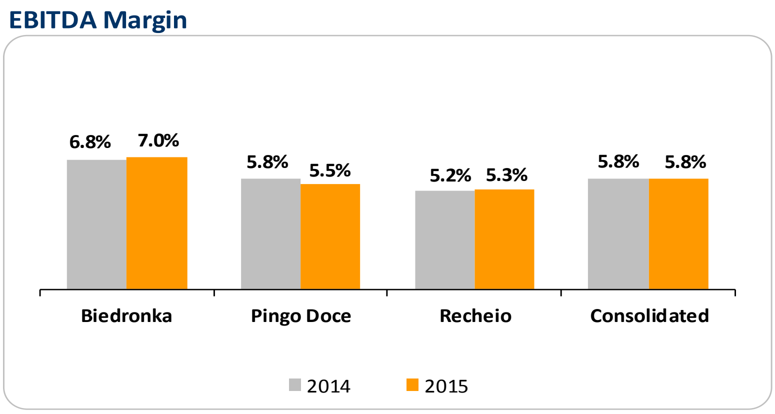
At Recheio, EBITDA reached 43.9 million euros, a growth of 5.7% compared to the previous year, and the EBITDA margin was 5.3% (+10 bps vs. 2014), as a result of the good sales performance.

Ara and Hebe recorded a combined EBITDA loss of 55.5 million euros, 2.2 million euros less than the previous year and slightly better than expected, essentially as a consequence of the depreciation of the Colombian peso.

**Contribution to Consolidated EBITDA Growth** (million euros)



The good sales performance, common to all the business areas, was fundamental for the positive evolution of the EBITDA generated in value terms.




## 3.3.3. Net Consolidated Result

| (million euros) | 2015 | % | 2014 | % | Δ% |
|---|---|---|---|---|---|
| **EBIT [1]** | **505** | **3.7%** | **457** | **3.6%** | **10.7%** |
| Net Financial Results | -26 | -0.2% | -34 | -0.3% | -22.8% |
| Profit in Associated Companies | 17 | 0.1% | 15 | 0.1% | 9.4% |
| Non Recurrent Items [2] | -20 | -0.1% | -9 | -0.1% | n.a. |
| **EBT** | **475** | **3.5%** | **429** | **3.4%** | **10.7%** |
| Taxes | -117 | -0.8% | -104 | -0.8% | 12.4% |
| **Net Profit** | **358** | **2.6%** | **325** | **2.6%** | **10.2%** |
| Non Controlling Interest | -25 | -0.2% | -23 | -0.2% | 6.4% |
| **Net Profit attr. to JM** | **333** | **2.4%** | **302** | **2.4%** | **10.5%** |
| EPS (euro) | 0.53 | | 0.48 | | 10.5% |

[1] The EBIT shown in the "Net Consolidated Result" table does not include non-recurrent operational items which appear itemised in the "Statement by Functions" under Exceptional Operating Profit/Loss and are included in the Operating Result shown therein.
[2] Non Recurrent Items presented in the table "Net Consolidated Result" include the Exceptional Operating Results and Gains/Losses on Other Investments as reported in the "Statement by Functions".

The net results attributable to Jerónimo Martins were 333.3 million euros, an increase of 10.5% compared to 2014.

This result was the direct consequence of a good operating performance and strict management of the Group's balance sheet.

The financial results were 26.5 million euros, 7.8 million euros less than in 2014, as a result of lower average debt throughout the year as well as a lower cost of debt.

Profit in associated companies, which reflects the consolidation of the result generated by the partnership that the Group has with Unilever in Portugal, was 16.6 million euros (vs. 15.2 million euros in 2014).

## 3.3.4. Cash Flow

| (million euros) | 2015 | 2014 |
|---|---|---|
| EBITDA | 800 | 733 |
| Interest Payment | -29 | -32 |
| Other Financial Items | 14 | 20 |
| Income Tax | -108 | -109 |
| **Funds From Operations** | **677** | **612** |
| Capex Payment | -394 | -486 |
| Δ Working Capital | 212 | 146 |
| Others | -12 | -5 |
| **Free Cash Flow** | **482** | **267** |

Cash flow generated in the year reached 482.2 million euros, 215.0 million euros more than in the previous year.

The good cash flow performance was the result of: i. the solid sales performance; ii. very strict execution of the improvements to Biedronka's assortment; iii. capex efficiency in Poland and Colombia; and iv. strong working capital management.

In view of the cash flow generated, and on the proposal of the Group's Board of Directors, the distribution of free reserves in the sum of 235.7 million euros was approved at the Extraordinary General Shareholders' Meeting that was held in December 2015.

## 3.3.5. Consolidated Balance Sheet

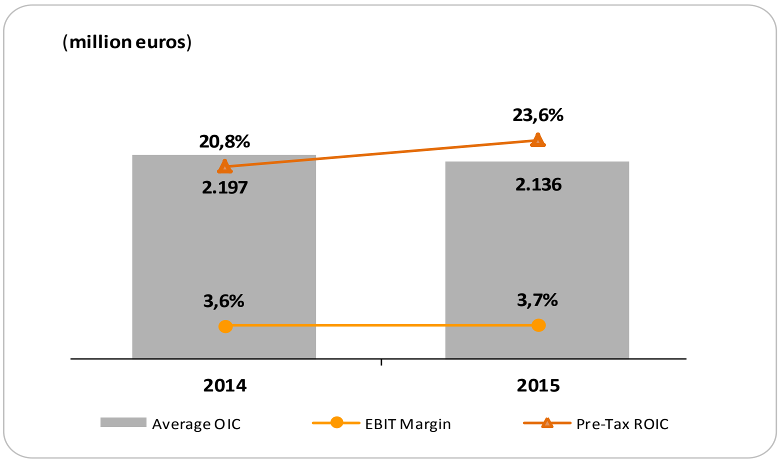
| (million euros) | 2015 | 2014 |
|---|---|---|
| Net Goodwill | 640 | 640 |
| Net Fixed Assets | 3,060 | 2,940 |
| Total Working Capital | -2,001 | -1,778 |
| Others | 82 | 111 |
| **Invested Capital** | **1,780** | **1,912** |
| Total Borrowings | 658 | 714 |
| Leasings | 0 | 1 |
| Accrued Interest & Hedging | 0 | 4 |
| Marketable Sec. & Bank Deposits | -471 | -446 |
| **Net Debt** | **187** | **273** |
| Non Controlling Interests | 252 | 243 |
| Share Capital | 629 | 629 |
| Retained Earnings | 712 | 767 |
| **Shareholders Funds** | **1,593** | **1,639** |
| *Gearing* | *11.7%* | *16.7%* |

The solidity of the balance sheet is reflected in the gearing of 11.7% at the end of the year, even after paying dividends in May (in line with the dividend policy for the year) and the distribution of reserves in December. In total, a sum of 389.6 million euros was paid to the shareholders in 2015.

## 3.3.6. Return on Invested Capital

Return on invested capital, calculated on a Pre-Tax ROIC basis, rose from 20.8% in 2014 to 23.6% in 2015.

**Pre-Tax ROIC**




This evolution was the result of the increase in return on capital, which benefited from the growth in sales on a like-for like basis (+3.4% at Group level) and the strict management of working capital and investments.

## 3.3.7. Debt Breakdown

Net debt at the end of the year was 187.0 million euros (273.0 million euros in 2014), even after the distribution of reserves which was paid in December 2015 and reflects the Group's good performance in the various business areas.

Regarding medium and long-term financing, there was an increase in maturity from 2 to 2.4 years following the renewal of the bond loan.

| (million euros) | 2015 | 2014 |
|---|---|---|
| **Long Term Debt** | **534** | **374** |
| *as % of Total Borrowings* | *81.2%* | *52.4%* |
| *Average Maturity (years)* | *2.4* | *2.0* |
| Bond Loans | 150 | 0 |
| Commercial Paper | 100 | 0 |
| Other LT Debt | 284 | 374 |
| **Short Term Debt** | **123** | **340** |
| *as % of Total Borrowings* | *18.8%* | *47.6%* |
| **Total Borrowings** | **658** | **714** |
| *Average Maturity (years)* | *1.9* | *1.5* |
| Leasings | 0 | 1 |
| Accrued Interest & Hedging | 0 | 4 |
| Marketable Securities & Bank Deposits | -471 | -446 |
| **Net Debt** | **187** | **273** |
| % Debt in Euros (Financial Debt + Leasings) | 47.4% | 31.6% |
| % Debt in Zlotys (Financial Debt + Leasings) | 40.4% | 57.3% |
| % Debt in Pesos (Financial Debt + Leasings) | 12.2% | 11.1% |

## 3.2.8. Jerónimo Martins in the Capital Markets

### Shares Description

| | | |
|---|---|---|
| **Listed Stock Exchange** | | NYSE 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** | B28JPD0 |
| | **WKN** | 878605 |

Jerónimo Martins' shares are part of 51 indices, the most relevant being the PSI-20 (the reference index of the NYSE Euronext Lisbon), the Euronext 100 and the EuroStoxx Index, and are negotiated on 36 different platforms, mostly in the main European markets.

### Capital Structure

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

### PSI-20 Performance

In 2015, the reference index in the Portuguese market - PSI-20 - closed the year increasing 10.7% in value to 5,313.17 points. It was one of the European indices with the largest increase in value, well above the reference index for Europe, the Stoxx600, which rose 6.9% compared to the previous year.

The PSI-20 saw Banif de-listed, moving from 18 to 17 members, as well as the transformation of PT SGPS into Pharol, whose securities reached successive all-time lows. The index's increase in value benefited essentially from the gains by Altri, as it almost doubled its stock exchange value (+92.1%), by Jerónimo Martins (+43.9%) and by NOS (+38.4%). As far as losses are concerned, five listed companies recorded significant devaluations: BCP (-25.6%), Mota-Engil (-27.7%), Impresa (-40.2%), Teixeira Duarte (-55.8%) and Pharol (-68.6%).

In a year that was marked by the prospects of an increase in interest rates in the United States and by signs of a slow-down in China and other emerging markets, the domestic reference index reached its lowest value of the year on on January 7$^{th}$, at 4,602.48 points, and its highest on April 10$^{th}$, at 6,348.46 points.

February was the best month for the PSI-20 in 2015, with a climb of 10.6%, and August the worst, a month when the markets were affected by fears concerning the slowdown of the world economy. In that month, the PSI-20 dropped 8%.

The Portuguese stock market index was above the main European indices, whilst the IBEX35, the WIG20 and the FTSE100 were the only indices to have a negative performance during the year, having devalued 7.2%, 23.3% and 4.9% respectively.

## Jerónimo Martins Share Price Performance

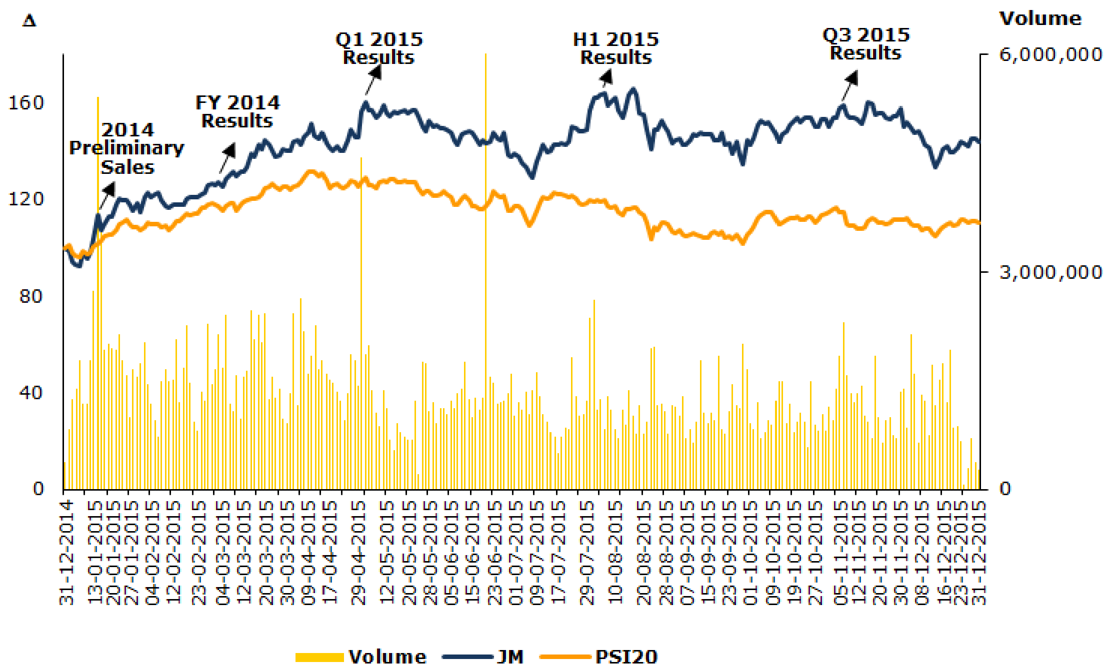
After showing a devaluation of 41.4% in 2014, Jerónimo Martins posted a 43.9% increase in value in 2015.

According to the NYSE Euronext Lisbon, in 2015 Jerónimo Martins was the Portuguese company with the third highest market capitalisation, having closed the year with a relative weight of 13.3% in the PSI-20. The Group closed 2015 with a market capitalisation of 7.5 billion euros versus 5.2 billion euros at the end of 2014. Jerónimo Martins is one of the three Portuguese companies to be part of the Euronext 100 index, with a weight of 0.32% (0.25% in 2014).

Jerónimo Martins' shares were among the most traded on the NYSE Euronext Lisbon, with around 345 million shares traded, meaning a daily average of 1.3 million shares (26% higher than that recorded in 2014), at an average price of 11.84 euros. In terms of turnover, these shares represented the equivalent of 14.6% (4 billion euros) of the overall volume of shares traded on the PSI-20 index in 2015 (27.6 billion euros).

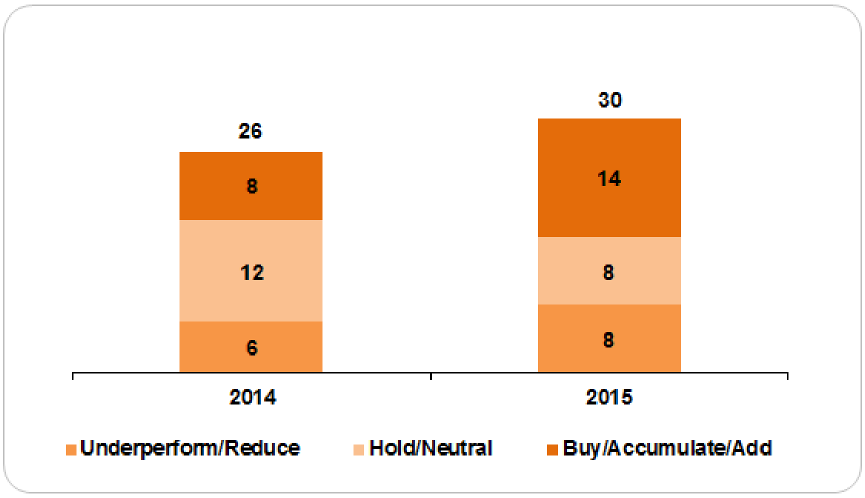
Jerónimo Martins' shares showed a positive trend during the most part of the year, having recorded a minimum price of 7.70 euros on January 7th and a maximum price of 13.81 on August 17th. In the first-half, the average volume of shares traded increased by 17% compared to an average monthly volume in the previous 12 months, despite the negative share performance after the first news in the market about the potential new tax on the retail sector in Poland.

Throughout the year, except for the first few days in January, the performance of Jerónimo Martins' shares always remained above the PSI-20, ending 2015 with a price of 12.00 euros, which represents a 43.9% increase in value compared to 2014.



## Analysts

In 2015, six investment companies began covering Jerónimo Martins (Berenberg, Dom Maklerski mBanku, Nomura, MainFirst Bank, Bryan, Garnier & Co., PKO BP Securities) and two others stopped covering this security (Berenberg and VTB Capital). At the end of the year, 30 analysts were following Jerónimo Martins. 14 of the 30 analysts issued a positive recommendation on the security, 8 issued a neutral recommendation and 8 issued a negative recommendation. At the end of 2015, the average target price of the analysts was 13.44 euros, which corresponded to a potential rise compared to the closing price on 31st December of 12.0%.



## Jerónimo Martins Financial Performance 2011-2015

(million euros)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **Balance Sheet** | | | | | |
| Net Goodwill | 640 | 640 | 648 | 655 | 627 |
| Net Fixed Assets | 3,060 | 2,940 | 2,810 | 2,557 | 2,227 |
| Total Working Capital | -2,001 | -1,778 | -1,686 | -1,615 | -1,495 |
| Others | 82 | 111 | 112 | 99 | 135 |
| **Invested Capital** | **1,780** | **1,912** | **1,885** | **1,695** | **1,495** |
| Net Debt | 187 | 273 | 346 | 321 | 204 |
| Total Borrowings | 658 | 714 | 688 | 660 | 676 |
| Leasings | 0 | 1 | 6 | 18 | 38 |
| Accrued Interest | 0 | 4 | 20 | 15 | 14 |
| Marketable Securities and Bank Deposits | -471 | -446 | -368 | -372 | -524 |
| Non Controlling Interests | 187 | 243 | 236 | 251 | 260 |
| Equity | 1,342 | 1,396 | 1,304 | 1,122 | 1,030 |
| **Income Statement** | | | | | |
| **Net Sales & Services** | **13,728** | **12,680** | **11,829** | **10,683** | **9,646** |
| ***EBITDA*** | ***800*** | **733** | **777** | **740** | **693** |
| EBITDA margin | 0 | 5.8% | 6.6% | 6.9% | 7.2% |
| Depreciation | -294 | -277 | -249 | -221 | -206 |
| **EBIT** | **505** | **457** | **528** | **518** | **487** |
| EBIT margin | 0 | 3.6% | 4.5% | 4.9% | 5.0% |
| Financial Results | -26 | -34 | -39 | -30 | -30 |
| Profit in Associated Companies | 17 | 15 | 19 | 13 | 17 |
| Non Recurrent Items [1] | -20 | -9 | -4 | -19 | -11 |
| **EBT** | **475** | **429** | **503** | **483** | **463** |
| Taxes | -117 | -104 | -111 | -116 | -106 |
| **Net Income** | **358** | **325** | **393** | **366** | **357** |
| Non Controlling Interests | -25 | -23 | -10 | -6 | -17 |
| **Net Income attributable to JM** | **333** | **302** | **382** | **360** | **340** |

[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.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| **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 | 31.7% | 26.9% | 32.0% | 27.2% | 29.0% |
| EPS (€) | 0.53 | 0.48 | 0.61 | 0.57 | 0.54 |
| Dividend per share (€) | 0.62 * | 0.31 | 0.30 | 0,51 ** | 0,21 *** |
| **Stock Market Performance** | | | | | |
| High (€) | 13.81 | 14.25 | 18.47 | 15.62 | 14.34 |
| Low (€) | 7.70 | 6.98 | 13.61 | 11.87 | 10.64 |
| Average (€) | 11.84 | 10.94 | 15.51 | 13.71 | 12.33 |
| Closing (End of year) (€) | 12.00 | 8.34 | 14.22 | 14.60 | 12.79 |
| Market Capitalisation (31 Dec) (€ 000.000) | 7,548 | 5,245 | 8,945 | 9,188 | 8,049 |
| Transactions (volume) (1,000 shares) | 344,797 | 274,146 | 202,709 | 157,916 | 254,571 |
| Annual Growth | 43.9% | -41.4% | -2.6% | 14.2% | 12.2% |
| Annual Growth - PSI-20 | 10.7% | -26.8% | 16.0% | 2.9% | -27.6% |

* 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.

*** This dividend, regarding the 2010 financial year, was paid by the end of 2010.

# 4. Performance of the Business Areas

## 4.1. Distribution Poland

### 4.1.1. Biedronka

#### Message from the Managing Director

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

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

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

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

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

#### 2015 Performance

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

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

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

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

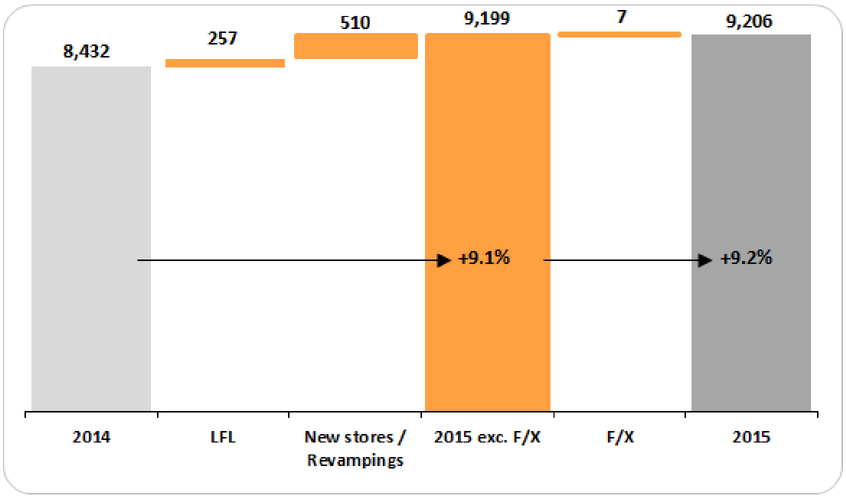
2015 also marked the celebration of Biedronka's 20th anniversary. To celebrate the occasion, the slogan "Everyday low prices" was changed to "20 years of low prices" and "20 years together", highlighting the Company's core values. Apart from the specific promotions, there was an offer of "Vintage products",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

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

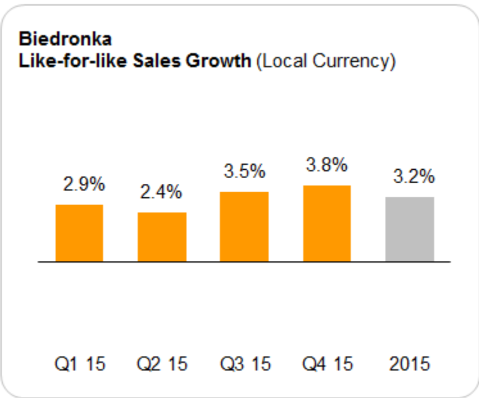
Biedronka's Private Brand products achieved a weight of almost 50% in the total sales and continued to be one of the strategic pillars of the banner's offer and differentiation.

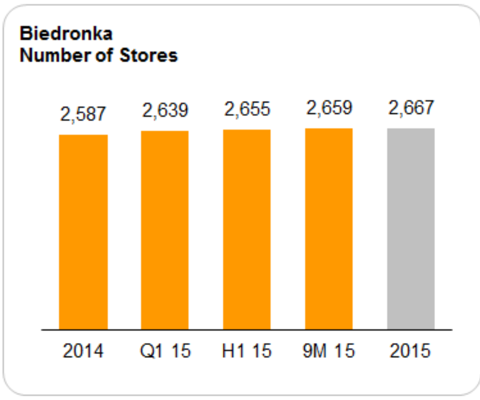
The implementation of payment in the stores by debit and credit card was concluded in July 2014, and throughout 2015 it continued to be increasingly accepted by the Polish consumers. At the end of this year, around 30% of the transactions in Biedronka stores were paid by card.

Biedronka - Net Sales (million euros)




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




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

## 4.1.2. Hebe

### Message from the Managing Director

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

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

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

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

### 2015 Performance

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

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

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

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

# 4.2. Distribution Portugal

## 4.2.1. Pingo Doce

### Message from the Managing Director

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

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

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

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

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

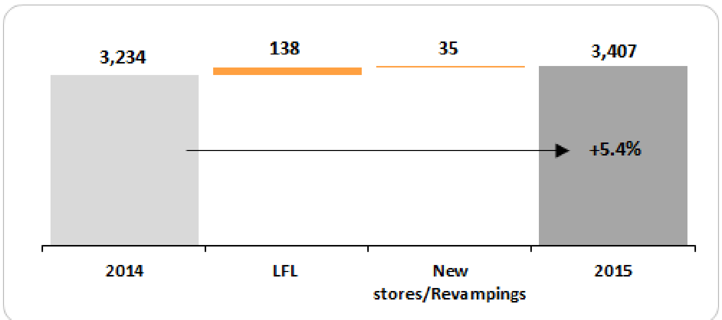
### 2015 Performance

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

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

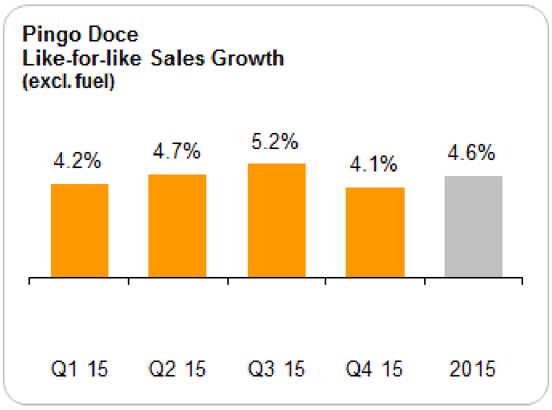
Within this context, Pingo Doce achieved a solid sales growth of 5.4%, driven by the 4.6% like-for-like (excluding fuel), which represents 12 consecutive months of positive like-for-like.

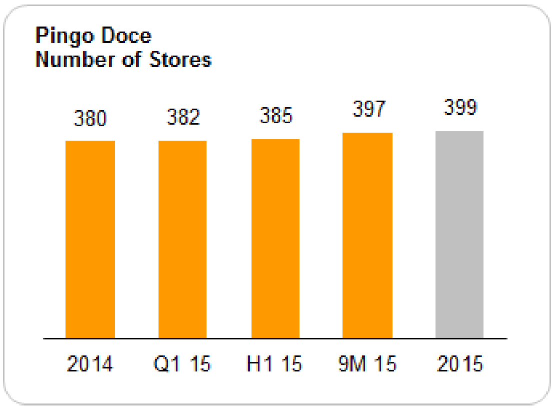
Pingo Doce - Net Sales (million euros)




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

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




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

In an extremely competitive market, Pingo Doce reinforced its leadership position, delivering monthly gains in market share, which, in the year, was reinforced by 0.9[1] percentage points. This performance demonstrated the customers' preference for the banner.

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

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

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

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

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

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

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

## 4.2.2. Recheio

### Message from the Managing Director

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

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

### 2015 Performance

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

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

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

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

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

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

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

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

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

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

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

# 4.3. Distribution Colombia – Ara

## Message from the Managing Director

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

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

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

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

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

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

## 2015 Performance

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

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

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

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

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

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

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

# 4.4. Manufacturing, Distribution and Restaurants & Services

## 4.4.1. Manufacturing

### 4.4.1.1. Unilever Jerónimo Martins (ULJM)

#### Message from the Managing Director

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

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

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

#### 2015 Performance

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

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

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

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

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

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

## 4.4.1.2. Gallo Worldwide

### Message from the Managing Director

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

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

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

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

### 2015 Performance

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

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

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

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

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

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

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

## 4.4.2. Marketing, Representations and Restaurant Services

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

#### Message from the Managing Director

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

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

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

#### 2015 Performance

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

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

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

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

# 4.4.2. Marketing, Representations and Restaurant Services

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

### Message from the Managing Director

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

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

### 2015 Performance

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

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

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

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

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

# 4.5. Agro Business

## 4.5.1. Jerónimo Martins Agro-Alimentar (JMA)

### Message from the Managing Director

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

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

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

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

### 2015 Performance

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

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

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

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

# 5. Outlook for 2016

## 5.1. Poland

### Macroeconomic Environment

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

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

It is probable that inflation will turn to positive in 2016, with the NBP's most recent estimates indicating a 1.1% increase in prices. However, inflation should start the year at still moderate levels, due to the deflationary effect on the prices of energy, and accelerate during the second half of the year. With regard to food inflation, it is expected that we will see a return to positive values in the first months of 2016.

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

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

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

### Modern Food Retail

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

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

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

The consolidation of the Polish Food Retail market should continue. On the other hand, it is expected that the operators diversify their current formats, whilst at the same time increasing their investment in existing stores, in order to improve the shopping experience.

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

## Health and Beauty Retail

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

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

Private Brands continue with high market gains in organised retail and make a large contribution to the growth in the sale of fast-moving consumer goods, based on the reinforcement of consumer confidence in these products. This aspect may also prove to be an opportunity to expand the exclusive brands in Health and Beauty retail, promoting differentiation and offering a strong compromise between quality and price.

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

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

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

## 5.2. Portugal

### Macroeconomic Environment

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

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

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

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

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

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

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

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

### Modern Food Retail

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

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

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

### Wholesale Food Market

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

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

## 5.3 Colombia

### Macroeconomic Environment

The Colombian economy will be very much dependent on international economic development, in particular the evolution of the price of oil, but also on factors such as the possible slowdown of the Chinese economy and the probable increase in the interest rates of the Federal Reserve of the United States of America.

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

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

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

Additionally, there will surely be other conditioning factors, notably the Central Bank's monetary policy to combat inflationary pressures, which will remain as a key topic for economic activity, taking into account the impact that inflation may have on domestic consumption, one of the main economic growth drivers. Nevertheless, in 2016, it is expected that consumption will continue to be quite dynamic.

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

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

### Modern Food Retail

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

Similarly to 2015, soft discounts are predicted to continue to be the growth driver in 2016, notably their price and proximity positioning, and so a lower growth in Traditional Retail is therefore also expected.

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

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

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

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

## 5.4. Outlook for the Jerónimo Martins Businesses

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

### Biedronka

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

To do so, the Company is already relying on the improvements made to its offer, which will continue to be optimised, boosting a progressive increase in the share-of-wallet. The Perishables, Personal Care and Ready Meal categories present interesting development and differentiation opportunities.

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

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

## Hebe

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

## Pingo Doce

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

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

## Recheio

In 2016, Recheio will remain focused on consolidating its market position and on increasing its sales in all the segments it operates. Special attention will be given to exports, where there is a relevant potential, and to the Food Service area, where the Company has been investing and which will be boosted by the launch of the new institutional website, thereby enabling contact with customers to be optimised. During the course of the year, the inauguration of a store in Sines is also planned, aimed at reinforcing customer penetration in the Alentejo Coast.

## Ara

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

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

## Manufacturing and Services

### ULJM

In 2016, Unilever Jerónimo Martins' ambition is to maintain the sales growth recorded in the previous year, focusing on the Personal Care category, which has the greatest potential. The Company predicts that the level of competitiveness in the Portuguese market is unlikely to slow down and aims to reinforce the efficiency of its production costs in order to also enable exports to be increased, mainly in the Ice Cream and Margarine categories.

## Gallo Worldwide

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

## JMDPC

In the domestic market, priority will continue to be given to reinforcing the market shares of the represented brands, increasing the relevance of the categories where the Company is present. Winning represented brands in new categories will also be important, as a way of diversifying and ensuring future growth, and as a way of boosting synergies from the operations.

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

## JMRS & Hussel

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

## Agro-Business

### Jerónimo Martins Agro-Alimentar

During 2016 it is expected the building of a new dairy products factory in Portalegre to be concluded in the middle of 2017. This will be a modern factory of excellence, with the right conditions for an efficient production of high quality milk and milk products.

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

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

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

# 6. Post Balance Sheet Events

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

# 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 2014 fiscal year, the gross dividend allocated to shareholders was 0.245 euros per share, paid in May 2015.

At the end of 2015, the better than planned cash flows throughout the year led the Group to post a lower than expected level of debt. In view of this level of debt, of the maintenance of the Group's investment plans, and having guaranteed the financial flexibility to take advantage of any growth opportunities (non-organic) that may arise in the short-term, was proposed by the Board of Directors and approved at the Extraordinary Shareholders' Meeting of Jerónimo Martins SGPS, S.A., which took place on December16, 2015, the appropriation of free reserves in the sum of €235,662,832.50, the equivalent of a gross value of 0.375 euros per share. Payment of that sum was made in December 2015.

As such, the amount paid was in anticipation of the value of the dividends that would normally be paid in May 2016, within the terms of the above-mentioned dividends policy and also included an additional extraordinary component.

Taking into account the excellent performance recorded in late 2015, net debt at December 31 remained at very low levels, even after the free reserves payment mentioned above. Having secured the resources needed to implement the outlined plans by the Group, the Board of Directors decided to propose to the Shareholder's Meeting, regarding the 2015 results appropriation, the payment of an additional dividend.

# 8. Results Appropriation Proposal

In the financial year 2015, Jerónimo Martins, SGPS, S.A. declared consolidated profits of 333,341,727.01 euros and a profit in individual accounts of 260,487,957.66 euros.

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

- Legal Reserve .......................... 13,024,397.88 euros
- Free Reserves .......................... 80,928,491.48 euros
- Dividends ................................ 166,535,068.30 euros

This proposal represents a **gross dividend payment of 0.265 euros** per share, excluding own shares in the portfolio, corresponding to a dividend yield of 2.24% on the average share price in 2015, which was 11.84 euros.

Lisbon, 1 March 2016

**The Board of Directors**

# 9. Consolidated 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

| Membros do Conselho de Administração | Held on 31.12.14 | | Increases during the year | | Decreases during the year | | Held on 31.12.15 | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Bonds | Shares | Bonds | Shares | Bonds | Shares | Bonds |
| Pedro Manuel de Castro Soares dos Santos | 274,805 | - | - | - | - | - | 274,805 | - |
| Alan Johnson | 30,075 | - | - | - | - | - | 30,075 | - |
| Andrzej Szlezak | - | - | - | - | - | - | - | - |
| António Pedro de Carvalho Viana-Baptista | - | - | - | - | - | - | - | - |
| Artur Stefan Kirsten [1] | n.a. | - | - | - | - | - | - | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [2] | n.a. | - | - | - | - | - | 353,260,814 | - |
| Clara Christina Streit [1] | n.a. | - | - | - | - | - | 800 | - |
| Francisco Manuel Seixas da Costa | - | - | - | - | - | - | - | - |
| Hans Eggerstedt | 19,700 | - | - | - | - | - | 19,700 | - |
| Henrique Manuel da Silveira e Castro Soares dos Santos [1] | n.a. | - | - | - | - | - | 26,455 [3] | - |
| José Manuel da Silveira e Castro Soares dos Santos [4] | 20,509 | - | - | - | - | - | n.a. | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [2] | 353,260,814 | - | - | - | - | - | n.a. | - |
| Nicolaas Pronk | - | - | - | - | - | - | - | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [5] | 31,464,750 | - | - | - | - | - | 31,464,750 | - |
| Sérgio Tavares Rebelo | - | - | - | - | - | - | - | - |

[1] Appointed in April 9, 2015 to the Board of Directors
[2] Sociedade Francisco Manuel dos Santos, B.V.
[3] Of which 1,500 shares held by spouse
[4] Ceased his duties as Director on April 9, 2015
[5] Asteck, S.A.

### Statutory Auditor

As at 31 December, 2015, 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 2015.*

## List of Qualifying Holdings as at 31st December 2015

*(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.**<br>Through Sociedade Francisco Manuel dos Santos, B.V. | 353,260,814 | 56.136% | 353,260,814 | 56.136% |
| **Aberdeen Asset Managers Limited**<br>Directly | 31,482,477 | 5.003% | 31,482,477 | 5.003% |
| **Heerema Holding Company Inc.**<br>Through Asteck, S.A. | 31,464,750 | 5.000% | 31,464,750 | 5.000% |
| **BNP Paribas Investment Partners, Limited Company**<br>Through Investment Funds Managed by BNP Paribas | 13,536,757 | 2.151% | 12,604,860 | 2.006% |

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.

JERÓNIMO MARTINS

# III. Consolidated Financial Statements

## CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
## FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Euro thousand

| | Notes | December 2015 | December 2014 | 4th Quarter 2015 | 4th Quarter 2014 |
|---|---|---|---|---|---|
| Sales and services rendered | 3 | 13,727,960 | 12,680,215 | 3,553,372 | 3,347,642 |
| Cost of sales | 4 | (10,790,486) | (9,988,523) | (2,784,611) | (2,635,777) |
| **Gross profit** | | **2,937,474** | **2,691,692** | **768,761** | **711,865** |
| Distribution costs | 4 | (2,209,519) | (2,021,090) | (572,892) | (541,969) |
| Administrative costs | 4 | (222,795) | (214,102) | (57,529) | (55,839) |
| Exceptional operating profits/losses | 4 | (19,053) | (7,425) | (11,605) | (6,255) |
| **Operating profit** | | **486,107** | **449,075** | **126,735** | **107,802** |
| Net financial costs | 6 | (26,497) | (34,327) | (6,790) | (8,156) |
| Gains in joint ventures and associates | 12 | 16,608 | 15,181 | 1,998 | 505 |
| Gains/ losses in other investments | | (1,423) | (1,122) | (1,423) | (1,122) |
| **Profit before taxes** | | **474,795** | **428,807** | **120,520** | **99,029** |
| Income tax | 7 | (116,587) | (103,729) | (34,064) | (29,735) |
| **Profit before non-controlling interests** | | **358,208** | **325,078** | **86,456** | **69,294** |
| Attributable to: | | | | | |
| Non-controlling interests | | 24,866 | 23,367 | 5,338 | 4,649 |
| **Jerónimo Martins shareholders** | | **333,342** | **301,711** | **81,118** | **64,645** |
| Basic and diluted earnings per share - euros | 18 | 0.5304 | 0.4801 | 0.1291 | 0.1029 |

To be read with the attached Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Euro thousand

| | Notes | December 2015 | December 2014 | 4th Quarter 2015 | 4th Quarter 2014 |
|---|---|---|---|---|---|
| **Net profit** | | **358,208** | **325,078** | **86,456** | **69,294** |
| **Other comprehensive income:** | | | | | |
| **Items that will not be reclassified to profit or loss** | | | | | |
| Remeasurements of post-employment benefit obligations | 5.2 | (817) | (2,599) | (817) | (2,599) |
| Related tax | 7.3 | 184 | 549 | 184 | 549 |
| | | **(633)** | **(2,050)** | **(633)** | **(2,050)** |
| **Items that may be reclassified to profit or loss** | | | | | |
| Currency translation differences | | 15,234 | (20,705) | (4,154) | (13,169) |
| Change in fair value of cash flow hedges | 11 | 4,101 | 675 | 1,568 | 537 |
| Change in fair value of hedging instruments on foreign operations | 11 | (14,645) | 3,663 | (30) | 2,908 |
| Change in fair value of available-for-sale financial assets | | (94) | (202) | 30 | (212) |
| Changes in investments in joint ventures and associates | 12 | (96) | 84 | (96) | 84 |
| Related tax | 7.3 | (1,106) | 1,210 | (314) | 1,220 |
| | | **3,394** | **(15,275)** | **(2,996)** | **(8,632)** |
| **Other comprehensive income, net of income taxes** | | **2,761** | **(17,325)** | **(3,629)** | **(10,682)** |
| **Total comprehensive income** | | **360,969** | **307,753** | **82,827** | **58,612** |
| Attributable to: | | | | | |
| Non-controlling interests | | 25,463 | 23,796 | 5,467 | 4,669 |
| Jerónimo Martins shareholders | | 335,506 | 283,957 | 77,360 | 53,943 |
| **Total comprehensive income** | | **360,969** | **307,753** | **82,827** | **58,612** |

To be read with the attached Notes to the Consolidated Financial Statements

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2014

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Tangible assets | 8 | 2,890,113 | 2,773,324 |
| Investment property | 10 | 20,387 | 42,947 |
| Intangible assets | 9 | 809,796 | 806,194 |
| Investments in joint ventures and associates | 12 | 76,478 | 74,272 |
| Available-for-sale financial assets | | 1,758 | 1,252 |
| Trade debtors, accrued income and deferred costs | 14 | 118,604 | 102,112 |
| Derivative financial instruments | 7.3 | 122 | - |
| Deferred tax assets | 7.3 | 56,245 | 51,349 |
| **Total non-current assets** | | **3,973,503** | **3,851,450** |
| Inventories | 13 | 638,339 | 572,004 |
| Biological assets | | 409 | - |
| Income tax receivable | | 1,373 | 2,217 |
| Trade debtors, accrued income and deferred costs | 14 | 277,275 | 313,463 |
| Derivative financial instruments | 11 | 128 | 2,627 |
| Cash and cash equivalents | 15 | 441,688 | 430,660 |
| **Total current assets** | | **1,359,212** | **1,320,971** |
| **Total assets** | | **5,332,715** | **5,172,421** |
| **Shareholders' equity and liabilities** | | | |
| Share capital | 17 | 629,293 | 629,293 |
| Share premium | 17 | 22,452 | 22,452 |
| Own shares | 17 | (6,060) | (6,060) |
| Other reserves | 17 | (64,392) | (67,267) |
| Retained earnings | 17 | 760,400 | 817,398 |
| | | **1,341,693** | **1,395,816** |
| **Non-controlling interests** | 28 | 251,526 | 242,875 |
| **Total shareholders' equity** | | **1,593,219** | **1,638,691** |
| Borrowings | 19 | 534,422 | 373,877 |
| Trade creditors, accrued costs and deferred income | 21 | 813 | 836 |
| Derivative financial instruments | 11 | - | 2,681 |
| Employee benefits | 5 | 42,908 | 42,460 |
| Provisions for risks and contingencies | 20 | 83,947 | 81,828 |
| Deferred tax liabilities | 7.3 | 54,527 | 58,890 |
| **Total non-current liabilities** | | **716,617** | **560,572** |
| Borrowings | 19 | 123,510 | 340,925 |
| Trade creditors, accrued costs and deferred income | 21 | 2,871,717 | 2,616,004 |
| Derivative financial instruments | 11 | 93 | 1,715 |
| Income taxes payable | | 27,559 | 14,514 |
| **Total current liabilities** | | **3,022,879** | **2,973,158** |
| **Total shareholders' equity and liabilities** | | **5,332,715** | **5,172,421** |

To be read with the attached Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro thousand

| | Notes | Shareholders' equity attributable to shareholders of Jerónimo Martins, SGPS, S.A. | | | | | | | | Non-controlling interests | Shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Own shares | Other reserves | | | Retained earnings | Total | | |
| | | | | | Cash flow hedge | Available-for-sale financial assets | Currency translation reserves | | | | |
| **Balance sheet as at 1 January 2014** | | **629,293** | **22,452** | **(6,060)** | **(2,453)** | **(1,251)** | **(48,111)** | **709,661** | **1,303,531** | **235,835** | **1,539,366** |
| **Equity changes in 2014** | | | | | | | | | | | |
| Currency translation differences | | | | | 22 | | (20,114) | | (20,092) | | (20,092) |
| Changes in investments in joint ventures and associates | | | | | | | | 84 | 84 | | 84 |
| Change in fair value of cash flow hedging | | | | | (117) | | | | (117) | 519 | 402 |
| Change in fair value of hedging instruments on foreign operations | | | | | | | 3,663 | | 3,663 | | 3,663 |
| Change in fair value of available-for-sale financial investments | | | | | | 1,094 | | (426) | 668 | | 668 |
| Remeasurements of post-employment benefit obligations | | | | | | | | (1,960) | (1,960) | (90) | (2,050) |
| Other comprehensive income | | - | - | - | (95) | 1,094 | (16,451) | (2,302) | (17,754) | 429 | (17,325) |
| Net profit in 2014 | | | | | | | | 301,711 | 301,711 | 23,367 | 325,078 |
| **Total comprehensive income** | | - | - | - | (95) | 1,094 | (16,451) | 299,409 | 283,957 | 23,796 | 307,753 |
| Dividends | | | | | | | | (191,672) | (191,672) | (16,756) | (208,428) |
| **Balance sheet as at 31 December 2014** | | **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 in 2015 | | | | | | | | 333,342 | 333,342 | 24,866 | 358,208 |
| **Total comprehensive income for the year** | | - | - | - | 2,647 | (73) | 301 | 332,631 | 335,506 | 25,463 | 360,969 |
| Dividends | 17 | | | | | | | (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** |

To be read with the attached Notes to the Consolidated Financial Statements

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash received from customers | | 15,476,390 | 14,297,584 |
| Cash paid to suppliers | | (13,437,431) | (12,486,749) |
| Cash paid to employees | | (1,039,174) | (936,655) |
| Cash generated from operations | 16 | 999,785 | 874,180 |
| Interest paid | | (31,043) | (34,326) |
| Income taxes paid | | (108,356) | (108,501) |
| **Cash flow from operating activities** | | **860,386** | **731,353** |
| **Investment activities** | | | |
| Disposals of tangible assets | | 2,889 | 6,657 |
| Disposals of intangible assets | | 1 | 538 |
| Disposals of financial assets and investment property | | - | 3,382 |
| Interest received | | 2,240 | 2,441 |
| Dividends received | | 14,375 | 19,557 |
| Acquisition of tangible assets | | (379,061) | (470,561) |
| Acquisition of financial assets and investment property | | (15,602) | (19,627) |
| Acquisition of intangible assets | | (17,447) | (25,606) |
| **Cash flow from investment activities** | | **(392,605)** | **(483,219)** |
| **Financing activities** | | | |
| Received from other loans | | 421,921 | 280,348 |
| Loans paid | | (468,096) | (251,426) |
| Dividends paid | 17 | (406,441) | (208,428) |
| **Cash flow from financing activities** | | **(452,616)** | **(179,506)** |
| **Net changes in cash and cash equivalents** | | **15,165** | **68,628** |
| **Cash and cash equivalents changes** | | | |
| Cash and cash equivalents at the beginning of the year | | 430,660 | 371,671 |
| Net changes in cash and cash equivalents | | 15,165 | 68,628 |
| Effect of currency translation differences | | (4,137) | (9,639) |
| **Cash and cash equivalents at the end of the year** | 15 | **441,688** | **430,660** |

To be read with the attached Notes to the Consolidated Financial Statements

## CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

| | **December 2015** | **December 2014** | **4th Quarter 2015** | **4th Quarter 2014** |
|---|---|---|---|---|
| Cash flow from operating activities | 860,386 | 731,353 | 332,368 | 293,343 |
| Cash flow from investment activities | (392,605) | (483,219) | (107,628) | (153,622) |
| Cash flow from financing activities | (452,616) | (179,506) | (268,696) | (13,140) |
| Cash and cash equivalents changes | 15,165 | 68,628 | (43,956) | 126,581 |

## 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 27 and 29. The activities of the Group and its performance during the year 2015 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: 500 100 144

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Consolidated Financial Statements on 1 March 2016.

## 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 2015.**

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.

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 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 2014, the EU issued the following Regulation, which was adopted by the Group from beginning of 2015:

| EU Regulation | IASB Standard or IFRIC Interpretation endorsed by EU | Issued in | Mandatory for financial years beginning on or after |
|---|---|---|---|
| Regulation no. 1361/2014 | Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (amendment) | December 2013 | 1 January 2015 |

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 on 1 January 2015 and not early adopted

The EU adopted several improvements to IFRS, issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

| 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 |

These amendments to the standards are effective for annual periods beginning on or after 1 February 2015, and have not been applied in preparing these Consolidated Financial Statements. None of these amendments 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 the following standards and amendments 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 15 Revenue from Contracts with Customers (new) | May 2014 | 1 January 2018 |
| IFRS 9 Financial Instruments (new) | July 2014 | 1 January 2018 |
| 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 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 |

[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 decided to defer indefinitely the endorsement of these changes.

Management is currently evaluating the impact of adopting these new standards and amendments to standards already in place, and do not expect any significant impact on the Group's Consolidated Financial Statements.

In 2016 IASB issued the standard identified below aimed to replace the IAS 17 Leases:

| IASB Standard or IFRIC Interpretation | Issued in | Expected application for financial years beginning on or after |
|---|---|---|
| IFRS 16 Leases (new) | January 2016 | 1 January 2019 |

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.

This standard has yet to be endorsed by the EU. However the Management will assess the impacts that will result from adopting this new standard, and expects that its adoption will have a significant impact on the Group's Consolidated Financial Statements, as result of the capitalisation of the assets which are currently under operating leases and recording their respective liabilities.

### 2.1.4 Change of accounting policies

In addition to the above, the Group has not changed its accounting policies during 2015, nor were any errors identified regarding previous years, which would require the restatement of Financial Statements.

## 2.2. Basis for consolidation

**Reference dates**

The Consolidated Financial Statements include, as at 31 December 2015, 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 27 and 29, 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 11).

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 2015** | **Average rate for the year** |
|---|---|---|
| Polish zloty (PLN) | 4.2639 | 4.1819 |
| Swiss franc (CHF) | 1.0835 | - |
| Colombian peso (COP) | 3,447.3900 | 3,072.5200 |

## 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 10), inventories (note 13) and deferred tax assets (note 7), 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 541,873 thousand (2014: EUR 640,215 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 b.p., according to current projections of the business areas the Goodwill would still be recoverable and there would be no risk of impairment.

**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.

**Impairment of investments in joint ventures and associates**

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's analysis of the future development of its joint ventures and associates. When measuring impairment, market prices are used if they are available, or other valuation parameters are used, based on the information available from the joint ventures and associates. The Group 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 joint ventures and associates, the economic situation, 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 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%, the impact in Group accounts would be the following:

| | Impact on Group accounts | |
|---|---|---|
| | **Income statement** | **Other comprehensive income** |
| Portugal | 615 | 56 |
| Poland | (562) | (1) |

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 [1.70% - 2.10%]
- Extended range [1.50% - 2.30%]

Based on these results the Group has decided to reduce its discount rate from 2.0% to 1.75%.

The table below shows the impacts on the obligations with defined benefit plans of the Group, 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 | 1.75% | 0.50% | (1,728) | 1,851 |
| Salary growth rate | 2.50% | 0.50% | 873 | (827) |
| Pension growth rate | 2.50% | 0.50% | 967 | (900) |
| Life expectancy | TV 88/90 | 1 year | 1,315 | (1,266) |

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 has on Perfumes e Cosméticos Puig Portugal Distribuidora, S.A., and determined that it has significant influence, even though the shareholding is 27.55%, due to the Board of Directors representation and contractual terms. Consequently, this investment has been classified as an associate.

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 related parties of 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 holds 45% of the voting rights of its joint arrangement in Unilever Jerónimo Martins, Lda. and Gallo Worldwide, Lda.. The Group has joint control over this arrangement as under the contractual agreements unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, these arrangements are classified as joint ventures.

## 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. 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 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, 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 NYSE 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 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.

| 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** | **-** |

| 2014 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Investment property | 42,947 | - | - | 42,947 |
| Available-for-sale financial assets | | | | |
| Equity investments | 368 | 368 | - | - |
| Derivative financial instruments | | | | |
| Derivatives used for hedging | 2,627 | - | 2,627 | - |
| **Total assets** | **45,942** | **368** | **2,627** | **42,947** |
| **Liabilities measured at fair value** | | | | |
| Derivative financial instruments | | | | |
| Derivatives used for hedging | 4,396 | - | 4,396 | - |
| **Total liabilities** | **4,396** | **-** | **4,396** | **-** |

## 2.9 Financial instruments by category

| | Assets and financial liabilities at fair-value through results | 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 |
|---|---|---|---|---|---|---|---|---|
| **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** |
| **2014** | | | | | | | | |
| **Assets** | | | | | | | | |
| Cash and cash equivalents | - | - | 430,660 | - | - | **430,660** | - | **430,660** |
| Available-for-sale financial assets | - | - | - | 1,252 | - | **1,252** | - | **1,252** |
| Debtors, accruals and deferrals | - | - | 303,723 | - | - | **303,723** | 111,852 | **415,575** |
| Derivative financial instruments | - | 2,627 | - | - | - | **2,627** | - | **2,627** |
| Other non-financial assets | - | - | - | - | - | **-** | 4,322,307 | **4,322,307** |
| **Total assets** | **-** | **2,627** | **734,383** | **1,252** | **-** | **738,262** | **4,434,159** | **5,172,421** |
| **Liabilities** | | | | | | | | |
| Borrowings | - | - | - | - | 714,802 | **714,802** | - | **714,802** |
| Derivative financial instruments | - | 4,396 | - | - | - | **4,396** | - | **4,396** |
| Creditors, accruals and deferrals | - | - | - | - | 2,461,507 | **2,461,507** | 155,333 | **2,616,840** |
| Other non-financial liabilities | - | - | - | - | - | **-** | 197,692 | **197,692** |
| **Total liabilities** | **-** | **4,396** | **-** | **-** | **3,176,309** | **3,180,705** | **353,025** | **3,533,730** |

# 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.

The identified business 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, 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 business segments as at December 2015 and 2014**

| | Portugal Retail | | Portugal Cash & Carry | | Poland Retail | | Others, eliminations and adjustments | | Total JM Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| **Net sales and services** | 3,729,140 | 3,552,073 | 832,208 | 799,362 | 9,205,708 | 8,431,731 | (39,096) | (102,951) | 13,727,960 | 12,680,215 |
| Inter-segments | 315,834 | 310,920 | 4,007 | 1,594 | 1,617 | 1,556 | (321,458) | (314,070) | - | - |
| External customers | 3,413,306 | 3,241,153 | 828,201 | 797,768 | 9,204,091 | 8,430,175 | 282,362 | 211,119 | 13,727,960 | 12,680,215 |
| **Operational cash flow (EBITDA)** | 187,880 | 187,385 | 43,908 | 41,555 | 641,143 | 573,133 | (73,287) | (68,827) | 799,644 | 733,246 |
| Depreciations and amortisations | (95,299) | (97,020) | (12,090) | (11,772) | (172,990) | (156,211) | (14,105) | (11,743) | (294,484) | (276,746) |
| **EBIT** | 92,581 | 90,365 | 31,818 | 29,783 | 468,153 | 416,922 | (87,392) | (80,570) | 505,160 | 456,500 |
| Exceptional operating profits/losses | | | | | | | | | (19,053) | (7,425) |
| **Financial results** | | | | | | | | | (11,312) | (20,268) |
| Income Tax | | | | | | | | | (116,587) | (103,729) |
| **Net result attributable to JM** | | | | | | | | | 333,342 | 301,711 |
| **Total assets** | 1,699,610 | 1,656,090 | 335,979 | 330,131 | 2,920,437 | 2,826,930 | 376,689 | 359,270 | 5,332,715 | 5,172,421 |
| **Total liabilities** | 1,186,485 | 1,158,612 | 284,181 | 281,931 | 2,126,974 | 2,100,836 | 141,856 | (7,649) | 3,739,496 | 3,533,730 |
| Investments in fixed assets | 133,152 | 55,310 | 18,332 | 9,249 | 204,132 | 360,575 | 56,678 | 44,851 | 412,294 | 469,985 |

**Reconciliation between EBIT and operating profit**

| | December 2015 | December 2014 |
|---|---|---|
| EBIT | 505,160 | 456,500 |
| Exceptional operating profit/losses | (19,053) | (7,425) |
| **Operating profit** | **486,107** | **449,075** |

**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 business segments.

| | Portugal Retail | | Portugal Cash & Carry | | Poland Retail | | Others, eliminations and adjustments | | Total JM Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| Cash and cash equivalents | 51,264 | 73,277 | 9,386 | 12,979 | 211,084 | 147,393 | 169,954 | 197,011 | 441,688 | 430,660 |
| Available-for-sale financial assets | 183 | 183 | 1,296 | 696 | - | - | 279 | 373 | 1,758 | 1,252 |
| Debtors, accruals and deferrals | 85,690 | 78,624 | 39,287 | 40,953 | 169,040 | 204,453 | (5,805) | (20,307) | 288,212 | 303,723 |
| Derivative financial instruments | - | - | - | - | 122 | - | 128 | 2,627 | 250 | 2,627 |
| **Total** | **137,137** | **152,084** | **49,969** | **54,628** | **380,246** | **351,846** | **164,556** | **179,704** | **731,908** | **738,262** |

## 4 Gross profit and operating costs

**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.

**Distribution and administrative costs**

Distribution and administrative costs include all operating costs of the Group (excluding cost of sales) related with Retail main activity, Logistics and Warehousing, and also the supporting Central Offices.

**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.

| | 2015 | 2014 |
|---|---|---|
| **Net sales and services** | **13,727,960** | **12,680,215** |
| Net cost of products sold | (10,759,039) | (9,956,079) |
| Net cash discount and interest paid to suppliers | (2,542) | (5,636) |
| Electronic payment commissions | (20,413) | (19,188) |
| Other supplementary costs | (8,492) | (7,620) |
| **Cost of sales** | **(10,790,486)** | **(9,988,523)** |
| **Gross profit** | **2,937,474** | **2,691,692** |
| Supplies and services | (512,326) | (477,013) |
| Advertising costs | (76,237) | (75,036) |
| Rents | (329,961) | (305,477) |
| Staff costs (note 5.1) | (1,061,302) | (943,171) |
| Depreciation and amortization | (292,203) | (274,495) |
| Profit/loss with tangible and intangible assets | (3,863) | (3,487) |
| Transportation costs | (147,557) | (148,646) |
| Other operational profit/loss | (8,865) | (7,867) |
| **Distribution and administrative costs** | **(2,432,314)** | **(2,235,192)** |
| Legal contingencies | (291) | (1,175) |
| Losses from organizational restructuring programmes | (11,515) | (2,723) |
| Assets write-offs | (2,910) | (1,231) |
| Changes to benefit plans and actuarial assumptions | (4,545) | (2,066) |
| Others | 208 | (230) |
| **Exceptional operating profits/losses** | **(19,053)** | **(7,425)** |
| **Operating profit** | **486,107** | **449,075** |

## 5 Employees

### 5.1 Staff costs

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 839,004 | 742,737 |
| Social security | 162,966 | 145,812 |
| Employee benefits (note 5.2) | 3,046 | 5,479 |
| Other staff costs | 68,037 | 55,736 |
| | **1,073,053** | **949,764** |

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

The difference to staff costs stated in note 4 of EUR 11,751 thousand (EUR 6,593 thousand in 2014) relates to the production activities that were attributable to the cost of the goods sold in the amount of EUR 4,337 thousand (EUR 4,002 thousand in 2014) and to exceptional losses in the amount of EUR 7,414 thousand (EUR 2,591 thousand in 2014).

The average number of Group employees during the year was 87,494 (2014: 80,797).

The number of employees at the end of the year was 89,027 (2014: 86,563).

## 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 guaranties 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.

Amounts of employee benefits in the balance sheet:

| | 2015 | 2014 |
|---|---|---|
| Retirement benefits - defined benefit plan paid by the Group | 21,843 | 22,307 |
| Seniority awards | 21,065 | 20,153 |
| **Total** | **42,908** | **42,460** |

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

| | Income statement | | Other comprehensive income | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Retirement benefits - defined contribution plan | 489 | 478 | - | - |
| Retirement benefits - defined benefit plan paid for by the Group | 429 | 695 | 817 | 2,599 |
| Seniority awards | 2,128 | 4,306 | - | - |
| **Total** | **3,046** | **5,479** | **817** | **2,599** |

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 | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| **Balance on 1 January** | **-** | **-** | **22,307** | **20,729** | **20,153** | **16,735** |
| Interest costs | - | - | 429 | 695 | 429 | 625 |
| Current service cost | 489 | 478 | - | - | 1,936 | 1,615 |
| Actuarial (gains)/losses | | | | | | |
| Changes in demographic assumptions | - | - | - | - | - | - |
| Changes in financial assumptions | - | - | 458 | 2,648 | 421 | 2,472 |
| Changes in experience | - | - | 359 | (49) | (658) | (406) |
| Contributions or retirement pensions paid | (489) | (478) | (1,710) | (1,716) | (1,216) | (888) |
| **Balance on 31 December** | **-** | **-** | **21,843** | **22,307** | **21,065** | **20,153** |

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

| | 2015 | 2014 |
|---|---|---|
| Mortality table | TV 88/90 | TV 88/90 |
| Discount rate | 1.75% | 2.00% |
| Pension and salaries growth rate | 2.50% | 2.50% |

The mortality assumptions used are those most commonly adopted in Portugal, and are based on actuarial advice in accordance with published statistics and experience in each country.

### Expected future payments

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

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Retirement benefits - defined benefit plan paid for by the Group | 1,629 | 1,560 | 1,491 | 1,422 | 1,349 |
| Seniority awards | 940 | 934 | 2,367 | 1,289 | 1,698 |
| **Total** | **2,569** | **2,494** | **3,858** | **2,711** | **3,047** |

## 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.

| | 2015 | 2014 |
|---|---|---|
| Interest expense | (24,727) | (31,894) |
| Interest received | 2,277 | 2,130 |
| Dividends | 68 | 30 |
| Net foreign exchange | (125) | (1,171) |
| Other financial costs and gains | (3,990) | (3,422) |
| | **(26,497)** | **(34,327)** |

Interest expense includes the interest on loans measured at amortised cost and interest on derivatives of fair-value hedge and cash flow hedge (note 11).

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

## 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. 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 expects, 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

| | 2015 | 2014 |
|---|---|---|
| **Current income tax** | | |
| Current tax of the year | (123,787) | (97,718) |
| Adjustment to prior years estimation | 1,218 | 1,261 |
| | **(122,569)** | **(96,457)** |
| **Deferred tax** (note 7.3) | | |
| Temporary differences created or reversed in the year | 10,937 | (3,542) |
| Tax rate reduction | - | (1,285) |
| Change to the recoverable amount of tax losses and temporary differences from previous years | (756) | (629) |
| | **10,181** | **(5,456)** |
| **Other gains/losses related to taxes** | | |
| Impact of changes in estimates for tax litigations | (4,199) | (1,816) |
| | **(4,199)** | **(1,816)** |
| **Total income tax** | **(116,587)** | **(103,729)** |

## 7.2 Reconciliation of effective tax rate

| | 2015 | | 2014 | |
|---|---|---|---|---|
| **Profit before tax** | | **474,795** | | **428,807** |
| **Income tax using the Portuguese corporation tax rate** | **22.5%** | **(106,829)** | **24.5%** | **(105,058)** |
| Fiscal effect due to: | | | | |
| Different tax rates in foreign jurisdictions | (4.8%) | 22,812 | (6.5%) | 27,887 |
| Non-taxable or non-recoverable results | 5.9% | (27,902) | 6.1% | (26,292) |
| Non-deductible expenses and fiscal benefits | 0.6% | (2,836) | 0.6% | (2,430) |
| Impact of tax rate reduction on deferred taxes | 0.0% | - | 0.3% | (1,285) |
| Adjustment to prior years estimation | (0.3%) | 1,218 | (0.8%) | 3,426 |
| Equity method | (0.5%) | 2,483 | (0.5%) | 2,301 |
| Change to the recoverable amount of tax losses and temporary differences of prior years | (0.1%) | 245 | (0.2%) | 710 |
| Results subject to special taxation | 1.2% | (5,778) | 0.7% | (2,988) |
| **Income tax** | **24.6%** | **(116,587)** | **24.2%** | **(103,729)** |

In 2015, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21% (in 2014 was 23%). 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 2014.

In Poland, for 2014 and 2015, the income tax rate applied to taxable income was 19%.

In Colombia, the income tax rate was 34% in 2014 and 2015. If a taxable loss is determined, a tax rate of 3% is levied on the net asset value.

## 7.3 Deferred tax assets and liabilities

| | 2015 | 2014 |
|---|---|---|
| **Opening balance** | **(7,541)** | **(3,844)** |
| Currency translation difference | (291) | 607 |
| Revaluation and reserves | (631) | 1,152 |
| Result of the year (note 7.1) | 10,181 | (5,456) |
| **Closing balance** | **1,718** | **(7,541)** |

Deferred taxes are presented in the balance sheet as follows:

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets | 56,245 | 51,349 |
| Deferred tax liabilities | (54,527) | (58,890) |
| | **1,718** | **(7,541)** |

| 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 countries | 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 | - |
| Recoverable losses | - | - | - | - | - |
| 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** |

| 2014 | Opening balance | Impact on results | Impact on equity | Currency translation differences | Closing balance |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Revaluation of assets | 1,282 | (208) | - | - | 1,074 |
| Deferred income for tax purposes | 37,727 | 6,074 | - | (1,055) | 42,746 |
| Differences on accounting policies in other countries | 12,699 | 49 | - | (354) | 12,394 |
| Other temporary differences | 3,149 | (473) | - | - | 2,676 |
| | **54,857** | **5,442** | **-** | **(1,409)** | **58,890** |
| **Deferred tax assets** | | | | | |
| Excess over legal provisions | 18,246 | 9,498 | - | (587) | 27,157 |
| Revaluation of assets | 4,133 | (312) | - | - | 3,821 |
| Employee benefits | 9,082 | (529) | 549 | - | 9,102 |
| Derivative instruments | 1,105 | (15) | (267) | (11) | 812 |
| Recoverable losses | 576 | (576) | - | - | - |
| Other temporary differences | 17,871 | (8,080) | 870 | (204) | 10,457 |
| | **51,013** | **(14)** | **1,152** | **(802)** | **51,349** |
| | | | | | |
| **Net change in deferred tax** | **(3,844)** | **(5,456)** | **1,152** | **607** | **(7,541)** |

## 7.4 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 taxable profits are expected to guarantee the recovery of deferred tax assets. Total unrecognised tax assets amount to EUR 53,987 thousand (2014: EUR 38,085 thousand), as presented below:

| Expiring date | Tax |
|---|---|
| 2016 | 844 |
| 2017 | 2,898 |
| 2018 | 6,003 |
| 2019 | 4,793 |
| 2020 or further | 40,001 |
| **Total** | **54,538** |

# 8 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.

### 8.1 Changes occurred during the year

| 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** |

| 2014 | 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** | **368,831** | **2,258,266** | **1,312,076** | **199,106** | **254,152** | **4,392,431** |
| Foreign exchange differences | (5,618) | (39,343) | (17,768) | (3,276) | (5,794) | (71,799) |
| Increases | 16,809 | 177,207 | 136,832 | 8,922 | 104,609 | 444,379 |
| Disposals and write offs | (486) | (6,396) | (22,467) | (5,165) | (1,734) | (36,248) |
| Transfers and reclassifications | 28,471 | 88,246 | 18,462 | 9,973 | (147,462) | (2,310) |
| Transfers from/to investment property | (29) | - | - | - | - | (29) |
| **Closing balance** | **407,978** | **2,477,980** | **1,427,135** | **209,560** | **203,771** | **4,726,424** |
| **Depreciation and impairment losses** | | | | | | |
| **Opening balance** | **-** | **754,021** | **823,401** | **162,080** | **-** | **1,739,502** |
| Foreign exchange differences | - | (11,017) | (7,482) | (2,221) | - | (20,720) |
| Increases | - | 126,793 | 122,199 | 13,725 | - | 262,717 |
| Disposals and write offs | - | (4,625) | (18,729) | (5,069) | - | (28,423) |
| Transfers and reclassifications | - | 34 | 26 | (36) | - | 24 |
| **Closing balance** | **-** | **865,206** | **919,415** | **168,479** | **-** | **1,953,100** |
| **Net value** | | | | | | |
| **As at 1 January 2014** | **368,831** | **1,504,245** | **488,675** | **37,026** | **254,152** | **2,652,929** |
| **As at 31 December 2014** | **407,978** | **1,612,774** | **507,720** | **41,081** | **203,771** | **2,773,324** |

There are no financial charges capitalised in tangible fixed assets.

### 8.2 Guarantees

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

### 8.3 Tangible assets in progress

Amounts in work in progress are mostly related to the implementation and refurbishment of Stores and Distribution Centres.

## 9 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 mayl 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.

## 9.1 Changes occurred during the year

| 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** |

| 2014 | Goodwill | Develop. expenses | Software, ind. property and other rights | Key money | Work in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Opening balance** | **648,361** | **29,340** | **93,701** | **125,523** | **6,587** | **903,512** |
| Foreign exchange differences | (8,849) | (631) | (2,442) | (2,663) | (148) | (14,733) |
| Increases | - | 1,401 | 14,459 | 6,695 | 3,051 | 25,606 |
| Disposals and write offs | - | (210) | (1,787) | (85) | (12) | (2,094) |
| Transfers and reclassifications | - | 72 | 5,999 | 133 | (3,874) | 2,330 |
| **Closing balance** | **639,512** | **29,972** | **109,930** | **129,603** | **5,604** | **914,621** |
| **Amortisation and impairment losses** | | | | | | |
| **Opening balance** | **-** | **25,875** | **10,408** | **61,380** | **-** | **97,663** |
| Foreign exchange differences | - | (591) | (137) | (1,094) | - | (1,822) |
| Increases | - | 1,875 | 2,665 | 9,544 | - | 14,084 |
| Disposals and write offs | - | (210) | (1,221) | (63) | - | (1,494) |
| Transfers and reclassifications | - | - | - | (4) | - | (4) |
| **Closing balance** | **-** | **26,949** | **11,715** | **69,763** | **-** | **108,427** |
| **Net value** | | | | | | |
| **As at 1 January 2014** | **648,361** | **3,465** | **83,293** | **64,143** | **6,587** | **805,849** |
| **As at 31 December 2014** | **639,512** | **3,023** | **98,215** | **59,840** | **5,604** | **806,194** |

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.

## 9.2 Guarantees

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

## 9.3 Intangible assets in progress

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

## 9.4 Impairment tests for Goodwill and other intangible assets

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

| Business areas | 2015 | 2014 |
|---|---|---|
| Portugal Retail | 246,519 | 246,519 |
| Portugal Cash & Carry | 83,836 | 83,836 |
| Poland Health and Beauty Retail | 9,099 | 9,079 |
| Poland Retail | 300,733 | 300,078 |
| | **640,187** | **639,512** |

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 positively by EUR 655 thousand; and
- the Goodwill related to the Health and Beauty Retail business in Poland (Hebe), totalling PLN 38,796 thousand, was updated positively by EUR 20 thousand.

In 2015, 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 (2014: 8% and 9.3%) and between 8.5% and 10.1% for Poland (2014: 10.1% and 10.5%), and a perpetual growth rate between 0% and 1.5% for the various businesses (2014: 0% and 1.5%).

Goodwill associated with the Manufacturing and Services businesses, integrated in the Financial Statements using the equity method, is presented under the heading investments in joint ventures and associates (note 12).

The 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.

## 10 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.

| | 2015 | 2014 |
|---|---|---|
| **Opening balance** | **42,947** | **47,471** |
| Increases due to acquisitions | 2 | 14 |
| Transfers | (21,075) | 29 |
| Changes in fair value | (1,487) | (1,185) |
| Disposals | - | (3,382) |
| **Closing balance** | **20,387** | **42,947** |

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 2015 the amount of income from investment property amounted to EUR 103 thousand (EUR 120 thousand in 2014), and costs were recognised in the amount of EUR 57 thousand (EUR 126 thousand in 2014).

## 11 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.

**Interest rate risk (fair value hedge)**

For financing operations in foreign currency or fixed interest rate that are not natural hedging of investments in foreign operations, whenever justified, Jerónimo Martins uses fair value hedging operations as instruments to reduce the volatility of those financing operations in the Group Financial Statements.

Hedging instruments that are designated and qualify as fair value hedging are recognised in the balance sheet at their fair value, with changes recognised in the profit and loss. At the same time, changes to the fair value of the hedged instrument, in the component that is being hedged, are recognised in profit and loss. Any ineffectiveness of the hedging operations is recognised in the results.

If the hedge ceases to comply with the criteria required for hedge accounting, the derivative financial instrument is transferred to the negotiation portfolio, and the hedge accounting is prospectively discontinued. If the hedged asset or liability corresponds to a fixed-income instrument, the revaluation adjustment is amortised until maturity using the effective interest rate method.

**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.

| | 2015 | | | | | 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 (EUR) | | - | - | - | - | 225 million EUR | - | - | 1,715 | - |
| Interest rate swap (PLN) | 212 million PLN | - | 122 | - | - | 500 million PLN | - | - | - | 2,681 |
| **Foreign operation investments hedging derivatives** | | | | | | | | | | |
| Currency forwards (PLN) | 338 million PLN | 128 | - | 93 | - | 600 million PLN | 2,627 | - | - | - |
| **Total derivatives held for trading** | | - | - | - | - | | - | - | - | - |
| **Total hedging derivatives** | | **128** | **122** | **93** | **-** | | **2,627** | **-** | **1,715** | **2,681** |
| **Total assets/liabilities derivatives** | | **128** | **122** | **93** | **-** | | **2,627** | **-** | **1,715** | **2,681** |

At 31 December 2015, the values shown include interest receivable or payable related to these financial instruments that are due. The net payable amount is EUR 1 thousand (2014: EUR 423 thousand).

**Financial instruments that matured during the period**

In the year 2015 the following interest rate swaps matured:

| | Currency | Loan amount | Hedged amount | Index hedged | Rate review date | Loan and hedge maturity |
|---|---|---|---|---|---|---|
| JMR/2015 | EUR | 225,000 | 225,000 | 6-months Euribor | June | December 2015 |
| JMP/2016 | PLN | 500,000 | 500,000 | 3-months Wibor | January | April 2016 |

**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 2015 and 2014. 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 | 423,553 | 211,766 | 3-months Wibor | 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 February 2016.

**Impacts on the Financial Statements**

| | 2015 | 2014 |
|---|---|---|
| **Fair value of financial instruments as at 1 January** | **(1,769)** | **(18,552)** |
| (Receipts) / payments made | 16,755 | 7,347 |
| Change in the fair value of cash flow hedge derivatives (others reserves) | 4,101 | 675 |
| Change in the fair value of cash flow hedge derivatives (foreign exchange differences) | (6) | 28 |
| Change in the fair value of fair value hedge derivatives (loans) | - | 9,104 |
| Change in the fair value of net investment hedging derivatives (currency translation reserves) | (14,645) | 3,663 |
| Interest expenses from financial instruments that qualify as hedge accounting (income statement) | (4,279) | (4,034) |
| **Fair value of financial instruments as at 31 December** | **157** | **(1,769)** |

## 12 Investments in joint ventures and associates

The joint ventures and associates are listed in note 29, and changes in these investments were as follows:

| | Joint ventures | | Associates | | Total | |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **Opening balance** | **73,537** | **77,639** | **735** | **895** | **74,272** | **78,534** |
| Equity method: | | | | | | |
| Net result | 16,450 | 14,973 | 158 | 208 | 16,608 | 15,181 |
| Dividends and other income received | (14,102) | (19,159) | (204) | (368) | (14,306) | (19,527) |
| Other comprehensive income | (96) | 84 | - | - | (96) | 84 |
| **Closing balance** | **75,789** | **73,537** | **689** | **735** | **76,478** | **74,272** |

## 13 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.

| | 2015 | 2014 |
|---|---|---|
| Raw and subsidiary materials and consumables | 3,657 | 2,892 |
| Goods available for sale | 663,095 | 589,948 |
| Work in progress and finished goods | 987 | - |
| | **667,739** | **592,840** |
| Net realisable adjustment | (29,400) | (20,836) |
| **Net inventories** | **638,339** | **572,004** |

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

## 14 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).

| | 2015 | 2014 |
|---|---|---|
| **Non-current** | | |
| Other debtors | 80,849 | 79,131 |
| Collateral deposits associated to financial debt | 34,367 | 19,367 |
| Deferred costs | 3,388 | 3,614 |
| | **118,604** | **102,112** |
| **Current** | | |
| Commercial customers | 53,501 | 50,868 |
| Other debtors | 87,770 | 97,649 |
| Other taxes receivable | 11,754 | 16,011 |
| Accrued income and deferred costs | 124,250 | 148,935 |
| | **277,275** | **313,463** |

Non-current debtors include EUR 80,473 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 25).

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 111,581 thousand (2014: EUR 134,790 thousand).

The deferred costs include EUR 7,195 thousand of pre-paid rents, EUR 2,322 thousand of insurance costs and EUR 5,547 thousand of other costs attributable to future years and paid in 2015, or, if not yet paid, already charged by the entities.

Other debtors include an amount of EUR 18,186 thousand (2014: EUR 18,052 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:

| | 2015 | 2014 |
|---|---|---|
| **Debtors balances not considered impaired** | | |
| Less than 3 months past due | 28,411 | 28,084 |
| More than 3 months past due | 17,258 | 15,399 |
| | **45,669** | **43,483** |
| **Debtors balances considered impaired** | | |
| Less than 3 months past due | 549 | 19 |
| More than 3 months past due | 17,035 | 16,356 |
| | **17,584** | **16,375** |

Of the debtors balances not considered impaired, EUR 6,595 thousand (2014: EUR 6,496 thousand) are covered by credit guarantees and credit insurance.

Movements on the Group provision for impairment of trade receivables are as follows:

| | 2015 | 2014 |
|---|---|---|
| **Balance as at 1 January** | **24,122** | **20,982** |
| Set up, reinforced and transfers | 5,143 | 5,311 |
| Unused and reversed | (4,506) | (1,470) |
| Foreign exchange difference | 31 | (202) |
| Used | (927) | (499) |
| **Balance as at 31 December** | **23,863** | **24,122** |

## 15 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.

| | 2015 | 2014 |
|---|---|---|
| Bank deposits | 129,946 | 171,790 |
| Short-term investments | 306,932 | 255,043 |
| Cash and cash equivalents | 4,810 | 3,827 |
| | **441,688** | **430,660** |

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 that, as at December 31, 2015 had a rating between BBB- and A+.

## 16 Cash generated from operations

| | 2015 | 2014 |
|---|---|---|
| **Net results** | **333,342** | **301,711** |
| Adjustments for: | | |
| Non-controlling interests | 24,866 | 23,367 |
| Income tax | 116,587 | 103,729 |
| Depreciations and amortisations | 294,484 | 276,746 |
| Provisions and other operational gains and losses | 10,882 | 12,314 |
| Net financial costs | 26,497 | 34,327 |
| Profit in joint ventures and associates | (16,608) | (15,181) |
| Profit/losses on other investments | 1,423 | 1,122 |
| Profit/losses on tangible and intangible assets | 6,636 | 2,653 |
| | **798,109** | **740,788** |
| Changes in working capital: | | |
| Inventories | (77,220) | (10,170) |
| Debtors, accruals and deferrals | (3,936) | (1,365) |
| Creditors, accruals and deferrals | 282,832 | 144,927 |
| | **999,785** | **874,180** |

## 17 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.

### 17.1 Share capital and share premium

Authorised share capital is represented by 629,293,220 ordinary shares (2014: 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.

### 17.2 Own shares

At 31 December 2015, 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 2015.

### 17.3 Dividends

Dividends distributed in 2015 totalling EUR 406,441 thousand, were paid to JMH shareholders in the amount of EUR 389,629 thousand, and to non-controlling interests in the Group Companies in the amount of EUR 16,812 thousand.

### 17.4 Other reserves and retained earnings

The individual annual report of Jerónimo Martins, SGPS, S.A. duly states all conditions related to the use of reserves to be distributed comprised in Company equity. We therefore recommend reading this information.

## 18 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.

### 18.1 Basic and diluted earnings per share

| | 2015 | 2014 |
|---|---|---|
| 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** |

| | 2015 | 2014 |
|---|---|---|
| Diluted net results of the year attributable to shareholders that own ordinary shares | 333,342 | 301,711 |
| Diluted weighted average ordinary shares | 628,434,220 | 628,434,220 |
| Basic and diluted earnings per share - euros | 0.5304 | 0.4801 |

## 19 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 2015 several commercial paper programmes held by JMH and JMR-Gestão de Empresas de Retalho, SGPS, S.A. (JMR SGPS) have been renegotiated with improvement of the financial conditions. Also renewed was a commercial paper programme held by JMH and Recheio, SGPS, S.A. (Recheio SGPS) until August 2020.

JMR SGPS reimbursed the bond JMR'12 in the amount of EUR 225.000 thousand in December and issued a new bond of EUR 150.000 thousand maturing in December 2017.

Jeronimo Martins Polska (JMDP) negotiated a new credit facility in a total amount of PLN 300.000 thousand for one year, renewable until 2020.

Jeronimo Martins Polska early redeemed four loans that would end in 2016 and 2017, in a total amount of PLN 650.000 thousand.

JM Nieruchomosci - Sp. Komandytowo-akcyjna contracted a loan on a total amount of PLN 435.000 thousand with maturity in 2020.

Jeronimo Martins Colombia renewed its credit lines with extension of the maturity and negotiation of the financial conditions. Two short term loans were contracted in the amount of COP 55,300,000 thousand, with variable interest rate.

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 140,000 thousand (2014: EUR 172,000 thousand).

### 19.1 Current and non-current loans

| | 2015 | 2014 |
|---|---|---|
| **Non-current loans** | | |
| Bank loans | 384,291 | 373,651 |
| Bond loans | 150,000 | - |
| Financial lease liabilities | 131 | 226 |
| | **534,422** | **373,877** |
| **Current loans** | | |
| Bank overdrafts | 8,831 | 58,327 |
| Bank loans | 114,491 | 56,544 |
| Bond loans | - | 225,000 |
| Financial lease liabilities | 188 | 1,054 |
| | **123,510** | **340,925** |

### 19.2 Loan terms and maturities

| 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 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** |

| 2014 | Average rate | Total | Less than 1 year | Between 1 and 5 years | More than 5 years |
|---|---|---|---|---|---|
| Bank loans | | | | | |
| Loans in PLN | 3.36% | 351,025 | - | 351,025 | - |
| Loans in COP | 6.55% | 79,170 | 56,544 | 22,626 | - |
| Bond Loans | | | | | |
| Loans | 3.57% | 225,000 | 225,000 | - | - |
| Bank overdrafts | 3.00% | 58,327 | 58,327 | - | - |
| Financial lease liabilities | 2.62% | 1,280 | 1,054 | 226 | - |
| | | **714,802** | **340,925** | **373,877** | **-** |

### 19.3 Bond loans

| | 2015 | 2014 |
|---|---|---|
| Non-convertible bonds | 150,000 | 225,000 |

In December 2012, JMR issued a bond loan in the amount of EUR 225,000 thousand. It was redeemed on 11 December 2015.

A new bond was issued, amounting to 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.

### 19.4 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:

| | 2015 | 2014 |
|---|---|---|
| Non-current loans (note 19.1) | 534,422 | 373,877 |
| Current loans (note 19.1) | 123,510 | 340,925 |
| Derivative financial instruments (note 11) | (157) | 1,769 |
| Interest accruals and deferrals | 473 | 2,622 |
| Bank deposits (note 15) | (129,946) | (171,790) |
| Short-term investments (note 15) | (306,932) | (255,043) |
| Collateral deposits (note 14) | (34,367) | (19,367) |
| | **187,003** | **272,993** |

## 20 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.

| | 2015 | 2014 |
|---|---|---|
| **Balance as at 1 January** | **81,828** | **77,949** |
| Set up, reinforced and transfers | 8,872 | 11,088 |
| Unused and reversed | (3,495) | (6,368) |
| Foreign exchange difference | (14) | (44) |
| Used | (3,244) | (797) |
| **Balance as at 31 December** | **83,947** | **81,828** |

The provisions for other 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.

## 21 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.

| | 2015 | 2014 |
|---|---|---|
| **Non-current** | | |
| Other commercial creditors | 1 | - |
| Accrued costs and deferred income | 812 | 836 |
| | **813** | **836** |
| **Current** | | |
| Other commercial creditors | 2,359,812 | 2,182,406 |
| Other non-commercial creditors | 182,184 | 175,726 |
| Other taxes payables | 76,024 | 79,456 |
| Accrued costs and deferred income | 253,697 | 178,416 |
| | **2,871,717** | **2,616,004** |

The accrued costs include salaries and wages to be paid to the employees, in the amount of EUR 109,677 thousand, interest payable in the amount of EUR 30,139 thousand and supplementary costs with the distribution and promotion of goods in the amount of EUR 17,545 thousand. The remaining EUR 87,184 thousand relates to sundry costs (utilities, insurance, consultants, rents, among others) for 2015, which had not been invoiced by the respective entities prior to the end of the year.

Deferred income comprises basically supplementary gains in the amount of EUR 5,869 thousand, which are attributable to future years and received in 2015.

## 22 Guarantees

The bank guarantees are as follows:

| | 2015 | 2014 |
|---|---|---|
| Guarantees provided to suppliers | 17,900 | 2,749 |
| Guarantees for Portuguese tax authorities | 138,467 | 138,411 |
| Financing bank guarantees | 31,873 | 16,473 |
| Other State guarantees | 6,487 | 7,086 |
| Other guarantees provided | 3,551 | 20,220 |
| **Total of guarantees** | **198,278** | **184,939** |

## 23 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 total of future payments associated with such contracts, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Payments in less than 1 year | 321,101 | 295,059 |
| Payments between 1 and 5 years | 1,161,894 | 1,078,234 |
| Payments in more than 5 years | 1,879,775 | 1,550,304 |
| | **3,362,770** | **2,923,597** |

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 2015, were of EUR 2,884,724 thousand (2014: EUR 2,291,866 thousand).

The operational lease contracts recognised as costs amounting to EUR 330,516 thousand (2014: EUR 305,623 thousand), are analysed as follows:

| | 2015 | 2014 |
|---|---|---|
| Buildings | 299,639 | 276,877 |
| Plants & machinery | 10,599 | 9,650 |
| Transport equipment | 15,596 | 14,771 |
| IT equipment | 626 | 720 |
| Others | 4,056 | 3,605 |
| | **330,516** | **305,623** |

The difference to the rents stated in note 4 are costs with occasional renting in the amount of EUR 140 thousand (2014: EUR 327 thousand) deducted from rents that were allocated to the cost of goods sold in the amount of EUR 695 thousand (2014: EUR 473 thousand).

## 24 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.

## 25 Contingencies

- Under non-current debtors (note 14), an amount of EUR 79,722 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 entirely within the law and maintains the administrative and judicial claims filed against such settlements, without waiving its legitimate right to appeal against them and expect 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.

- 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, 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:

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, which reinforces the Board of Directors judgment that they are entirely right on this matter;

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 2012, amounting to EUR 64,074 thousand. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR regarding the 2002 and 2005 assessments. The Board of Directors firmly believes in its arguments;

d) The Portuguese Tax Authorities assessed Feira Nova – Hipermecados, S.A. (Feira Nova) and Pingo Doce – Distribuição Alimentar, S.A. (Pingo Doce) with regard 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. The Board of Directors believes that their outcome should be the same;

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. The Board of Directors consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;

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 2012 in Pingo Doce, Feira Nova and Recheio amounted to EUR 1,814 thousand, EUR 1,300 thousand and EUR 551 thousand, respectively. The Board of Directors believes that the Tax Authorities have no grounds to request this payment and these assessments have been challenged;

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 2012, amount to EUR 12,544 thousand. We believe that the Tax Authorities have no grounds to request this payment and these assessments have been challenged. 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. Considering that the Tax Authorities have no grounds to request this payment, these assessments have been challenged;

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 procedure stands by in the Civil Court;

j) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce, Recheio and Hussel an amount of EUR 8,654 thousand, EUR 568 thousand and EUR 19 thousand, respectively, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012 to 2015. The values at stake have been challenged in Court, since it understands that this tax is not due, namely on the grounds of the unconstitutional nature of the Statute that approved the TSAM.

## 26 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.

### 26.1 Balances and transactions with related parties

56.14% of the Group is owned by Sociedade Francisco Manuel dos Santos, B.V. and no direct transactions occurred between the Company and any other Company of the Group in 2015, neither were there any amounts payable or receivable between them on December 31st 2015.

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

| | Sales and services rendered | | Stocks purchased and services supplied | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Joint ventures (note 29) | 47 | 645 | 97,907 | 89,360 |
| Associates (note 29) | - | - | - | 9 |
| Other related parties(*) | 89 | 97 | 257 | 216 |

| | Trade debtors, accrued income and deferred costs | | Trade creditors, accrued costs and deferred income | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Joint ventures (note 29) | 232 | 640 | 5,556 | 5,774 |
| Associates (note 29) | - | - | - | - |
| Other related parties(*) | 54 | 17 | 9 | - |

(*) – Entities controlled by the major Shareholder of Jerónimo Martins and entities owned or controlled by members of the Board of Directors.

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.

The amounts receivable are not covered by insurance and no guarantees are given or received, as the Group holds a relevant influence over these Companies.

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.

### 26.2 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:

| | 2015 | 2014 |
|---|---|---|
| Salaries and other short-term employee benefits | 16,647 | 13,997 |
| Termination benefits | - | 313 |
| Post-employment benefits | 379 | 353 |
| Other benefits | 1,391 | 1,006 |
| **Total** | **18,417** | **15,669** |

The Board of Directors of the Company consisted of 11 Members at the end of 2015. The average number of Senior Managers of the Group was 76 (2014: 73).

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 amounts presented reflect 100% of costs with salaries and wages of the Directors and the Senior Managers.

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.

## 27 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 |
| Friedman – Sociedade Investimentos Mobiliários e Imobiliários, Lda. | Provision of services in the economic and accounting area | Funchal | 100.00 |
| Desimo – Desenvolvimento e Gestão Imobiliária, Lda. | Real estate management and administration and trade marks | Lisbon | 100.00 |
| Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. | Wholesale of food products | Lisbon | 100.00 |
| Caterplus – Comercialização e Distribuição de Produtos de Consumo, Lda. | Wholesale of other food products | Lisbon | 100.00 |
| 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 |
| Monterroio – Industry & Services 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 |
| New World Investments B.V. | Business portfolio management and financial services | Amsterdam (Holland) | 100.00 |
| Jeronimo Martins Colombia S.A.S. | Trading and distribution of consumer goods | Bogota (Colombia) | 100.00 |
| Origins - Agro Business Investments B.V. | Business portfolio management and financial services | Amsterdam (Holland) | 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 |
| JMR – Gestão de Empresas de Retalho, SGPS, S.A. | Business portfolio management in the area of retail distribution | Lisbon | 51.00 |
| Jerónimo Martins Retail Services, S.A. | Trademarks management | Klosters (Switzerland) | 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 |
| 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 |
| JMR – Prestação de Serviços para a Distribuição, S.A. | Retail management, consultancy and logistics | Lisbon | 51.00 |
| Jerónimo Martins Finance Company (2), Limited | Financial services | Dublin (Ireland) | 51.00 |
| Escola de Formação Jerónimo Martins, S.A. | Training | Lisbon | 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 | Lisbon | 100.00 |
| Masterchef, S.A. | Retail sales and/or wholesale of food or non-food products | 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 |
| Funchalgest – Sociedade Gestora de Participações Sociais, S.A. | Business portfolio management | Funchal | 75.50 |
| João Gomes Camacho, S.A. | Wholesale of food and consumer goods | Funchal | 75.50 |
| Lidosol II – Distribuição de Produtos Alimentares, S.A. | Retail sales in supermarkets | Funchal | 75.50 |
| Lidinvest – Gestão de Imóveis, S.A. | Real estate management and administration | Funchal | 75.50 |
| Beleggingsmaatschappij Tand B.V. | Business portfolio management and financial services | Amsterdam (Holland) | 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 |

In June 2015 the Companies Supertur - Imobiliária, Comércio e Turismo, S.A.,Casal de São Pedro - Administração de Bens, S.A., Comespa - Gestão de Espaços Comerciais, S.A. and Cunha & Branco - Distribuição Alimentar, S.A. were merged in Imoretalho - Gestão de Imóveis, S.A..

In August 2015 the Company Servicompra, SGPS, Lda. was merged in Tagus - Retail & Services Investments B.V..

These mergers have not produced any impacts on the Group Financial Statements.

## 28 Financial information on subsidiaries with material non-controlling interests

The non-controlling interests as at 31 December 2015 were EUR 251,526 thousand (2014: EUR 242,875 thousand), of which EUR 250,833 thousand (2014: EUR 242,165 thousand) related to JMR Group (Portugal Retail), where Royal Ahold 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:

| | 2015 | 2014 |
|---|---|---|
| Non-current assets | 1,371,117 | 1,337,014 |
| Current assets | 328,493 | 319,076 |
| Non-current liabilities | (241,853) | (89,332) |
| Current liabilities | (944,632) | (1,069,280) |
| **Net assets** | **513,125** | **497,478** |
| Revenue | 3,729,140 | 3,552,073 |
| Net profit | 48,369 | 45,325 |
| Other comprehensive income | 1,216 | 875 |
| **Total comprehensive income** | **49,585** | **46,200** |

## 29 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 |
|---|---|---|---|
| Unilever Jerónimo Martins, Lda. | Wholesale of consumer goods | Lisbon | 45.00 |
| Fima Olá – Produtos Alimentares, S.A. | Production of margarines and similar products | Lisbon | 45.00 |
| Victor Guedes – Indústria e Comércio, S.A. | Production of olive oil | Lisbon | 45.00 |
| Gallo Worldwide, Lda. | Wholesale of olive oil and similar products | Lisbon | 45.00 |
| Perfumes e Cosméticos Puig Portugal Distribuidora, S.A. | Retail sale of perfumes and cosmetics | Lisbon | 27.55 |

In January 2015 the Company Olá - Produção de Gelados e Outros Produtos Alimentares, S.A. was merged in Fima - Produtos Alimentares, S.A., changing its designation to Fima Olá - Produtos Alimentares, S.A., without any impacts on the Group Financial Statements.

The Group owns (directly and indirectly) interests in the following joint ventures:

- 45% shareholding in Unilever Jerónimo Martins, which controls a Group of Companies dedicated to manufacturing and selling products in the area of edible fats and ice-creams and to distributing and selling drinks, Personal Care and Home Care products, using owned Private Brands and brands owned by the Unilever Group;

- 45% shareholding in Gallo Worldwide, which is dedicated to distributing olive oil and cooking oils, using owned Private Brands and brands of the Unilever Group.

The Group holds a direct interest in the following associated Company:

- A shareholding of 27.545% in Perfumes e Cosméticos Puig Portugal – Distribuidora, S.A.. Its business area is the retail sale of perfumes and cosmetic products.

Despite the low materiality of the Financial Statements of joint ventures and associates for the Group's Accounts, we present summarized financial information relating to them:

| | Joint ventures | | Associates | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Non-current assets | 279,408 | 283,265 | 324 | 309 |
| Current assets | 168,845 | 162,933 | 5,887 | 5,733 |
| Non-current liabilities | (11,440) | (10,040) | - | - |
| Current liabilities | (268,394) | (272,743) | (3,709) | (3,372) |
| **Net assets** | **168,419** | **163,415** | **2,502** | **2,670** |
| Revenue | 548,178 | 527,640 | 12,065 | 12,032 |
| Net result | 36,556 | 33,273 | 574 | 756 |
| Other comprehensive income | (213) | 186 | - | - |
| **Total comprehensive income** | **36,343** | **33,459** | **574** | **756** |

The information above reflects the amounts presented in the Financial Statements of the joint ventures and associates adjusted to the accounting policies adopted by the Group, and consolidation adjustments.

The table below presents a reconciliation of the financial position of joint ventures and associates with the value presented in the Financial Statements of the Group:

| | Joint ventures | | Associates | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **Net assets as at 1 January** | **163,415** | **172,531** | **2,670** | **3,250** |
| Profit/(loss) for the period | 36,556 | 33,273 | 574 | 756 |
| Dividends and other income distributed in the year | (31,339) | (42,575) | (742) | (1,336) |
| Other comprehensive income | (213) | 186 | - | - |
| **Net assets as at 31 December** | **168,419** | **163,415** | **2,502** | **2,670** |
| Interest in joint-ventures/associates(%) | 45% | 45% | 27.5% | 27.5% |
| **Carrying value (Note 12)** | **75,789** | **73,537** | **689** | **735** |

## 30 Financial risks

Jerónimo Martins is exposed to several 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 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 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 2012.

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

### 30.1 Market risk

#### 30.1.1 Foreign exchange risk

The main source of exposure to foreign exchange risk comes from Jerónimo Martins' operations in Poland. Although not significant today, there is also a currency risk that comes from the investment in Colombia.

At 31 December 2015, a depreciation of the zloty against the euro of around 10% would have a negative impact on the net investment of EUR 86.989 thousand (2014: EUR 75,208 thousand). Jerónimo Martins vulnerability to this risk did not increase during 2015 given the natural hedge of the exposure, through financing in zloty, resulting from the increase of the net investment in Poland.

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. 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 2015 was as follows:

| As at 31 December 2015 | Euro | Zloty | Dollar | Colombian peso | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 119,507 | 316,547 | - | 5,634 | 441,688 |
| Available-for-sale financial investments | 1,758 | - | - | - | 1,758 |
| Trade debtors and deferred costs | 117,807 | 170,366 | - | 39 | 288,212 |
| Derivative financial instruments | 122 | 128 | - | - | 250 |
| **Total financial assets** | **239,194** | **487,041** | **-** | **5,673** | **731,908** |
| **Liabilities** | | | | | |
| Borrowings | 312,038 | 265,616 | - | 80,278 | 657,932 |
| Derivative financial instruments | - | 93 | - | - | 93 |
| Trade creditors, accrued costs and deferred income | 933,836 | 1,708,551 | - | 40,278 | 2,682,665 |
| **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)** |
| **As at 31 December 2014** | | | | | |
| Total financial assets | 309,149 | 425,171 | - | 3,942 | 738,262 |
| Total financial liabilities | 1,048,806 | 2,023,052 | - | 108,847 | 3,180,705 |
| **Net financial position in the balance sheet** | **(739,657)** | **(1,597,881)** | **-** | **(104,905)** | **(2,442,443)** |

### 30.1.2 Price risk

With the investment in Banco Comercial Português (BCP), the Group is exposed to the risk of share price fluctuation. At 31 December 2015, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 27 thousand (2014: EUR 37 thousand) in the Net Results.

### 30.1.3 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 2015, and ignoring the effect of interest rate derivatives, a rise of 50 basis points in interest rates, with everything else remaining constant, would have a negative impact of EUR 936 thousand (2014: EUR 1,400 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.

## 30.2 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.

With regard to customers, the risk is mainly limited to Cash & Carry and to the Services businesses, 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 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 2015 and 2014:

| Financial institutions | | 2015 | 2014 |
|---|---|---|---|
| **Rating company** | **Rating** | **Balance** | **Balance** |
| Standard & Poor's | [A+ : AA] | 224 | 3,812 |
| Standard & Poor's | [BBB+ : A] | 121,914 | 115,493 |
| Standard & Poor's | [BB+ : BBB] | 149,305 | 143,391 |
| Standard & Poor's | [B+ : BB] | 35,454 | 89,680 |
| Moody's | Caa1 | 1,251 | - |
| Fitch's | [A- : A+] | 59,375 | 62,796 |
| Fitch's | [BBB- : BBB+] | 69,251 | 406 |
| Fitch's | [BB- : BB+] | - | 11,508 |
| Fitch's | [B- : B+] | 117 | - |
| | Not Available | 237 | 2,374 |
| **Total** | | **437,128** | **429,460** |

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.

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 | 2015 | 2014 |
|---|---|---|
| New customer balances (less than six months) | 1,262 | 1,753 |
| Balances of customers without a history of non-payment | 50,357 | 46,216 |
| Balances of customers with a history of non-payment | 14,262 | 14,404 |
| Balances of other debtors with the provision of guarantees | 3,921 | 2,905 |
| Balances of other debtors without the provision of guarantees | 91,650 | 103,874 |
| | **161,452** | **169,152** |

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**

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **No.** | **Balance** | **No.** | **Balance** |
| Customers with a balance above 1,000,000 euros | 7 | 16,252 | 6 | 15,191 |
| Customers with a balance between 250,000 and 1,000,000 euros | 22 | 8,611 | 20 | 8,156 |
| Customers with a balance below 250,000 euros | 8,678 | 40,797 | 7,830 | 36,355 |
| Other debtors with a balance above 250,000 euros | 45 | 50,184 | 46 | 64,117 |
| Other debtors with a balance below 250,000 euros | 4,056 | 45,608 | 2,766 | 45,333 |
| | **12,808** | **161,452** | **10,668** | **169,152** |

The maximum exposure to credit risk as at 31 December 2015 and 2014 is the financial assets carrying value.

## 30.3 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**

| **2015** | **Less than 1 year** | **1 to 5 years** | **+ 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** |
| **2014** | | | |
| Borrowings | | | |
| Financial leasing | 1,077 | 238 | - |
| Bond loans | 230,993 | - | - |
| Commercial paper | 157 | - | - |
| Other loans | 128,747 | 387,609 | - |
| Derivative financial instruments | 3,618 | 1,145 | - |
| Creditors | 2,358,132 | - | - |
| Operational lease liabilities | 295,059 | 1,078,234 | 1,550,304 |
| **Total** | **3,017,783** | **1,467,226** | **1,550,304** |

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 2015 the Group was in full compliance with the covenants assumed on the debt loans in place.

### 30.4 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. The Board established a target for the Gearing ratio below 70%, consistent with an investment grade rating.

The Gearing ratios as at 31 December 2015 and 2014 were as follows:

| | 2015 | 2014 |
|---|---|---|
| Capital invested | 1,780,222 | 1,911,684 |
| Net debt | 187,003 | 272,993 |
| Shareholder´s funds | 1,593,219 | 1,638,691 |
| Gearing | **11.7%** | **16.7%** |

## 31 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 2015 was EUR 875 thousand, of which EUR 831 thousand correspond to statutory audit of the accounts, while the remaining EUR 44 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 26 of the Notes to the Consolidated Financial Statements includes all the related parties disclosures, in accordance with the International Accounting Standards.

## 32 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, 1 March 2016

**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.

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, 1 March 2016

Pedro Manuel de Castro Soares dos Santos
(Chairman of the Board of Directors and Chief Executive Officer)

Alan Johnson
(Member of the Board of Directors)

Andrzej Szlezak
(Member of the Board of Directors)

António Pedro de Carvalho Viana-Baptista
(Member of the Board of Directors and Member of the Audit Committee)

Artur Stefan Kirsten
(Member of the Board of Directors)

Clara Christina Streit
(Member of the Board of Directors)

Francisco Seixas da Costa
(Member of the Board of Directors)

Hans Eggerstedt
(Member of the Board of Directors and Chairman of the Audit Committee)

Henrique Soares dos Santos
(Member of the Board of Directors)

Nicolaas Pronk
(Member of the Board of Directors)

Sérgio Tavares Rebelo
(Member of the Board of Directors and Member of the Audit Committee)

***Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Consolidated Financial Information***

***(Free translation from the original in Portuguese)***

***Introduction***

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the consolidated Directors' Report and in the attached consolidated financial statements of Jerónimo Martins, SGPS, S.A., comprising the consolidated balance sheet as at December 31, 2015 (which shows total assets of Euro 5,332,715 thousand and total shareholder's equity of Euro 1,593,219 thousand including non-controlling interests of Euro 251,526 thousand and a net profit of Euro 333,342 thousand), the consolidated income statement by functions, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flows statement for the year then ended, and the corresponding notes to the accounts.

***Responsibilities***

2 It is the responsibility of the Company's Board of Directors (i) to prepare the consolidated Directors' Report and the consolidated financial statements which present fairly, in all material respects, the financial position of the Company and its subsidiaries, the consolidated results and the consolidated comprehensive income of their operations, the changes in consolidated equity and the consolidated cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain appropriate systems of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company and its subsidiaries.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

***Scope***

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Accordingly, our audit included: (i) verification that the Company and its subsidiaries' financial statements have been appropriately examined and, for the cases where such an audit was not carried out, verification, on a sample basis, of the evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the reasonableness of the estimates,

based on the judgements and criteria of the Board of Directors used in the preparation of the consolidated financial statements; (ii) verification of the consolidation operations and the utilization of the equity method; (iii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iv) assessing the applicability of the going concern basis of accounting; (v) assessing the overall presentation of the consolidated financial statements; and (vi) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the consolidated financial information.

5 Our audit also covered the verification that the information included in the consolidated Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

***Opinion***

7 In our opinion, the consolidated financial statements referred to above, present fairly in all material respects, the consolidated financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2015, the consolidated results and the consolidated comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

***Report on other legal requirements***

8 It is also our opinion that the information included in the consolidated Directors' Report is consistent with the consolidated financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Market Code.

March 4, 2016

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485
represented by:

José Pereira Alves, R.O.C.

**(This is a translation, not to be signed)**

# 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. report and consolidated accounts for the year ending December 31$^{st}$, 2015, 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.

The Committee monitored 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.

The Committee also monitored the compliance with the Financial Risk Management Policy, and the revision of the Group's Global Risk Management Policy, with the co-operation of the Managing Committee, the Financial Operations Department, the Group Risk Management Department and the External Auditor, and verified that the actions taken by the Company were adequate to comply with the policies issued by the Board of Directors.

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 2016 as well as the necessary resources allocation.

The suitability and effectiveness of the internal control systems were verified, with the co-operation and work of the Internal Control Committee, the Internal Audit Department and the External Auditor.

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 Report and Consolidated Accounts and the accounts of the Group's main companies 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 are a correct representation of the results and the equity of the Company.

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 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.

The Audit Committee also verified that all non-audit services provided, during the year 2015, by the firm of External Auditors to the Group's subsidiaries, were carried out by their employees who took no part in the audits, and that these services, due to their type and 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.

With the publication on September 7th, 2015, of the Law no. 140/2015, which approved the new Legal Regimen of Portuguese Statutory Auditors, it was performed an analysis namely on the mandatory rotation of the Statutory Auditor and on the extension of forbidden services.

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 - 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 Consolidated Financial Information, we are of the opinion that:

i) The Consolidated Management Report should be approved;

ii) The 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 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, 4 March 2016

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)

JERÓNIMO MARTINS

# IV. Corporate Governance

# PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

## Section A
## SHAREHOLDER STRUCTURE

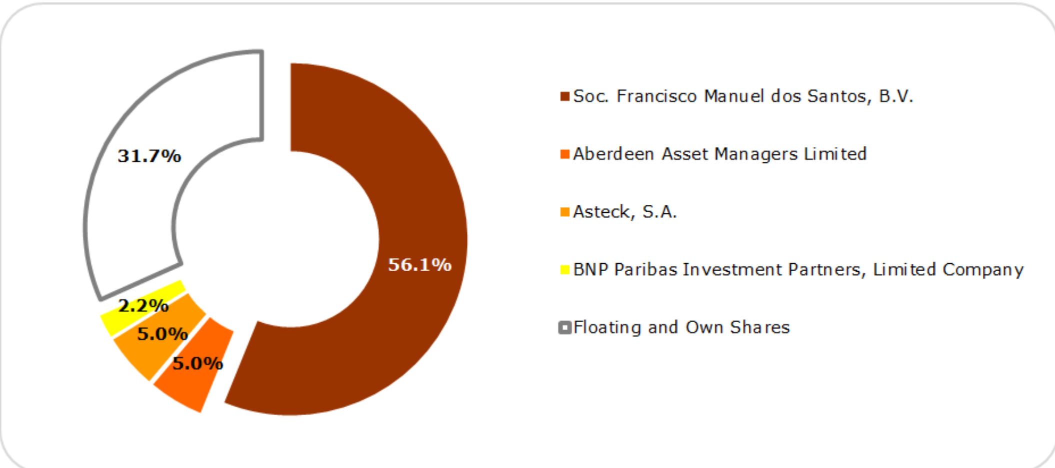
### Subsection I
### Capital Structure

#### 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 NYSE Euronext Lisbon stock exchange.

The Company's shareholder structure is the following, with reference to 31 December 2015*:




* 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.

# 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 2015, are identified in the table below.

### List of Qualifying Holdings as at 31st December 2015*

*(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.**<br>Through Sociedade Francisco Manuel dos Santos, B.V. | 353,260,814 | 56.136% | 353,260,814 | 56.136% |
| **Aberdeen Asset Managers Limited**<br>Directly | 31,482,477 | 5.003% | 31,482,477 | 5.003% |
| **Heerema Holding Company Inc.**<br>Through Asteck, S.A. | 31,464,750 | 5.000% | 31,464,750 | 5.000% |
| **BNP Paribas Investment Partners, Limited Company**<br>Through Investment Funds Managed by BNP Paribas | 13,536,757 | 2.151% | 12,604,860 | 2.006% |

* 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

| Membros do Conselho de Administração | Held on 31.12.14 | | Increases during the year | | Decreases during the year | | Held on 31.12.15 | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Bonds | Shares | Bonds | Shares | Bonds | Shares | Bonds |
| Pedro Manuel de Castro Soares dos Santos | 274,805 | - | - | - | - | - | 274,805 | - |
| Alan Johnson | 30,075 | - | - | - | - | - | 30,075 | - |
| Andrzej Szlezak | - | - | - | - | - | - | - | - |
| António Pedro de Carvalho Viana-Baptista | - | - | - | - | - | - | - | - |
| Artur Stefan Kirsten [1] | n.a. | - | - | - | - | - | - | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [2] | n.a. | - | - | - | - | - | 353,260,814 | - |
| Clara Christina Streit [1] | n.a. | - | - | - | - | - | 800 | - |
| Francisco Manuel Seixas da Costa | - | - | - | - | - | - | - | - |
| Hans Eggerstedt | 19,700 | - | - | - | - | - | 19,700 | - |
| Henrique Manuel da Silveira e Castro Soares dos Santos [1] | n.a. | - | - | - | - | - | 26,455 [3] | - |
| José Manuel da Silveira e Castro Soares dos Santos [4] | 20,509 | - | - | - | - | - | n.a. | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [2] | 353,260,814 | - | - | - | - | - | n.a. | - |
| Nicolaas Pronk | - | - | - | - | - | - | - | - |
| Belonging to company in which is a Director (sec. d), § 2 of Article 447 Commercial Companies Code) [5] | 31,464,750 | - | - | - | - | - | 31,464,750 | - |
| Sérgio Tavares Rebelo | - | - | - | - | - | - | - | - |

[1] Appointed on 9th April 2015 to the Board of Directors.
[2] Sociedade Francisco Manuel dos Santos, B.V.; See Point 20.
[3] Of which 1,500 shares held by spouse.
[4] Ceased his duties as Director on 9th April 2015.
[5] Asteck, S.A.; See Point 20.

### Statutory Auditor

As at 31st December, 2015, 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 2015, 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.

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)

On 10th April 2013 João Vieira de Castro and Tiago Ferreira de Lemos were appointed as Chairman and Secretary of the General Shareholders' Meeting respectively, for the term of office that expired on 31st December 2015. On 17th December 2013 the Company was informed of the resignation of the Chairman of the General Shareholder's Meeting.

Subsequently to said resignation, Abel Bernardino Teixeira Mesquita was elected Chairman of the General Shareholders' Meeting, on 10th April 2014, for the remainder of the term in force.

## 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 Article 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 (Article 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. Currently, the Board of Directors has eleven members and there are no substitute members:

**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 2015

**Alan Johnson**
- Non-Executive Director
- First appointment on 30th March 2012
- Expiry of the term of office on 31st December 2015

**Andrzej Szlezak**
- Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2015

**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 2015

**Francisco Manuel Seixas da Costa**
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2015

**Hans Eggerstedt**
- Non-Executive Director
- First appointment on 29th June 2001
- Expiry of the term of office on 31st December 2015

**José Manuel da Silveira e Castro Soares dos Santos**
- Director with special tasks (see Point 18)
- First appointment on 31st March 1995
- Expiry of the term of office on 9th April 2015

**Nicolaas Pronk**
- Non-Executive Director
- First appointment on 30th March 2007
- Expiry of the term of office on 31st December 2015

**Sérgio Tavares Rebelo**
- Independent Non-Executive Director
- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2015

**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 2015

**Clara Christina Streit**
- Independent Non-Executive Director
- First appointment on 9th April 2015
- Expiry of the term of office on 31st December 2015

**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 2015

With regard to changes in the composition of the Board of Directors throughout 2015, it is to note the resignation from the position of member of the Board of Diretors by José Manuel da Silveira e Castro Soares dos Santos, by letter dated of 3rd March 2015 which became effective on 9th April 2015.

In the General Meeting held on 9th April 2015, it was decided to increase the number of members of the Board of Directors in the current term of office and, additionally, to replace José Manuel da Silveira e Castro Soares dos Santos as member of the Board of Diretors until the end of the current term of office. Therefore, in this General Meeting were appointed as members of the Board of Directors until the end of the current term of office Henrique Manuel da Silveira e Castro Soares dos Santos, Clara Christina Streit and Artur Stefan Kirsten.

## 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. However, according to understanding expressed by the CMVM, the existence of a special task would allow to qualify a Director as Executive Director.

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 assessement 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, Clara Christina Streit, António Viana-Baptista, 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).

Having passed the number of Independent Directors to four, in accordance to the criteria above mentioned, out of a total of eleven 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*, more than one third).

## 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.

José Soares dos Santos holds a Degree in Biology from Universidade Clássica de Lisboa, joined Svea Lab AB in Sweden in 1985, before going to work for the URL Colworth Laboratory in March 1987. In 1988, he joined the Human Resources Department of FimaVG – Distribuição de Produtos Alimentares, Lda., and in 1990 he was named Product Manager. Between 1992 and 1995 he worked for Brooke Bond Foods. He was a Director of Jerónimo Martins SGPS, S.A. between 31st March 1995 and 29th June 2001, and was reappointed on 15th April 2004 up to 9th April 2015.

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, being Director of Jerónimo Martins, SGPS, S.A. since 30th March 2012.

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.

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. Since 2011, he is CEO of Crédit Suisse AG for Spain and Portugal. He has been Non-Executive Director of the Company since 9th April 2010.

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. He has been a Non-Executive Director of the Company since 10th April 2013.

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 has been a Non-Executive Director of the Company since 30th March 2007.

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.

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 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.

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 also Chairs the Finance Committee 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.

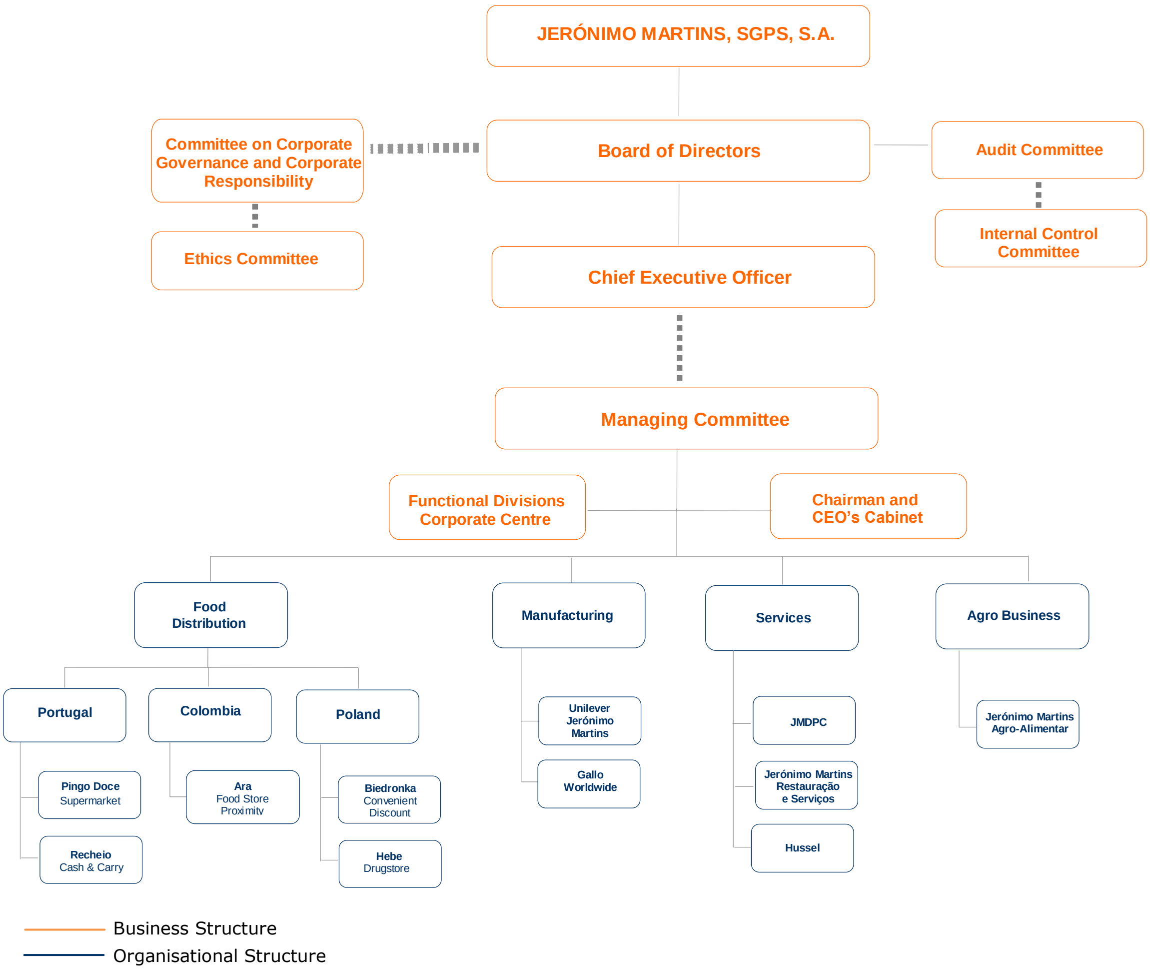
Artur Stefan Kirsten is a German national, and took his master degree in Business Economics and Informatics from 1981 to 1986 at the FernUniversität Hagen and Georg-August-Universität Göttingen. In 1991 he has taken his Doctorate Degree followed later by the Stanford Executive Program with the Graduate 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.

## 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 |
|---|---|---|
| José Soares dos Santos [1] | Director | Sociedade Francisco Manuel dos Santos, SGPS, S.A. |
| | Director | Sociedade Francisco Manuel dos Santos, B.V. |
| Artur Stefan Kirsten | Director | Sociedade Francisco Manuel dos Santos, B.V. |
| Nicolaas Pronk | Director | Astek, S.A. |

[1] Expiry of the term of office on 9 April, 2015

## 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, Coordination of Non-Executive Directors, and Special Duties

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 2015, 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 2015 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.

Pursuant to Article 407 (1) of the Commercial Companies Code, the Board of Directors had allocated to Director José Manuel da Silveira e Castro Soares dos Santos the special task of monitoring of the activities of the joint venture Unilever Jerónimo Martins, of the activities of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda. and the activities of Jerónimo Martins – Restauração e Serviços, S.A., having such special task ceased with the cessation of functions of the said Director on 9th April 2015.

## 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 four business segments: i. Food Distribution, ii. Manufacturing, iii. Marketing Services, Representations and Restaurant Services, and iv. Agro Business. The first area is organised into Geographical Areas and Operating Areas.

### 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:


**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 implemented in 2015 and the results obtained can be found in the Chapter V of the Annual Report.

A crucial activity at Jerónimo Martins is Food Safety. The respective information component was strengthened through communications with our customers published in various media and through different ways of informing the consumer on how to keep the food freshness until the moment of consumption.

**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 2015, 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 procedures, as well as with procedures laid out in the Operations Manual of each business unit, 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 strategic goals of the Group.

In 2015, this Department organised the conference "Sustainability in the Supply Chain" that aimed at sensitising the senior management of the Group and some selected business partners to environmental and social issues along the value chain. For the first time, some suppliers have joined the debate by sharing with an audience of around 200 people their sustainable investment cases and practices.

It implemented an internal training model on the brand's reputation management which encompasses aspects including the Group's External Communication Policy or reputation risk, threats and crisis management. The identification of spokespeople for the brand and their respective training is also part of this Department's mission.

As the manager of the Jerónimo Martins' Linked In page, in partnership with Human Resources, this Department activated this channel also as a way to convey messages that are associated to the values of the brand, in general, and as a benchmark employer, in particular, having surpassed the 50,000 followers mark on this social network.

**Financial Control –** Responsible for providing financial information to support decision-making by the Company's Corporate Bodies. It encompasses the areas of Consolidation, 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 2015 it focused its activity on the implementation of supporting structures to the Agro Business project, on the monitoring of the performance of the business units and on supporting 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 2015, 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 2015, this Functional Division monitored the various international developments and the OECD’s presentation of proposed actions on the Base Erosion and Profit Shifting (BEPS), and 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. This Division also participated actively in the procedures which allow the Group, through its activities in the scope of the applicable regimes, obtain tax benefits.

**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 theDigital 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 2015 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. It is also this area's responsibility to elaborate and to ensure the execution of the treasury budget that is based on the activity plans of the Group's Companies.

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 2015 new debt was issued to finance the investments in Poland and in Colombia.

**Quality Control 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 2015 the main activities carried out focused on: i. increasing the control of products and suppliers mainly in Poland and in Colombia; ii. continuing with the improvement process for Private Brands by reformulating existing products with a big focus in Poland; iii. first launches of products dedicated to consumers with special needs in Poland, mainly gluten-free and lactose-free products; iv. upgrading and using the IT tool, QMS Projects, in Portugal to support the development of new products; v. use of IT tool, QMS Suppliers, in Poland and in Colombia; vi. QMS Recall IT tool implementation in Poland and Colombia; vii. Quality and Food Safety certifications maintenance; viii. systematizing the implemented changes on the new products development procedure in Poland; ix. finalizing the "Non-Food Products Corporate Guidelines" document applicable to our Private Brands.

**Human Resources** – Founded on the culture and values and Principles 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 2015 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 implementing and maintaining an information security management system which ensures the confidentiality, integrity and availability of information in all Group Companies, as well as assuring recovery of systems in the event of any disruption to the operations.

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 2015, Information Security assessed and mitigated information risks in the Group's information systems, including in the new Agro Business area. The Mobile Device Security Policy, applicable to all Group companies, was reviewed to improve protection of information handled on these devices.

**Information Technology** – 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.

IT also has the responsibility to create the conditions for the businesses to achieve their goals, by providing IT services that enable to implement and support the solutions required by the processes of the organization, from infrastructure to applications.

Of the work carried out in 2015, the following should be highlighted: i) the definition of the strategic plan of the Group for the coming years, in line with the ambition for its businesses; ii) the redesign of a Disaster Recovery infrastructure; iii) the start-up of the operation in the second region in Colombia.

In addition, major progress was made towards the definition of a Global Project Portfolio, which includes strengthening the infrastructure back-end and towards a reinforced digital agenda.

**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 Foodservice division through Caterplus. In Poland there are also two operational areas: Biedronka (food stores) and Hebe (drugstores) that includes Apteka Na Zdrowie (pharmacies). In Colombia one area: Ara (food stores).

In the Manufacturing segment, Jerónimo Martins operates in partnership with Unilever, through the company Unilever Jerónimo Martins, Lda., which conducts the businesses of the Food, Personal Care and Home Care products and Ice Creams, and through the company Gallo Worldwide, Lda., which produces and sells olive oil and cooking oils.

Within the Group's portfolio there is also a business segment devoted to Marketing Services, Representations and Restaurant Services, which includes: i. Jerónimo Martins Distribuição de Produtos de Consumo, which represents major international brands of food products and premium cosmetic brands in Portugal; ii. Hussel, a retail chain specialised in chocolates and confectionary; and iii. Jerónimo Martins Restauração e Serviços, which owns the chain of Jeronymo coffee shops and Olá ice cream stores.

In 2015, the Group implemented the first investments in the Agro Business area, starting its activity in the areas of dairy products and beef, 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 2015, 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 | 86% |
| Alan Johnson | 100% |
| Andrzej Szlezak | 100% |
| António Viana-Baptista | 86% |
| Francisco Seixas da Costa | 100% |
| Hans Eggerstedt | 100% |
| José Soares dos Santos | 100% |
| Nicolaas Pronk * | 71% |
| Sérgio Rebelo * | 57% |
| Henrique Soares dos Santos** | 100% |
| Clara Streit* ** | 80% |
| Artur Stefan Kirsten* ** | 80% |

* In every meeting not attended, the Director in question issued a representation letter, according to the Company's by-laws.
** Only the meetings of the Board of Directors held after April 9, 2015, date of the respective appointment as Director, were taken into account.

## 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 Quinta da Parreira – Exploração Agrícola, S.A. until 7 December 2015
Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
Manager of Servicompra, SGPS, Lda.* until 11 August 2015
President of the Supervisory Board of Warta – Retail & Services Investments B.V.*

**José Soares dos Santos (until 9 April 2015)**
Director of Jerónimo Martins Serviços, S.A.*
Director of Victor Guedes Indústria e Comércio, S.A.**
Director of FIMA Olá –Produtos Alimentares, S.A. **
Director of Jerónimo Martins – Restauração e Serviços, S.A.*
Director of Sociedade Imobiliária da Matinha, S.A.
Director of Sociedade Francisco Manuel dos Santos, SGPS, S.A.
Director of Sociedade Francisco Manuel dos Santos, B.V.
Director of SFMS – Imobiliária, S.A.
Director of Fundação Francisco Manuel dos Santos
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*
Manager of Unilever Jerónimo Martins, Lda.**
Manager of Gallo Worldwide, Lda.**
Manager of Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.*
Manager of Transportadora Central do Infante, Lda.**

**Alan Johnson**
Does not hold any position in other companies

**Hans Eggerstedt**
Member of the Board of Directors of Arica B.V.
Member of the Advisory Board of the Amsterdam Institute of Finance (The Netherlands)
Member of the Supervisory Board of Warta – Retail & Services 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**
CEO of Crédit Suisse AG for Spain and Portugal
Member of the Board of Directors of Semapa, SGPS, S.A.

Member of the Board of Directors of Arica B.V.
Member of the Board of Directors of Jasper Wireless Inc.

**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
President of the Consultive Board of Fundação Calouste Gulbenkian
Member of the Strategic Committee of Mota-Engil, S.A.
Member of the Board of Directors (Non-Executive) of Mota-Engil Africa, N.V.
Member of the Supervisory Board of Warta – Retail & Services Investments B.V.*

**Nicolaas Pronk**

Member of the Board of Directors of Antillian Holding Company N.V.
Member of the Board of Directors of Aquamondo Insurance N.V.
Member of the Board of Directors of Asteck S.A.
Member of the Board of Directors of Celloteck Finance Luxembourg S.à.r.l.
Member of the Board of Directors of Celloteck Holding (Luxembourg) S.A.
Member of the Board of Directors of Epcote S.A.
Member of the Board of Directors of Heavy Transport Group, Inc.
Member of the Board of Directors of Heavy Transport Holding Denmark ApS
Member of the Board of Directors of Heerema Engineering & Project Services, Inc.
Member of the Board of Directors of Heerema Engineering and Project Services (Luxembourg) S.à.r.l.
Member of the Board of Directors of Heerema Engineering Holding (Luxembourg) S.A.
Member of the Board of Directors of Heerema Fabrication Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Fabrication Holding S.E.
Member of the Board of Directors of Heerema Group Services S.A.
Member of the Board of Directors of Heerema Holding Services (Antilles) N.V.
Member of the Board of Directors of Heerema International Group Services Holding S.A.
Member of the Board of Directors of Heerema International Group Services S.A.
Member of the Board of Directors of Heerema Marine Contractors Finance (Luxembourg) S.A.
Member of the Board of Directors of Heerema Marine Contractors Holding, S.E.
Member of the Board of Directors of Heerema Transport Finance (Luxembourg) S.à.r.l.
Member of the Board of Directors of Heerema Transport Finance II (Luxembourg) S.A.
Member of the Supervisory Board of Spyker N.V.

**Sérgio Tavares Rebelo**

Member of the Advisory Council to the Global Markets Institute at Goldman Sachs
Member of the Board of Directors (Non-Executive) of Integrated DNA Technologies, Inc.

**Henrique Soares dos Santos**

Director of Nesfia – Sociedade Imobiliária, S.A.
Director of Jerónimo Martins - Serviços, S.A.*
Director of Sindcom –Investimentos, Participações e Gestão, S.A.
Director of Waterventures – Consultoria, Projectos e Investimentos, S.A.

**Clara Christina Streit**

Member of the Board of Directors (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
Member of the Board of Directors (Non-Executive) of Unicredit SpA

**Artur Stefan Kirsten**

Member of the Executive Committee and Chief Financial Officer of Vonovia SE
Member of the Supervisory Board of AVW Versicherungsmakler GmbH
Member of the Management Board of Sociedade Francisco Manuel dos Santos, B.V.

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.

## 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), Pedro Pereira da Silva (who resigned on 31st December 2015), Marta Lopes Maia, Nuno Abrantes, Sara Miranda and Carlos Martins Ferreira. In accordance with its regulations, the Managing Committee is responsible for advising



* Companies that are part of the Group
** Companies that integrate the Unilever Jerónimo Martins joint venture

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 2015, the Managing Committee met 18 times, drawing 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, J.J. 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 and Helena Morais. 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 met twice in 2015.

## 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, and is composed of a Chairman (Alan Johnson) and four members (David Duarte, José Gomes Miguel, Madalena Mena and Henrique Soares dos Santos). None of the members is an Executive Director of the Company.

In 2015, the ICC met 11 times, having 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. Currently, the Audit Committee has no substitute members.

Currently, the Audit Committee is composed of:

**Hans Eggerstedt**

- Chairman of the Audit Committee
- First appointment on 29th June 2001
- Expiry of the term of office on 31st December 2015

**Sérgio Tavares Rebelo**

- First appointment on 10th April 2013
- Expiry of the term of office on 31st December 2015

**António Viana-Baptista**

- First appointment on 9th April 2010
- Expiry of the term of office on 31st December 2015

## 32. Details of the Members of the Audit Committee, Which are Considered to be Independent Pursuant to Article 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). Except for its Chairman, the other two members further comply with the independence criteria foreseen in Article 414, number 5 of the Commercial Companies Code.

## 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, Hans Eggerstedt, is internationally recognised as one of the best managers of his generation, having worked, over the course of his long career, in positions of great responsibility in various countries. His solid academic training and professional experience in areas of management and control ensure he has the special skills to chair the Company's supervisory body.

## 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 2015, the Audit Committee met five 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 | 100% |
| Sérgio Rebelo | 100% |

### 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

Members of the Audit Committee have always been available for the Company's affairs during 2015, 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

With respect to the provision of non-audit services by the Auditor, 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 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 considered that the provision of non-audit services up to the said amount of 10% is not capable of compromising auditor's independence. Furthermore, the Committee considered 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.

Finally, it should also be noted that, taking into account the Audit Committee's role of evaluating and supervising the Statutory Auditor and External Auditor, when it carries out its annual assessment on the independence of these entities, as well as on the possibility of maintaining or the need to change the external audit service provider, the Audit Committee is compelled to check if there are reasons requiring the justified dismissal of either of these entities. Should they believe that there is just cause for this purpose, it is the Audit Committee's responsibility, in the case of the Statutory Auditor, to propose such dismissal to the General Shareholders' Meeting, within the terms provided for in Article 419 of the Commercial Companies Code and, consequently, as the role of the External Auditor is carried out by the same entity, to propose the termination of the respective auditing service contract to the Company's Board of Directors.

### 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. 9077, represented by José Pereira Alves, ROC no. 711 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 27 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, SROC, 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 Article 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. 9077, represented by José Pereira Alves, ROC no. 711 or by António Joaquim Brochado Correia, ROC no. 1076.

During 2015 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 27 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 9th January 2014.

## 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, the Company has 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 performs an annual assessment of the External Auditor, checking the independence necessary for it to remain in office and carries out an analysis of the cost/benefit of changing the External Auditor, advising on the respective maintenance or otherwise.

Additionally, the Company complied with what was foreseen in paragraph 2 of Article 54 of the former Legal Regime of Portuguese Statutory Auditors which set seven years as the maximum period for exercising audit functions by the partner responsible for overseeing the statutory audit or for the direct execution of the statutory audit, which is the Company's case, and the analysis made by the Audit Committee always implied compliance with such legal obligation.

The new Legal Regime of Portuguese Statutory Auditors, approved by Law nr. 140/2015, of September $7^{th}$ (which came into force on 1 January 2016) foresees a new regime which is applicable to the rotation of statutory auditors of public-interest entities, which will have to be taken into account by the Company.

## 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 2015.

## 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 44,342 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.

In this respect it should also be noted that in 2011 the Audit Committee regulated the commissioning of non-audit services to the External Auditor, as mentioned in point 37, allowing them to be commissioned as long as the independence of the External Auditor was assured and imposing their prior approval as of the moment the global amount of the respective fees in the year surpassed 10% of the global fees of the audit services.

## 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 2015, the total remuneration paid to the External Auditor and other individuals or companies' belonging to the same network was 875,015 euros.

In percentage terms, the amount referred to is divided as follows:

| | **Amount** | **%** |
|---|---|---|
| By the Company | | |
| Amount for statutory auditing services (€) | 95,390 | 10,9% |
| Amount for audit reliability services (€) | - | - |
| Amount for tax consulting services (€) | - | - |
| Amount for other non-statutory auditing services (€) | 11,720 | 1,3% |
| By entities comprising the Group | | |
| Amount for statutory auditing services (€) | 735,284 | 84,0% |
| Amount for audit reliability services (€) | 14,920 | 1,7% |
| Amount for tax consulting services (€) | 4,902 | 0,6% |
| Amount for other non-statutory auditing services (€) | 12,800 | 1,5% |

# Section C
# INTERNAL ORGANISATION

## Subsection I
## Articles of Association

### 48. The Rules Governing Amendment to the Articles of Association (Article 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 2015, there were audits performed over stock management, cash collection, management of accounts payable and receivable, supplementary income, 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 hierarchally 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 that 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, maximizing potential opportunities and minimizing the adverse effects of risk.

The Group's Enterprise Risk Management system has the objectives to structure and consistently organize the way the Group identifies risks, assuring that they are assessed broadly, considering dependencies and correlations within various risks areas. It establishes procedures for reporting that allow for an adequate monitoring of the risk mitigation and control measures risks.

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 organizational 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 organization 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 Organization, 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 businesses' life cycle, the dynamics of the markets (financial, employment, natural and energy resources), the competitors' activity, technological innovation, availability of resources and legal and regulatory changes.

The management team uses this information to understand market needs and 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 it focuses 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 resource and assets as well as its 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 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.

**Environment Risks**

The efficient management of resources, coupled with environmental preservation, is essential for the sustained growth of the Group's businesses. Jerónimo Martins' Companies develop activities which, either due to the nature of its activities or its dimension, have environmental impacts on ecosystems.

Aware of this fact, the Group has conducted studies on the effects of its activities on ecosystems and the resources they provide. This is the case of the studies: i. Biodiversity Management in Jerónimo Martins; 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 new 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), which is 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 its different components: planning and organization, 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 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

<u>Risk Factors</u>

Jerónimo Martins is exposed to several 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.

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 for identifying, assessing and hedging financial risks, by following the guidelines set out in the Financial Risk Management Policy that was approved in 2012 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 30 – 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 considers 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 Risk Management Corporate Division, as part of the strategic and operational planning processes, so that the information related to the most relevant risks is dully updated and considered during the planning process. This way it 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 (Article 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 2015, 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 web sites, 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, Annual General Shareholders' Meeting.

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 stock market;
- 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, which are available within five days of the meeting's date;
- 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 Office, sent via email, or through telephone contact, during the course of 2015, the Investor Relations Office recorded 408 requests for information, the majority of which were given an immediate reply to or were responded to within an appropriate time for the type of request. At the end of the year there were no pending requests for information.

# 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 Article 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 2013-2015.

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 10th April 2013 Arlindo do Amaral (Chairman), José Queiroz Lopes Raimundo and Soledade Carvalho Duarte 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.

On 10th April 2014, José Queiroz Lopes Raimundo resigned as member of this Committee and the position remains vacant.

During 2014, the Remuneration Committee did not consider it necessary to contract services to support it 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.

Arlindo do Amaral has a Law degree from Lisbon Law School of University of Lisbon, having worked for more than thirty years in Fima Lever Iglo Group in the area of human resources management, having namely acted as Human Resources Manager, Remuneration Officer and Human Resources Director.

Soledade Carvalho Duarte has a degree in Human Resources Management and Labor Psychology by ISLA/ESOCT, working since 1986 in the Executive Search area, having been responsible for the deployment of the Executive Assessment business line in Portugal. She developed several processes for the selection and the hiring of executives and senior management in different areas of activity. She was distinguished as Practice Leader in the Automotive and Health Care sector.

# Subsection III
# Remuneration Structure

## 69. Description of the Remuneration Policy of the Board of Directors and Supervisory Boards as Set Out in Article 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 organizational model adopted by the Board of Directors, pursuant to the election of the respective members for the 2013-2015 period.

With respect to the organization 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 Executive Directors 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 Executive Directors 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 Executive Directors 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 Executive Directors 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 Executive Directors 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 PSI-20, 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 Non-Executive Directors 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 recognized as such by the Portuguese Social Security.

The pensionable salary is the gross monthly basic salary 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.

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 remuneration of the members of the Board in 2015 totaled 1,741,999.08 euros, corresponding the total amount to fixed remuneration.

In the chart below reference is made to the remuneration paid individually to the Members of the Board of Directors:

| Director | Remuneration Paid | |
|---|---|---|
| | Fixed Component (euro) | Variable Component (euro) |
| Pedro Soares dos Santos* | 456,160.05 | - |
| Alan Johnson** | 493,500.00 | - |
| Andrzej Szlezak | 70,000.00 | - |
| António Pedro de Carvalho Viana-Baptista | 70,000.00 | - |
| Artur Stefan Kirsten | 30,000.00 | |
| Clara Christina Streit | 50,000.00 | |
| Francisco Seixas da Costa | 70,000.00 | - |
| Hans Eggerstedt | 70,000.00 | - |
| Henrique Soares dos Santos | 40,000.00 | |
| José Soares dos Santos*** | 242,339.03 | - |
| Nicolaas Pronk | 50,000.00 | - |
| Sérgio Tavares Rebelo | 100,000.00 | - |

* Includes contributions in the financial year to the Retirement Pension Plan, in the amount of 86,362.52 euro.
** Includes contributions in the financial year to the Retirement Pension Plan, in the amount of 73.500,00 euro.
*** Includes contributions in the financial year to the Retirement Pension Plan, in the amount of 28,583.32 euro.

## 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 2015 totalling 475,500.00 euro, being the individual amounts paid detailed in the chart below:

| Director | Amounts Paid | |
|---|---|---|
| | Fixed Component (euro) | Variable Component (euro) |
| Pedro Soares dos Santos* | 409,500.00 | - |
| Andrzej Szlezak** | 22,000.00 | |
| Francisco Seixas da Costa** | 22,000.00 | - |
| Hans Eggerstedt** | 22,000.00 | - |

* For exercise of management duties.
** 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.

## 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 remuneration paid to the members of the Audit Committee, in such quality, as a whole was 48,000.00 euro, being the individual amounts paid detailed in the chart below:

| Audit Committee | Remuneration Paid | |
|---|---|---|
| | Fixed Component (euro) | Variable Component (euro) |
| Hans Eggerstedt (President) | 16,000.00 | - |
| António Pedro de Carvalho Viana-Baptista | 16,000.00 | - |
| Sérgio Tavares Rebelo | 16,000.00 | - |

## 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 euro.

# 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 Article 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 (Article 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 (Article 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.

#### 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 2015, there were no transactions subject to control.

### 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 Article 20 of the Securities Code

As mentioned on point 10 ("Information on Any Significant Business Relationships Between the Holders of Qualifying Holdings and the Company"), no business was carried out by the Company with the shareholders with Qualifying Holdings or entities in any type of relationship with the owners of such holdings, outside of normal market conditions.

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 3 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.

## 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 26 – 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:<br>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;<br>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:<br>a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years;<br>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;<br>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;<br>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;<br>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. | Partially adopted | Part I, Section B, Sub-section II, point 19 and Subsection III, points 32, 33, and Part II, point 2.1., sub. a) |

| 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 II, 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 II, 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 II, 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:<br><br>**a)** Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies ;<br><br>**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;<br><br>**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. b) |
| 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 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 b) and c) |
| 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. d) |
| 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 II, point 30, Sub-section III, point 37, Sub-section V, point 46, and Part II, point 2.1, sub. e) |
| 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) Regarding **recommendation II.2.1.** it is hereby clarified that the Audit Committee saw fit to appoint as its Chairman the Director that undertook that role during the previous mandate, despite the fact that this Director no longer met the objective independence criteria defined in Subparagraph b of Paragraph 5 of Article 414 of the Commercial Companies Code, bearing in mind the high degree of independence shown by the Chairman of this Committee in exercising his functions to date. In the benefit of the Company and its shareholders, the Audit Committee decided to maintain its Chairman.

b) 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.

c) Regarding **recommendation III.3.**: see explanation in the preceding subparagraph.

d) 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.

e) 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.

JERÓNIMO MARTINS

# V. Corporate Responsibility in Value Creation

# 1. Our Approach

With a history of over two centuries, the Jerónimo Martins Group aims to create value in a sustainable manner, respecting the quality of life of the present and future generations and seeking to mitigate the impact of its activities on the ecosystems.

Our Corporate Responsibility is governed by five common pillars:

## I - Promoting Good Health through Food

Promoting good health through food is achieved through two action strategies:
i. Fostering the quality and diversity of the food products that the Group sells; and
ii. Promoting food safety in its broader sense, including the availability, accessibility and sustainability of the products sold.

## II- Respecting the Environment

Aiming to promote more sustainable production and consumption practices, the Group has focussed its initiatives on three priority areas: climate change, biodiversity and waste management.

## III - Sourcing Responsibly

The Group's Companies aim to develop long-lasting commercial relationships, seeking to practice fair pricing and actively supporting local production in the countries where it operates, incorporating ethical, social and environmental concerns in its supply chains.

## IV – Supporting Surrounding Communities

We are committed to the communities in the countries where the Group's Companies operate, aiming to promote social cohesion and to break the cycles of poverty and malnutrition, by supporting projects and social causes concerning the more fragile groups in society: children and young people, and the elderly.

## V – Being a Benchmark Employer

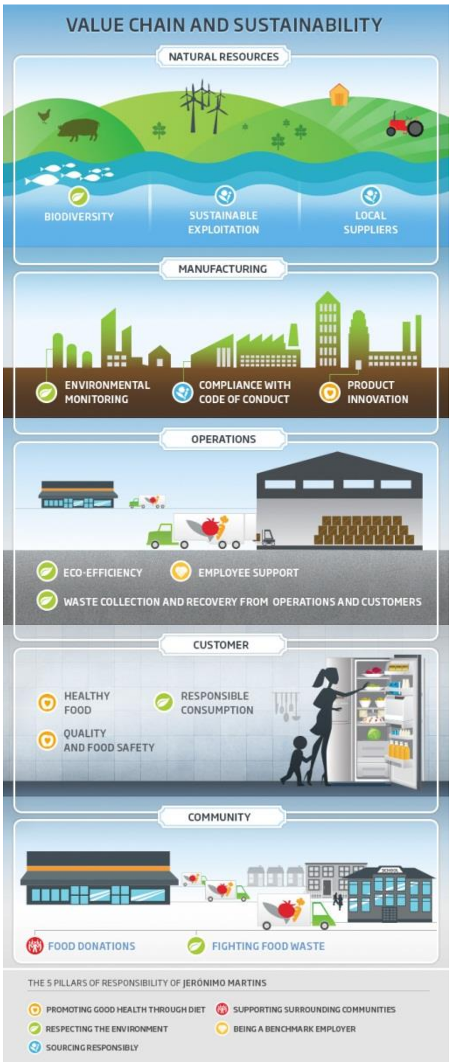
By creating employment, we aim to stimulate economic development in the markets in which we operate, seeking to promote balanced and competitive wages policies and a healthy and challenging work environment, by offering the needed setting to their professional and personal development.

## Fighting Food Waste Throughout The Value Chain

We endeavour to continuously and efficiently monitor the management of raw materials throughout the value chain, with the objective of preventing the production of waste and recycling it so that it may be reintegrated into the economic cycle, in an integrated effort to combat food waste, which is evident in the five common pillars of our Corporate Responsibility:

- **Promoting Good Health through Food**, by supplying ready-made soups, fruit and salads, through incorporating products that are not standardised for sale;
- **Respecting the Environment**, by encouraging the reduction of the amount of food waste generated;
- **Sourcing Responsibly**, by purchasing not standardised size food products, which previously had no economic value. This practice guaranteed the use of over 10,200 tonnes of products in 2015;
- **Supporting Surrounding Communities**, by donating food to those in need and contributing towards the fight against hunger and malnutrition. In 2015, approximately 9,500 of food products were given;
- **Being a Benchmark Employer**, through specific training initiatives for employees for identifying, selecting and separating food that is appropriate for human consumption.

### Business Model and Relationship with Sustainable Development



# 2. Stakeholder Engagement

As food specialists, our Group believes in creating value through regular and proactive dialogue with its various stakeholders.

In a spirit on continuous improvement we have strengthened our engagement with all stakeholders, using specific communication channels, aiming at ensuring greater alignment with their needs and expectations.

| Stakeholders | Interfaces | Communication Channels |
| --- | --- | --- |
| Shareholders and Investors | Investor Relations Department, Communications and Corporate Responsibility Department and Ethics Committee. | Corporate website, e-mail, Annual Report, financial releases, meetings, conferences, roadshows, Investor's Day and Shareholders' Meetings. |
| Official Bodies, Supervising Entities and Local Councils | Investor Relations Department, Tax Departments, Legal Departments, Communications and Corporate Responsibility Department, Institutional Relations Department and Ethics Committee. | Corporate website, e-mail, meetings and post. |
| Suppliers, Business Partners and Service Providers | Commercial, Marketing, Quality and Food Safety, Environment, Development of Private Brand, Regional Operations, Technical, Expansion, IT Departments and Ethics Committee. | JM Direct Portal, follow-up visits, Quality and Food Safety audits, business meetings and direct contacts. |
| Employees | Human Resources Department, Training School, Ethics Committee, Communications and Corporate Responsibility Department. | Employee Assistance Services, Telephone lines, internal magazines, Intranet, corporate website, operational and management meetings, annual performance appraisal, training sessions, internal environment surveys and Open Letter. |
| 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, Distribution Centres and Ethics Committee. | Follow-up visits, meetings, protocols and partnerships/ patronage. |
| Journalists | Communications and Corporate Responsibility Department and Ethics Committee. | Corporate website, press releases, press conferences, meetings and Annual Reports. |
| NGOs and Associations | Communications and Corporate Responsibility Department, Institutional Relations Department and Ethics Committee. | Follow-up visits, meetings and partnerships/patronage. |

In order to ensure compliance with the Principles of Corporate Responsibility and in order to disclose and reinforce them, the Committee on Corporate Governance and Corporate Responsibility works closely with the Board of Directors, and the Ethics

Committee monitors both the disclosure of and the 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.

The professional social network LinkedIn has been an important vehicle in all the countries, to attract employees and to disclose relevant topics about the Group, including the actions carried out within the scope of the five pillars of Corporate Responsibility. Within this context, throughout 2015, 28 Corporate Responsibility posts were released, resulting in over 950 thousand print-outs[1]. The number of followers of the Jerónimo Martins page on this social network was in excess of 50 thousand at the end of the year.

## Non-Governmental Organisations and Associations

The Jerónimo Martins Group is part of various national and international organisations and initiatives concerning Corporate Responsibility:

- United Nations Global Compact
- Business Council for Sustainable Development Portugal
- Grupo de Reflexão e Apoio à Cidadania Empresarial (GRACE)
- Carbon Disclosure Project (CDP)
- London Benchmarking Group (LBG)
- Consumer Goods Forum (CGF)
- Consumer Goods Forum' Global Food Safety Initiative (GFSI)
- Global Social Compliance Programme (GSCP)
- Retail Forum for Sustainability
- European Retail Round Table (ERRT)
- The Supply Chain Initiative (SCI)
- EuroCommerce
- Retailers Environmental Action Plan (REAP).

For further details on our relations with stakeholders and on the organisations the Group is part of, go to www.jeronimomartins.pt, in the "Responsibility" area.

[1] This indicator refers to the number of times each post was displayed to LinkedIn users.

# 3. Highlights

## Promoting Good Health through Food

- The nutritional reformulation of 93 Private Brand products, in Portugal and in Poland, prevented 54 tonnes of fat, 298 tonnes of sugar and 74 tonnes of salt from entering the market;
- Biedronka maintained its offer of new solutions for consumers with special dietary requirements, having increased the assortment of gluten-free and lactose-free products. In total, 13 new references were put on the market;
- In Portugal, Pingo Doce launched seven Pura Vida "0% Lactose" references;
- In the Meal Solutions area, seven vegetarian dishes were developed, which became part of the regular weekly offer of meals in the Pingo Doce restaurants.

## Respecting the Environment

- The specific value of equivalent tonnes of carbon, per thousand euros of sales, has decreased 5.8%;
- The specific values of water and energy consumptions, per thousand euros of sales, has decreased 3.5% and 10.2% respectively;
- The "Water and Energy Consumptions Management Teams" project was on the list of six finalists in the Ethical Corporation's "Responsible Business Awards 2015", in the "Best Employee Engagement" category;
- Environmental certification according to the ISO 14001:2012 standard of 13 of the 15 Distribution Centres and of Biedronka;
- The Biedronka store in Bydgoszcz ul. Zwirki i Wigury received the "Most Efficient Building in Energy Use" award in the "Architecture of Energy" contest from the Kujawsko-Pomorskie province;
- Within the scope of the Group's participation in the Carbon Disclosure Project (CDP), in the "Climate" segment, the Group obtained a score of 98 points, on a scale from 0 to 100, regarding the level of information disclosed. The performance of its strategy for climate change was classified as B, on a scale from E to A. Since 2012, these classifications have shown an evolution of 44 points and three levels, regarding the information disclosed and the performance of the strategy, respectively;
- The Group attributed the "Prémio de Investigação e Desenvolvimento Jerónimo Martins-Green Project Awards 2015" (Research and Development Award) in partnership with this organisation, with the objective of rewarding innovative and sustainable products or processes;
- The Parque das Nações Sul Pingo Doce store was the first of the Group to have refrigerated facilities that use 100% $CO_2$ as a cooling gas. This gas has the lowest Global Warming Potential index (GWP - Global Warming Potential = 1)

## Sourcing Responsibly

- The Group's Companies maintained their commitment to sourcing at least 80% of the food products they sell from local suppliers;
- In Portugal, in partnership with a group of producers, Pingo Doce developed a project for introducing new fruit and vegetable varieties on the market, such as: round, striped and yellow courgettes, striped aubergines, sweet cucumber and *bimi* broccoli, an alternative to consuming conventional varieties;

- In Poland, Biedronka launched a special line of traditional varieties of Polish vegetables, called "Kuchnia Passionata" (Passion for Cooking), which was developed in cooperation with its local suppliers;
- In the CDP's annual evaluation, in the "Forests" segment, where an analysis is made on the strategy for combating deforestation, the Group obtained the "Management" classification, a level below the maximum score, whilst its evaluation for each commodity analysed (palm, soy, beef and wood and derivatives) was higher than the average for the sector;
- Jeronimo Martins Polska became a member of GreenPalm, an organisation that ensures that the equivalent volume of palm oil used by a producer for developing a reference is acquired from sustainably managed sources;
- Biedronka and Pingo Doce launched five references with UTZ certified cocoa, a certification programme that promotes sustainable production practices: in Poland, chocolate biscuits, tiramisu and profiteroles; in Portugal, two references of chocolate-covered strawberries.

## Supporting Surrounding Communities

- The support to communities in the sphere of influence of our stores and Distribution Centres amounted to 17.4 million euros, representing an increase of 9.4% compared to 2014;
- Academia do Johnson was the new community project selected in 2015 for ongoing institutional support. This institution's mission is to combat the social exclusion and school drop-out of around 100 children and young people from very vulnerable communities;
- Biedronka launched the 1st edition of the Children's Literature Prize, with the objective of seeing the birth of new writers and illustrators of children's works and make reading accessible to everyone;
- In Colombia, Ara reinforced its support to the "Madres Comunitarias" project, having reached 147 more nurseries than in 2014. Food was regularly provided to 262 community nurseries for around 3,400 children.

## Being a Benchmark Employer

- 2,464 jobs were created, representing a net growth of 2.8% compared to 2014;
- The Group allocated around 66.7 million euros given in performance bonuses to employees;
- In Portugal, the "Fundo de Emergência Social" (Social Emergency Fund) has supported 912 employees, that translated into around 2,400 support measures split by food, health, legal and financial advice;
- In Poland, the "To School with Biedronka" programme began, whereby a contribution was made of 80% of the value of the school books of children of employees with economic difficulties. A total of 2,400 children were covered by this programme.
- The Group has invested over 14.8 million euros in several internal social responsibility programmes within the scope of the "Family Well-Being" pillar.

# 4. Promoting Good Health through Food

## 4.1. Introduction

The strategic focus on promoting a healthy diet arises right from the Group's core business.

The commitment to Promoting Good Health through Food is achieved through two common lines of action in the countries where we operate: i. promoting food quality and variety in the offer of Private Brands and Perishables; and ii. promoting food safety.

## 4.2. Quality and Diversity

In order to achieve high Quality and Food Safety standards of the products we sell, the guidelines in place in Portugal, Poland and Colombia follow 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 appropriate for contact with foodstuffs;
- principles of nutritional labelling, including information on health, nutrition and the promotion of healthy lifestyles;
- product monitoring plans, namely sensorial tests, audits and laboratory controls.

### 4.2.1. Launches

In Poland, products were launched that have potential health benefits as well as others that are aimed at people with specific dietary requirements, including the following:

- Three "Aktiplus" natural yoghurt references, with the BB-12® bacteria;

- Seven references of natural fruit and/or vegetable juices from the Vital Fresh range, which are sources of vitamins, fibre and potassium;
- "ProSerce" spread with olives and plant sterols that help reduce blood cholesterol;
- Two references of "Polaris" water enriched with magnesium and with seven added vitamins;
- "Herbarium", cistus tea. This plant originates from the Mediterranean and is rich in polyphenols that may act as antioxidants and also strengthen the immune system;
- Five references of the "Vitalsss" food supplements, with vitamins and minerals that support different body functions.

**Gluten-free and Lactose-free Products**

In 2014, the Group established a partnership with Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet) with a purpose to develop products for gluten intolerant consumers. In this context, monitoring the production process, thereby ensuring that there is no cross-contamination, product control and checking the final product are established.

In 2015, 13 gluten-free references were launched, among which of particular note are the "Arroza" natural rice biscuits, the "Pastani" pastas and turkey ham from the Kraina Wedlin range.

The investment in lactose-free products was also reinforced with two quark-style yoghurt references from the Delikate Bez Laktozy range.

**Kcalculation**

Biedronka launched the Kcalculation range, following the recommendations of the World Health Organization in its development.

In partnership with the Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), low-calorie products were developed, with the objective of bringing the food portions in line with physical needs. In the case of the snacks, the number of calories is limited to 50 or 100, whilst the ready meals have a limit of 350 calories.

Out of a total of 23 references launched, some examples include two "Vitanella" dried apple products whose innovative production process avoids deterioration of the nutrients and the use of preservatives.

The "Vital Fresh" soups were also launched, to which have been added olive oil and that contain no colouring or preservatives, as well as the "Bonitki" biscuits which contain vitamins E and B1 (thiamin), and the minerals magnesium and iron.

In Poland, references aimed especially at children were launched, which have a nutritional composition providing access to vitamins and ingredients that are essential for growth and bone development.

Examples of this are three "Miami" cheese references, which are sources of calcium and vitamin D and are free from colouring and have only natural flavouring.

In Portugal, the Pura Vida range is aimed at people with specific dietary requirements or preferences, having gluten-free products or those without any added sugar. In 2015, 14 new references reached the market, among which the "Cookies de Amendoim" (Peanut Cookies) made of wholemeal cereals, without added sugar, containing fibre and high-oleic sunflower oil. As is the case of olive oil, sunflower oil contains mono-saturated fatty acids, which make it healthier and beneficial for good cardiovascular function.

Other Pura Vida launches include the "AntiOx" natural juices with fruit produced in Portugal and with vitamin E, which helps to protect body cells against oxidation. Wholemeal lemon and cinnamon biscuits, rich in fibre, chicken meals with *fusilli* and vegetables and hake with wild rice were also launched onto the market.

Also in 2015 the "0% Lactose" tag in the Pura Vida range was extended throughout the year with seven references, including yoghurts, ice creams and also creamed spinach. Regarding the latter, besides containing 44% spinach, which makes it a source of fibre, it is also gluten-free.

**Interactive platform for sensorial tests**

In 2014, Biedronka launched an innovative project in the Polish market for testing products, involving customer interaction.

The project "Testujemy" (Academy of Flavour) aims to promote closer relations with consumers through a website that was created for that purpose, which enables comments to be shared on the products they try whilst understanding their tastes and preferences.

There were over 125 thousand users registered at the end of 2015, an increase of 56% compared to the previous year. The product samples that are being tested are sent to the consumers for them to vote on their favourite characteristics.

Later, satisfaction results are published on the website and the product with the most votes becomes part of Biedronka's offer.

In 2015, 33 products chosen by Biedronka customers reached the market. They can be distinguished by the symbol "Zwyciezca Testujemy.pl" (Academy of Flavour Winner).

The Private Brand food references launched include the "Vital Fresh" lactose-free cheese salad with herbs and the "Green Hills" pineapple and pear infusion.

This website had around 4.5 million views in 2015.

Other low-processed products or those that are beneficial for the health were also launched, such as:

- "Gelado de Iogurte Natural Pingo Doce" (Frozen Natural Yoghurt), unique in the private brands market in Portugal;
- "Iogurte Grego de Morango Pingo Doce" (Strawberry Greek Yoghurt) with 14% fruit, free from colouring, preservatives and gluten;
- "Bolacha Maria Pingo Doce" (Maria Biscuit) dessert, a gluten-free source of calcium;
- "Mix Frutos Silvestres Pingo Doce" (Mixed Fruits of the Forest) with six varieties of fruit with antioxidant properties is free from colouring and preservatives and a source of vitamin C;
- Various yoghurt references, such as the "Magro Limão Pingo Doce" (Low-Fat Lemon) fat-free liquid yoghurt without added sugar and the "Bifidus" yoghurt with mango pulp.

For further information on the products launched in 2015, see the "Responsibility" area at www.jeronimomartins.pt

## 4.2.2. Reformulations

The reformulations strategy focuses on products that might have a positive nutritional impact on public health, such as fast-moving consumer goods and those preferred by children.

In 2015, the following were prevented from entering the market[2]:

- 298 tonnes of sugar;
- 74 tonnes of salt;
- 54 tonnes of fat.

In Poland, 45 food products were reformulated, additives of synthetic origin, flavour intensifiers and preservatives having been removed and the levels of salt, sugar and fat reduced.

In total, 11 tonnes of fat, 274 tonnes of sugar and around 70 tonnes of salt were prevented from entering the Polish market.

For example, in three of the Vitanella juice references, the level of sugar was reduced by between 6% and 10%, avoiding around three tonnes of sugar from being placed on the market. The traditional cheese salad from the Tolonis range was reformulated, decreasing the level of salt by 10%, which prevented the consumption of over nine tonnes of salt.

The composition of various product references was reformulated as to the ingredients used, having removed preservatives, flavour intensifiers or superfluous additives. The preservative sodium glutamate was removed from the entire range of Pyszny Obiadek ready meals.

In Portugal, 48 products were nutritionally reformulated, having prevented over 24 tonnes of sugar, around 43 tonnes of fat (including saturated fat) and around 4 tonnes of salt from entering the market.

[2] The number of tonnes of sugar, fat and salt removed is obtained using the following calculation method: the quantity of these ingredients present in the formula of the references covered, multiplied by the number of units sold in the year.

Two "Petit Líquido" liquid yoghurt references aimed at children had their fat content reduced by over 55%, thereby preventing over two tonnes from being placed on the market. Vitamin D, essential for bone formation, was also added to these yoghurts.

In the case of the Morango (Strawberry) reference, the level of fat is less than 14% and the level of fruit is more than 80% compared to the benchmark. The Morango-Banana (Strawberry-Banana) reference also has less than 10% fat and over 15% fruit.

The "Puré de Batata Congelada" (Frozen Mashed Potato) Pingo Doce and Amanhecer had their levels of saturated fat reduced by around 54%. The "Batatas Congeladas Noisette" (Frozen Noisette Potatoes) also had milk removed from their composition allowing the consumption from lactose intolerants, and palm oil was replaced with sunflower oil, which enabled the fat content to be reduced by around 27%. We estimate that the reformulation of the three references has prevented 24 tonnes of fat from entering the market.

**Palm Oil**

In conjunction with its partners from the Consumer Goods Forum, the Group has taken on the commitment to reach "Zero Deforestation" by 2020, and so it has been reformulating its products, with a concern for removing palm oil from the composition of its food products, removing it or replacing it with other oils with a healthier nutritional profile. In 2015, eight references from the Group's Private Brand assortment were reformulated to remove palm oil from their composition.

To find out more about the Group's position and its actions regarding the origin of palm oil in Private Brand products, see sub-chapter 6. "Sourcing Responsibly".

## 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.

In addition, Pingo Doce adopts the principles of the Mediterranean Diet as a differentiating feature for developing its Private Brand products and the meals from the Meal Solutions business unit.

The "Sabe Bem" (Tastes Good) bi-monthly magazine for Pingo Doce customers, with an average print-run of 160 thousand copies, remained one of the means of communication where recipes and articles on this type of diet are provided.

The new in-store leaflets for publicising the Pingo Doce brand launches communicated the Group's Nutritional Policy, the brand's values and the existing offer. Although the Pura Vida products are mentioned in all of them, a specific "0% Lactose Pura Vida" leaflet was created to provide information on new products for those with this milk sugar intolerance. These leaflets had an average print-run of more than 350 thousand copies.

At www.pingdoce.pt, Pingo Doce provides a list of products without milk and without gluten in their composition, thereby helping people with intolerance to those ingredients in their choice of products. The list is updated on a monthly basis by Pingo Doce's Nutrition team, in accordance with the results from the analytical control of the Private Brand products.

Within the scope of the partnership between Biedronka and Instytut Żywności i Żywienia (Polish Institute of Food and Nutrition), the 2nd edition of the "Czytaj Etykiety" (Read the Labels) campaign was carried out. This campaign aims to make Polish consumers aware of the importance of reading and understanding the food labels, through in-store communications, on the banner's website and also in the "Kropka TV" magazine, which has an average weekly distribution of 250 thousand copies. In 50 selected stores nutritionists gave consultations to provide advice.

The campaign "5 Garści dla Zdrowia" (Fruit and Vegetables, 5-a-Day) that took place in 2015 in conjunction with that institution aimed to raise awareness on the need to eat fruit and vegetables every day. Available for consultation at www.5garscizdrowia.biedronka.pl, this platform has over 18 thousand users, who thereby have access to healthy recipes.

In the joint work with that institution, around 50 informative articles were also created on more responsible nutritional habits and these were disclosed in external means of communication and in internal publications.

Workshops were also carried out for employees on well-balanced fat consumption, the need to adopt healthy eating habits, nutrition indicated for school-aged children and reinforcing the immune system through food.

## 4.2.4. Partnerships and Support

Within the scope of promoting good health through food, the Group maintains dialogue with institutions specialised in food, nutrition and health.

Pingo Doce sponsored the 1st Edition of the Food and Nutrition Observatory, resulting in a survey on food consumption habits in Portuguese society.

From the results, which were disclosed in 2015, it was possible to confirm that the strategy for launching and reformulating Pingo Doce Private Brand products is still up-to-date with regard to: i. the nutritional profile regarding fat, salt and sugar; ii. the availability of products that support specific food regimens and also; iii. healthier cooking suggestions, serving dishes with vegetables.

Within the scope of the cooperation protocol entered into with the Portuguese Directorate-General for Health for sharing healthy recipes, Pingo Doce participated in the "Programa Nacional para a Promoção da Alimentação Saudável" (Portuguese Programme for Promoting Healthy Food), which can be seen on the website www.alimentacaosaudavel.dgs.pt/receitas.

In Poland and Colombia, other partnerships with various institutions continued in 2015, such as:

- Partnerstwo dla Zdrowia (Partnership for Health), with the "Milk Start" and "Snidanje Daje Moc" (Breakfast Gives You Power) projects in Poland;
- Instytut Matki i Dziecka (Institute of Mother and Child), to support formulas and tests on products for children and mothers;

- Polskie Stowarzyszenie Osób z Celiakią i na Diecie Bezglutenowej (Polish Association of Celiac Disease Sufferers and a Gluten-Free Diet), to support the development of Biedronka's Private Brands gluten-free products;
- Instituto Colombiano de Bienestar Familiar (Colombian Institute of Family Well-Being), within the scope of the governmental programme "Madres Comunitarias" (Community Mothers).

## 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 external auditors and our Quality and Food Safety technicians to implement the adequate procedures and to assess performance indicators.

In 2015, all the processes with an impact on the stores were reviewed, aiming at their efficiency and simplification by developing IT systems or remote connection systems enabling data to be collected and handled more quickly.

Taking into account the risk analyses performed in the various countries, control processes were also updated, endeavouring to respond to changes in the product assortment.

### 4.3.1. Certifications

The following certifications were also renewed/maintained:

- ISO 22000:2005 certification, regarding Biedronka's warehousing, distribution and product development process;
- 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 Recheio store in the Azores;
- HACCP certification in accordance with the *Codex Alimentarius* of the Caterplus Food Service platforms (except the Lisbon platform);
- HACCP certification based on the *Codex Alimentarius* of the Azambuja, Modivas, Guardeiras and, as of 2015, the Algoz Distribution Centres.

### 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

Internal audits were performed on the stores, and the Distribution Centres have been subject to internal and external audits in order to verify the adequacy of the facilities, equipment and procedures.

| Stores and Distribution Centres | Biedronka | | | Distribution Centres | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ2015/2014 | 2015 | 2014 | Δ2015/2014 |
| Internal Audits | 4,814 | 3,767 | +28% | 30 | 30 | - |
| Follow-up Audits | 83 | 58 | +43% | - | - | - |
| External Audits | - | - | - | 32 | 31 | +3% |
| HACCP Performance* | 80% | 76% | +4 p.p. | 95%** | 93%** | +2 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*.

For the first time, following the introduction of the cutting service and the packaging of meat in 25 stores, analyses were performed on work surfaces, equipment and on handlers, aiming to control microbiological risks. There were a total of 625 analyses.

## Distribution Portugal

Audits were carried out at Pingo Doce, Recheio and Distribution Centres:

| Stores and Distribution Centres | Pingo Doce | | | Recheio | | | Distribution Centres | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ2015/2014 | 2015 | 2014 | Δ2015/2014 | 2015 | 2014 | Δ2015/2014 |
| Internal Audits | 1,176 | 1,139 | +3% | 106 | 89 | +19% | 16 | 15 | +7% |
| External Audits | 19 | 45 | -58% | 36 | 37 | -3% | 3 | 2 | +50% |
| Follow-up Audits | 842 | 870 | -3% | 102 | 158 | -35% | 15 | 17 | -12% |
| HACCP Performance* | 86% | 86% | - | 81% | 78% | +3 p.p. | 85% | 75% | +10 p.p. |

* At Pingo Doce, as at Recheio, the implementation of HACCP is evaluated on specific requirements, based on the *Codex Alimentarius* and appropriate for each of the realities in which the Companies operate.

Pingo Doce, Recheio and the respective Distribution Centres also performed 102,258 analyses, including those on work surfaces, handlers of Perishables and on products handled in stores, the water and the air, in order to reduce microbiological risks. This value represents an increase of 6.6% compared to the previous year, as Pingo Doce opened more stores.

| No. Analyses/Samples collected | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Surfaces | 48.680 | 47,272 | +3% |
| Handlers | 22.387 | 20,586 | +9% |
| Products Handled | 28.559 | 25,761 | +11% |
| Water/Air | 2.632 | 2,311 | +14% |

## 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 | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | Δ2015/2014 | 2015 | 2014 | Δ2015/2014 |
| Internal Audits | 100 | 52 | +92% | 2 | - | 100% |
| HACCP Performance | 85% | 86% | -1 p.p. | 76% | - | - |

A total of 930 samples on work surfaces, handlers of perishables, products handled in the stores and on water were also collected. That is an increase of over 133% when compared to the previous year.

## 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 | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Private Brand - Food | 7,724 | 5,158 | +50% |
| Private Brand - Non-Food | 1,295 | 839 | +54% |
| Fruit and Vegetables | 755 | 669 | +13% |
| Meat | 1,233 | 870 | +42% |
| Bakery | 43 | 15 | +187% |

## Distribution Portugal

| Number of Analyses/Samples collected | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Private Brand - Food | 11,968* | 11,281* | +6% |
| Private Brand - Non-Food | 3,051 | 2,822 | +8% |
| Fruit and Vegetables | 2,228 | 2,319 | -4% |
| Meat | 1,326 | 2,334 | -43% |
| Fish | 1,281 | 1,720 | -26% |
| Bakery | 599 | 483 | +24% |
| *Meal Solutions* | 591 | 721 | -18% |

* Including routine analyses on the presence of gluten, GMOs, lactose and on the identification of species.

The increase in the number of analyses carried out on Bakery products is due, among other things, to having introduced new references onto the market and having started the process for nutritional profiling. The revision of the annual analytical control plans led to a decrease of the number of analysis carried out in some categories.

### Distribution Colombia

In Colombia, 392 laboratory analyses were performed on products sold, which represents an increase of 3% compared to 2014.

| Number of Analyses/Samples collected | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Private Brand - Food | 251 | 278 | -10% |
| Private Brand - Non-Food | 99 | 74 | +34% |
| Fruit and Vegetables | 34 | 5 | +580% |
| Meat | 8 | 21 | -62% |
| Bakery | 0 | 3 | -100% |

The growth in analysis/samples collected in Fruit and Vegetables was due to increased focus on the presence of heavy metals and pesticides. In the case of meat (chicken), the decrease was due to the fact that there was no study developed about the presence of certain bacteria, which had already been carried out in 2014.

## 4.3.4. Training

In Poland, training in Food Hygiene and Safety was given to 16,121 employees totalling 43,166 hours of training. These values represent an increase of 41.5% and of 14.5%, respectively, when compared to 2014.

Also in Portugal, 9,607 employees received 42,970 hours of training, a value that represents an increase of around 44% compared with 2014.

In Colombia, training was given to 585 employees, in a total of 2,340 hours.

# 5. Respecting the Environment

## 5.1. Introduction

The Group's Companies continuously seek to minimize the environmental impacts along their respective supply chains as well as to promote more sustainable production and consumption practices.

The Environmental Management practised in the Group is defined in its Environmental Policy, available for consultation in the "Responsibility" area at www.jeronimomartins.pt.

### Main Environmental Impacts

In 2015, the Group's Companies continued their efforts to reduce the environmental impacts resulting from:

- water and energy consumptions;
- waste production;
- atmospheric emissions and consumption of fossil fuels.

### Environmental Audits

In 2015, 370 internal environmental audits were conducted on stores and Distribution Centres (DC) in Portugal and Poland to ensure their compliance with legal requirements and with the Group's internal Environmental Management procedures. This figure represents an increase of 59% compared to 2014. In Portugal, 314 internal environmental audits were carried out, while in Poland this figure amounted to 56 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. The Group has been constantly investing in the certification of its DC. 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, 13 of the 15 existing DC were awarded this certificate at the start of 2015.

In 2015, all the Polish DC renewed their certification for handling organic products, according to EC Regulation 834/2007.

In Poland, the head-office was once again awarded the "Green Office" certificate by the Environmental Partnership Foundation, a recognition that distinguishes organizations that implement measures in order to reduce their environmental impacts, such as energy efficiency solutions. In 2015, a reduction of 66,307 MWh in energy consumption was achieved in the building.

## 5.2. Biodiversity

The Group plays a role in protecting the biological diversity on which it depends, identifying opportunities for getting involved and engaging, whenever possible, other partners in the supply chain, such as the suppliers.

In the last five years, the assessment that we made of the risks linked to different ecosystem services has been based on the Ecosystem Services Review (ESR) methodology, proposed by the World Research Institute (WRI). Reviewed in 2014, 11 priority action areas are currently defined, promoting projects to support the Group's management systems and practice, namely:

- information management;
- training;
- partnerships with suppliers; and
- research and development.

Within the scope of the threats and opportunities identified, and following a study undertaken about the 10 most sold and relevant species of fish in terms of biomass for the Group in Portugal, a risk assessment was also carried out on the species of fish sold in Biedronka. These analyses carried out in Portugal and Poland showed that none of the species are at high risk, after considering aspects such as the level of stock exploitation, impacts on the ecosystems, traceability, the impacts on surrounding communities and working conditions.

With regard to farming, a manual was drawn up along with our partners to encourage sustainable farming practices, curb the loss of biodiversity and eliminate the existence of invasive species. This manual will be tested and validated in 2016 with Portuguese producers, enabling an alignment of training on sustainable farming practices and the future widespread use of the manual by the Group's suppliers.

## 5.3. Climate Change

Data from the Intergovernmental Panel on Climate Change[3] show that climate change may impact farming productivity and, consequently, price stability and security of supply.

For this reason, the approach of the Group is focused on adopting responsible and proactive behaviour, as seen in the measures to reduce energy consumption and to minimise greenhouse gas emissions from logistics processes or from refrigeration gases, for example, as well as in promoting measures related to commodities which are associated with the risk of deforestation[4].

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[3] Information published in 2014 in the 5th Assessment Report from the Intergovernmental Panel on Climate Change, available for public consultation at www.ipcc.ch/report/ar5/syr/.

[4] To learn about our initiatives related to commodities, which are associated with the risk of deforestation, refer to sub-chapter 6 – "Sourcing Responsibly" in this chapter.

## 5.3.1. Carbon Footprint

In 2015[5], within the entire Group, the carbon footprint was estimated at 1,100,969 equivalent tonnes of carbon dioxide ($CO_2e$), which shows an increase of 1.1% compared to 2014[6], which is justified, mainly, by the Group's growth in the number of stores and Distribution Centres. On the other hand, the specific value decreased from 0.086 to 0.081 equivalent tonnes of carbon for every thousand euros of sales.

| Carbon Footprint - Indicators | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Overall value (scope 1 & 2) – **t $CO_2e$**[7] | 1,100,906 | *1,088,899 | +1.1% |
| Specific value (scope 1 & 2) – **t $CO_2e$**/'000 € | 0.081 | *0.086 | -5.8% |

| Carbon Footprint - Indicators | 2015 (t $CO_2e$) | 2014 (t $CO_2e$) | Δ2015/2014 |
|---|---|---|---|
| **Overall Carbon Footprint (scope 1 and 2)[8]** | | | |
| • Distribution Portugal | 261,921 | *316,466 | -17.2% |
| • Distribution Poland | 815,770 | *770,313 | +5.9% |
| • Distribution Colombia | 23,215 | *2,120 | +995.0% |
| **Carbon Footprint (scope 1 – direct impacts)** | | | |
| • Leakage of refrigeration gases | 158,097 | *222,585 | -29.0% |
| • $CO_2$ usage | 16,646 | - | - |
| • Fuel consumption | 48,708 | *44,625 | +9.1% |
| • Light vehicle fleet | 14,490 | 15,933 | -9.1% |
| **Carbon Footprint (scope 2 – indirect impacts)** | | | |
| • Electricity consumption (location-based) | 729,126 | - | - |
| • Electricity consumption (market-based) | 844,116 | 787,314 | +7.2% |
| • Heating (location-based) | 18,849 | *18,442 | +2.2% |
| **Carbon Footprint (scope 3 – other indirect impacts)** | | | |
| • Transport of goods to stores (Distribution) | 141,304 | *140,908 | +0.3% |
| • Disposal of waste in landfills | 18,852 | 47,431 | -60.3% |
| • Organic waste composting | 833 | - | - |
| • Energy consumption in franchising stores | 10,750 | - | - |
| • Air travel by employees | 1,631 | 2,007 | -18.7% |

* 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 Four 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 Environmental Protection Agency and 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 in the Greenhouse Gases Protocol (air travel and waste). The emissions related to the area of Marketing, Representations and Restaurant Services and the Jerónimo Martins Agro-Food dairy products unit were not included (it is estimated that they represent less than 1% of total emissions).

## 5.3.2. Water and Energy Consumptions

The rationalization of water and energy consumptions is one of the Group's commitments in the fight against climate change, encouraging initiatives to minimize inefficiencies in the use of these resources and, as a result, safeguarding their future sustainability and also obtaining financial savings.

[5] The Carbon Footprint values for the year 2015 were verified by Pricewaterhouse&Coopers consultancy firm, an external and independent body. The document concerning the process of certification is available in the "Responsibility" area at www.jeronimomartins.pt.
[6] The overall and specific values for 2014 were reclassified compared to those reported in the 2014 Annual Report due to the external Carbon Footprint verification process. This process was carried out by Pricewaterhouse&Coopers.
[7] Scope 2 emissions concern location-based (heating) and market-based (electricity) type emission factors, according to the table "Carbon Footprint – Indicators".
[8] *Idem*.

The "Water and Energy Consumption Management Teams", a project started in Portugal in 2011, achieved a reduction of these consumptions of 376,119 $m^3$ and 16,564,720 kWh in these five years. This project, which is promoted through monthly challenges and internal benchmarking, has obtained an accumulated saving of over 2.4 million euros since its implementation.

The increases in the consumption of water and energy in Colombia are due to growth of around 65% in the number of stores compared to 2014. Also in Poland the increase of the number of infrastructures as well as the investment in Perishables products led to an overall increase 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 | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Energy consumption | | | |
| • Absolute value – ***GJ*** | 6,015,375 | *6,204,792 | -3.1% |
| • Specific value – ***GJ/'000 €*** | 0.438 | *0.488 | -10.2% |
| Energy consumption per business unit | | | |
| • Distribution Portugal – ***GJ*** | 1,859,034 | *1,826,106 | +1.8% |
| • Distribution Poland – ***GJ*** | 4,053,998 | *4,223,774 | -4.0% |
| • Distribution Colombia – ***GJ*** | 67,046 | *33,523 | +100.0% |
| • Others (estimate) – ***GJ*** | 35,296 | *39,156 | -9.9% |

*The 2014 figures were corrected as a result of the external Carbon Footprint certification audit.

**Algoz Distribution Centre**

After nearly two years of operations at the Algoz Distribution Centre, in the municipality of Silves and designed to supply the Southern region of Portugal, it is possible to see positive results with regard to energy consumptions.

In 2015, there was a reduction, compared to the same period of 2014, of 10.8%, which is equivalent to an energy consumption of 122 Portuguese households during one year.

## Water consumption

| Total consumption | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Water consumption | | | |
| • Absolute value – ***$m^3$*** | 2,257,890 | *2,161,734 | +4.4% |
| • Specific value – ***$m^3$/'000*** | 0.164 | *0.170 | -3.5% |
| Water consumption per business unit | | | |
| • Distribution Portugal – ***$m^3$*** | 1,583,033 | *1,578,892 | +0.3% |
| • Distribution Poland – ***$m^3$*** | 622,378 | 545,969 | +14.0% |
| • Distribution Colombia – ***$m^3$*** | 39,230 | 23,584 | +66.3% |
| • Others (estimate) – ***$m^3$*** | 13,249 | *13,289 | -0.3% |

* The values of 2014 were corrected.

**Renewable Energies**

| Technology | No. buildings | Energy saving/year | $CO_2$ saving/year |
|---|---|---|---|
| Lamp posts powered by photovoltaic panels | 1 | 72,000 kWh | 36 t |
| Tubular solar light transporting system | 19 | 119,397 kWh | 59 t |
| Solar collectors to produce hot water used for heating water and/or in the air conditioning system | 16 | 284,505 kWh | 120 t |
| Passive air conditioning through the soil | 11 | 1,159,378 kWh | 395 t |

Investment in renewable energies, which has resulted in increasing the number of buildings with tubular solar light transporting system, solar collectors to produce hot water and passive air conditioning systems through the soil, has enabled annual savings of over 1.56 million kWh, equivalent to approximately 65 thousand euros.

## 5.3.3. Reduction of Environmental Impacts Resulting from Logistics Processes

As part of our commitment to reducing the environmental impacts linked to the logistics processes throughout the value chain by minimising the consumption of raw materials and energy resources and reducing the amount of emissions and waste, the following actions were implemented in 2015:

### Emissions in Distribution

- In Portugal, 65% of the goods transport vehicles complied with the Euro 5 requirements (197 vehicles) and Euro 6 requirements (18 vehicles). In Poland, 89% of the goods transport vehicles complied with the Euro 5 requirements (763 vehicles) and Euro 6 requirements (160 vehicles);
- In Poland, the first hybrid truck, Fuso Canter Eco Hybrids, part of Biedronka's exclusive fleet, is being tested (the first results show a reduction in fuel consumption). There are also two trucks in this fleet running on compressed natural gas, which has enabled a reduction in emissions of air pollutants;
- The backhauling operation in Poland (see box) entailed a total of 299,892 pallets collected, 160% more than in 2014, which resulted in a saving of 800,505 km and a reduction of 657 tonnes of CO2 air emissions. In Portugal, this operation involved a volume of 218,189 pallets, leading to a saving of 3,364,369 km, thereby avoiding the emission of the equivalent of 2,923 tonnes of $CO_2$. This figure showed a 72% reduction in pallets collected compared to 2014.

**Backhauling operation**

Aware of the impact of its logistics activity, which is the heart of its distribution business, the Group has invested in measures to enhance efficiency in this area.

The backhauling operation is one of such measures, and consists of route optimization and load maximization, collecting empty pallets on return trips from its stores as well as the Group's suppliers.

In Portugal and Poland, this transaction has, since 2010, resulted in a volume of 2.17 million pallets collected, resulting in a saving of 30.7 million kilometres. The equivalent $CO_2$ emissions avoided correspond to 28,874 tonnes.

### Reusable Packaging

In Portugal, the use of reusable plastic boxes in the Perishables and Dairy areas represented 14% of the total boxes handled, 0.4 p.p. less than in 2014. In Poland, a project to use reusable plastic boxes (around five thousand units) to package small electronic equipment was started. In Colombia, the use of reusable transportation boxes for bottled water (over three thousand units) began.

## 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 minimising 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 $CO_2$ (three stores in Portugal 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;
- there are 101 stores in Portugal which have refrigeration systems using R-134A combined with glycol and one store has a cascade refrigeration system (R-134A combined with $CO_2$ gas);
- there are also 150 stores in Portugal 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[9] and, therefore, causing less impact on global warming;
- in Poland, three trucks use $CO_2$ as a refrigerant gas and R404a gas has been replaced by R452a gas in 219 trucks (having a GWP almost 50% lower than the former).

## 5.3.5. Rationalisation of Paper Consumption

Throughout the year, projects were developed aimed at reducing paper consumption and promoting the use of paper from sustainably managed forest resources.

Some measures, such as electronic invoice management, enabled a saving of more than 6.5 million sheets of paper, i.e., a total of 778 trees.

In Poland, the paper used in the central offices is "European Ecolabel" certified 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 and in Poland, 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. This Annual Report will also be produced at printers with FSC certified paper.

[9] GWP is the acronym for Global Warming Potential.

The paper used for brochures for the Pingo Doce banner is "European Ecolabel" or FSC or PEFC certified.

## 5.4. Waste Management

The awareness of employees, customers and surrounding communities regarding the prevention and minimization of waste generation, as well as its correct separation, aims to contribute to its recovery and the saving of natural resources.

**Waste Recovery Rate**

| | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Distribution – Global | 81.9% | 82.5% | -0.6 p.p. |
| Distribution – Portugal | 59.2% | 58.2% | +1.0 p.p. |
| Distribution – Poland | 88.5% | 89.5% | -1.0 p.p. |
| Distribution – Colombia | 85.2% | 90.0% | -4.8 p.p. |

The waste recovery rate was of 81.9%, a value that represents a decrease of 0.6 percentage points when compared to 2014.

### 5.4.1. Characterisation of Waste

In 2015, the Group produced 387,648 tonnes of waste, which represents an increase of 15% compared to 2014. This evolution was due to the growth of the store network.

| Waste | Distribution Portugal (t) | | Distribution Poland (t) | | Distribution Colombia (t) | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Cardboard and Paper | 32,732 | 30,106 | 187,183 | 163,141 | 2,089 | 1,291 |
| Plastic | 2,262 | 2,178 | 8,583 | 8,133 | 126 | 82 |
| Wood | 248 | 509 | 1,804 | 2,079 | 26 | - |
| Organic waste | 3,888 | 3,880 | 64,344 | 56,757 | - | - |
| Unsorted waste | 41,552 | 34,680 | 34,406 | 27,212 | 214 | 131 |
| Cooking Oil and Fats | 221 | 141 | - | - | - | - |
| Waste from Effluent Treatment | 4,382 | 3,557 | - | - | 176 | 22 |
| Hazardous Waste | 16 | 8 | 13 | 35 | - | - |
| Other Waste | 1,492 | 775 | 1,891 | 2,268 | - | - |

### 5.4.2. Customer Waste Recovery

The following were the most important projects in 2015:

- the network of Pingo Doce recycling bins covered 359 stores, which was 90% of the store network;
- coffee capsules and lids/corks/bottle tops that were recovered, resulted in more than three thousand euros being given to charities;

- 96% of the Biedronka stores have recycling bins for the collection of small electrical appliances, fluorescent lamps and batteries;
- 99% of the Ara stores have recycling bins for battery collection.

In total, 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) | 2015 | 2014 | Δ 2015/2014 |
|---|---|---|---|
| **PORTUGAL** | | | |
| Batteries | 22.47 | 23.12 | -2.8% |
| WEEE[10] (including fluorescent light bulbs) | 96.37 | 81.67 | +18.0% |
| Used Cooking Oil | 110.54 | 120.06 | -7.9% |
| Printer ink cartridges | 5.25 | 3.44 | +52.6% |
| Capsules | 72.57 | 37.20 | +95.1% |
| Lids, Corks and Bottle Tops | 8.89 | 4.92 | +80.7% |
| **POLAND** | | | |
| Batteries | 117.24 | 47.32 | +147.8% |
| WEEE (including fluorescent light bulbs) | 199.61 | 243.47 | -18.0% |
| **COLOMBIA** | | | |
| Used batteries | 0.08 | 0.43 | -81.4% |

In Portugal and in Poland, the increase in the collection of customer waste is, mainly, due to the investment made in installing recycling bins in Biedronka's and Pingo Doce's stores.

## 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
- optimising the costs of production, transport and management of packaging waste.

| Products encompassed | Portugal | Poland | Unit |
|---|---|---|---|
| Number of references | 184 | 6 | SKU* |
| Savings in packaging materials | 2,411 | 21 | t materials / year |
| Transport avoided | 455 | - | t $CO_2$e/ year |
| Packaging with FSC certification | 15 | - | SKU* |

* SKU – Stock Keeping Unit.

[10] WEEE - waste electrical and electronic equipment.

In Poland, all the boxes 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 or 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 and skylights), refrigerated displays and freezers fitted with doors and covers and, in addition, automatic management systems for energy consumption, looking for 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.

In Portugal, at the Algoz Distribution Centre, all its facilities have been designed to work at high energy efficiency – Class A Energy Certification. All lighting of interior areas of buildings and outdoor areas uses a "LED" low energy type. In all areas fitted with natural lighting, there are sensors that enable the deactivation of artificial lighting when this is not necessary.

**"Architecture with Energy" Prize**

One of the Biedronka stores in the Kujawsko-Pomorskie region was awarded the "Architecture with Energy" prize in the "Public Building" category. This award aims to select the most energy-efficient buildings.

The contest was organized in partnership with the Tilia Association as part of a project entitled "Promotion of renewable energy sources and modern systems diversifying the sources and methods of their use as a protective measure for the natural environment".

The Polish Association of Architects and the Chamber of Architects of Poland were also involved in the development of the award.

## 5.6. Raising Employee and Consumer Awareness

Our Group's recognition of the central importance of individual and collective behaviour towards the better management of natural resources, emissions and waste led to the development of various awareness initiatives with our major related parties.

Employees:

- in 2015, another Sustainability Conference was held, aimed at the Group's senior management and strategic suppliers. This meeting brought together approximately 170 participants, who shared their experiences of innovative projects which have resulted in the efficient use of natural resources;

- publication of articles on environmental themes in the in-house magazine "A Nossa Gente" (Our People), which is distributed to all employees in Portugal. For example, under the International Energy Year, suggestions for saving energy were included. The stores and DC which performed best in reducing water and energy consumption over the same period and/or with lower consumption/$m^2$, were also disclosed. This magazine has a print run of 25,000 copies;
- raising the 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;
- training sessions on best environmental management practices for employees carried out in Portugal, Poland and Colombia, with the number of training hours compared to 2014 increasing by 63%;
- strengthening and periodic disclosure 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 presentations in communal staff areas;
- launch of the "Let's Go Green" project in the Group's headquarters in Portugal, with the aim of fostering the adoption of more responsible practices in the use of energy, water and paper, within which the following initiatives were promoted:

  - monthly publication of newsletters with environmental content;
  - the holding of a paper chase to celebrate "World Environment Day" with a visit to the Monsanto Natural Park involving employees from head-office and their families (organized in partnership with the Liga Para a Protecção da Natureza – League for Nature Protection);
  - the holding of an internal workshop on Food Waste.

Customers and consumers:

- in-store campaigns carried out in Biedronka stores promoting the adoption of best environmental practices:
  - "Em Sintonia com a Natureza" (In Harmony with Nature), which made it possible to collect more than 14 thousand aluminium cans and approximately 17 thousand units of glass packaging;
  - campaign aimed at children, to consider suitable management of batteries and the risks arising from not disposing of them properly, carried out during picnics hosted by Caritas Polska which involved approximately 15 thousand children;
- texts showing historical data of the environmental protection carried out by the Company were published on the intranet in the context of the 20th anniversary of Biedronka;
- regular publication of articles against food waste and promoting environmental and social best practices in the "Sabe Bem" (Tastes Good) (bi-monthly circulation of 160 thousand copies), "Notícias Recheio" (Recheio News) (bi-monthly circulation of 40 thousand copies) and "Kropka TV" (weekly circulation of around 260 thousand copies) magazines, aimed at Pingo Doce, Recheio and Biedronka customers, respectively.

## 5.7. Partnerships and Support

The Group supported the following initiatives in Portugal, focused on restoring natural habitats and protecting biodiversity:

| Institution | Project | Amount | Further information at |
|---|---|---|---|
| Oceanário de Lisboa (Lisbon Oceanarium) | Oceanário de Lisboa (Lisbon Oceanarium) | € 100,000 | www.oceanario.pt |
| Quercus | "SOS Pollinators" Campaign | € 15,000 | www.yesweb.pt/polinizadores |
| World Wildlife Fund (WWF) | "Green Heart of Cork" | € 10,000 | www.wwf.pt |
| Liga para a Protecção da Natureza (LPN) | ECOs-Locais | € 10,000 | www.lpn.pt |
| European Recycling Platform (ERP) – Portugal | "Geração Depositrão" | € 5,000 | www.geracaodepositrao.abae.pt |

In Portugal, in partnership with Quercus and as part of the "SOS Pollinators" campaign, leaflets were distributed to customers in the geographical area most affected by the Asian wasp (Northern region), stressing the importance of identifying and eliminating this species as a way of conserving bees. Approximately 200 thousand leaflets were produced and distributed in 99 Pingo Doce stores.

In January 2016, the Group awarded the 2015 "Jerónimo Martins-Green Project Awards Prize for Research and Development", with a value of 20 thousand euros. Together with the Green Project Awards Portugal, this sought to distinguish products or processes which have contributed to environmental, social and economically more sustainable solutions.

# 6. Sourcing Responsibly

## 6.1. Introduction

The Group's Companies seek to ensure that their activities stimulate social and economic growth in the regions in which they operate, whilst minimising the impact of its operations on ecosystems.

To enable this, environmental, social and ethical concerns are integrated throughout their value chains, in collaboration with their business partners.

The Sustainable Sourcing Policy of the Group and the Suppliers Code of Conduct are available at www.jeronimomartins.pt, in the "Responsibility" area.

## 6.2. Commitment: Local Suppliers

The Group, preferably, and under equal commercial terms, chooses local suppliers in order to enhance the socio-economic sustainability of the countries where it operates and to minimise 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 production or the quantity produced in the country is insufficient to guarantee the supply to the chain stores;
iii. when the quality-price ratio of domestic products does not allow the Group's best price quality commitment to its consumers to be met.

In Portugal, 84% of the products sold were sourced from local suppliers. In Poland, this ratio stood at 93% and at more than 95% in Colombia, meeting the target of ensuring the annual purchase from domestic suppliers of at least 80% of the food products.

The Group prides itself on developing lasting relations and co-operation with its producers. These relationships often result in technical follow-up in terms of quality, support in optimising processes, guarantee of supply and stimulating local economies.

Portugal

- In 2015, Pingo Doce and Recheio explored new growth opportunities in the Portuguese market together with the producers they work with. Varieties underdeveloped in Portugal were sold by the Group's stores, 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;
- We maintained our technical support to Portuguese producers of lamb, veal, pork, chicken and turkey in 2015, 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;

- Regarding fish, the Group maintained a direct relationship with dozens of Portuguese vessels, thereby stimulating local fishing.
  The partnership between the Group and a cooperative of fishermen in the area of Sesimbra was maintained, ensuring quality and price competitiveness, and ensuring traditional fishing practices that enables the sustained regeneration of species.

In 2015, Pingo Doce decided once again to extend by 12 months the extraordinary measure of supporting Portuguese producers of fresh products with whom it works and are members of the Confederação dos Agricultores de Portugal (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), and without financial costs to the producer.

Since its implementation in 2012, about 500 producers from the primary sector, particularly fruit, vegetables, meat, fish, cold meat and wine producers have already benefited from this initiative.

Poland

- One of the Perishables categories in which Biedronka has invested most is that of Fruit and Vegetables, trying to continuously respond to consumer demand for traditional Polish varieties and, at the same time, complementing the existing supply in the store.
  This strategy implies knowledge of Polish culture and traditions, something that is acquired through long-standing relationships with various business partners, which takes place through regular visits to production locations, and through the sharing of technical knowledge. Throughout 2015 it was possible to find two regional varieties of potato – *Irga* and *Bryza* – in Biedronka stores that usually do not reach the large commercial centres;
- In 2015, Biedronka were pioneers in having the *malinowe* tomato (raspberry tomato) in supermarkets and it was the only banner in Poland to have this variety in its stores throughout the year. This project was a result of close co-operation between Biedronka and its supplier, who believed and invested in this project. This variety of tomato was very well known regionally in traditional stores but had little visibility in modern stores due to insufficient production;
- Inspired by this innovative spirit, Biedronka brought *Antonówka* apples and *Klapsa* pears to its stores after an extended period of testing together with its producers;
- Despite Poland being one of the largest strawberry producers in Europe, these were mainly sold in traditional markets due to their very limited consumption lifetime. For this reason, it was hard to ensure sufficient quantities at good quality for sale in Modern Retailing. In 2015, Biedronka established a network of suppliers to reduce the time between harvesting and making it available in its stores. They sold 300 tonnes of strawberries throughout the season that runs from May to August. One of Biedronka's challenges for 2016 is to increase this network in the regions close to the Distribution Centres (DC), supporting production and ensuring a fresher product for customers;
- Also innovative in the Meat category, Biedronka launched free-range chicken onto the market. Based on the experience gained in Portugal in this area, we tried, in co-operation with Polish suppliers, to address the insufficient volume of

production by using free-range methods for these birds, bringing free-range chicken eggs from Portugal to Poland. Suppliers have adopted a production system that respects the natural and free growth of the animals.

**Kuchnia Passionata**

"Kuchnia Passionata" or "Passion for Cooking" is a special range of vegetable products developed with the aim of promoting the use of traditional Polish varieties in the preparation of meals.

This range results from co-operation between Biedronka and some producers, in search for solutions for the production of these varieties on a large scale to be sold in stores. The *Irga* and *Bryza* potatoes were the first to be sold in 2015.

These partnerships aim to ensure the sustainability of old varieties of products, providing consumers with flavours which were only found in regional markets and encouraging the development of business partners.

Colombia

- Since the start of its Operations, Ara has been aiming to establish stable relations and partnerships with Colombian suppliers. In 2015, Ara cooperated with 66 local suppliers which catered for more than 409 Private Brand products;
- The 3rd edition of the Ara Private Brand Congress took place in the city of Barranquilla, under the theme "We are Building the Ara Private Brand", which was attended by approximately 100 local suppliers.

**Buying Local**

The Group's Companies carry out awareness campaigns promoting consumer preference for buying locally sourced products.

In Portugal, national products in Perishables are identified by "O Melhor de Portugal Está Aqui" (The Best of Portugal is Here) stickers. The nationally produced Private Brands 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, focused on fruit and vegetables, Biedronka created the website www.jedzcopolskie.biedronka.pl to promote these products, sharing information on local suppliers and recipes. Additionally, some products were marked with the hashtag "#jedzcopolskie" and several customers posted more than 300 pictures of their favourite products on *Instagram*.
A television and radio media campaign was carried out in Poland, and leaflets and posters were used in Biedronka stores to promote the consumption of the *malinowe*

tomato (raspberry tomato), a national product. The campaign also highlighted the co-operative work with one of its suppliers, which resulted in the supply, through a sustainable greenhouse production system, of this variety throughout the year. Biedronka is the Polish chain with the largest market share of this variety of tomato, estimates for which indicate more than 25% of the total market.

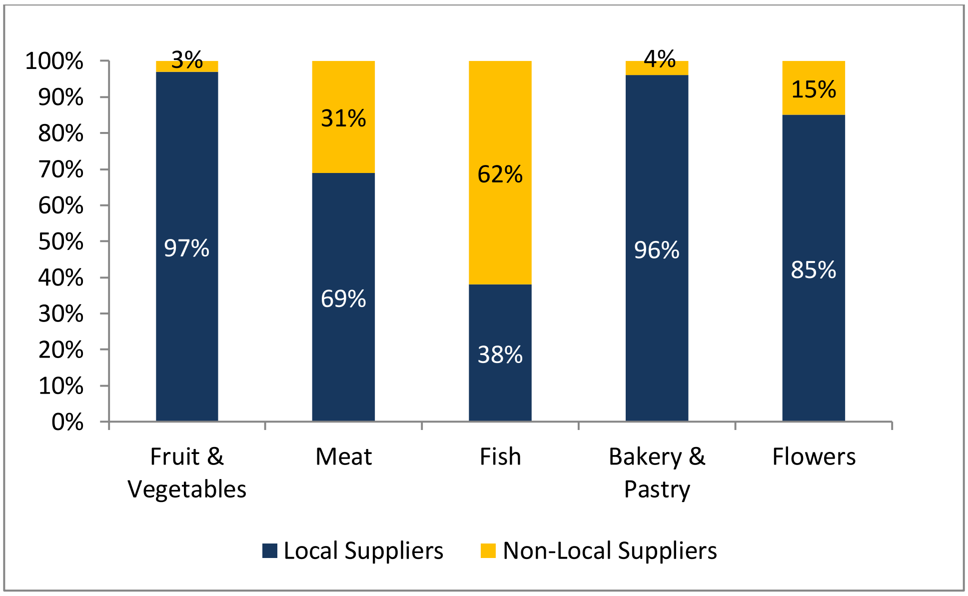
In Colombia, domestic products are marked with the "Hecho en Colombia" (Made in Colombia) sticker and Private Brand products are marked with the "Una Marca de Ara" (An Ara Brand) sticker.

## Perishables and Private Brand

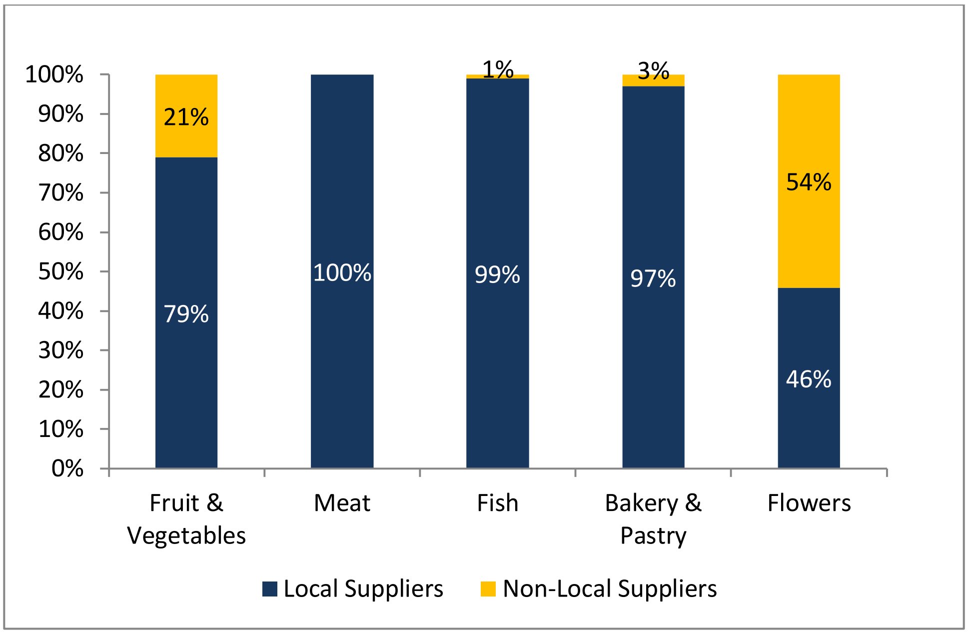
Regarding Private Brand, most of the products were purchased from local suppliers, with more than 95% in Colombia, 93% in Poland and between 60% (Pingo Doce) and 72% (Recheio) in Portugal.

The Perishables area shows the same trend, with 68% of products in Portugal being sourced from local suppliers, while this figure reaches 89% in Poland. In Colombia, this ratio is above 95%.

**Portugal**



**Poland**




## 6.3. Commitment: Human and Workers' Rights

In accordance with our Sustainable Sourcing Policy, available at www.jeronimomartins.pt, the Group only uses suppliers who commit to practices and activities that wholly 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 a remedy plan.

## 6.4. Commitment: Promotion of More Sustainable Production Practices

The Group's Companies choose suppliers which resort to less harmful methods for the Environment, with production methods which aim to minimise the use of chemical products such as fertilisers, herbicides and insecticides, and which also aim to ensure the preservation and improvement of the quality of the soil in the case of agricultural crops.

In order to assess the impacts of deforestation commodities, Jerónimo Martins mapped the presence of these ingredients in the Private Brand and Perishables products sold in Portugal, Poland and Colombia in 2014.

Additionally, the Group's suppliers, for which these ingredients have been identified, have been asked to report on the existence of certification and the origin of these products. The results are reported in the annual response of the Group to the Carbon Disclosure Project (CDP) Forests. The purpose of the Group is to progressively ensure the sustainable origin of these raw materials, in line with the commitment made under the Group's participation in The Consumer Goods Forum. For further details on the Group's actions in this area, see www.cdp.net.

In September 2015, Jeronimo Martins Polska, which combines the Group's businesses in Poland, became 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 will be relauched in Poland with the GreenPalm designation.

**"Sustainability in The Supply Chain" - 4th Sustainability Conference of the Group**

The sustainability conferences of the Group aim to raise awareness amongst the managers and strategic suppliers of the three geographical areas regarding the environmental and social issues throughout the value chain.

At 2015 event, which brought together approximately 170 participants, for the first time the Group had some of its suppliers as speakers. They shared both their vision for a more responsible future, and their investments in innovative projects which have resulted in efficiency in resource utilisation.

It also illustrated that it is possible to translate the triple bottom line into a business strategy which creates value for the Group, for its suppliers and for its customers, while respecting ecosystems and contributing to the social development of local communities.

## Certified Products

In Portugal, in addition to maintaining the tuna loin and frozen sardines and the Vietnamese clam packed with the Marine Stewardship Council (MSC) certification, Pingo Doce also has cod (*Gadus morhua*) from Norway with MSC certification. In addition, 68.8% of the frozen hake that Pingo Doce sells was caught in South African waters by vessels which act in accordance with the standards of this certification. Pingo Doce's canned tuna includes the Dolphin Safe labelling that ensures that there was no accidental capture of dolphins during the fishing process, thereby preserving dolphin sustainability. In 2015, Pingo Doce launched another article with the Dolphin Safe label.

In an effort towards the continuous improvement of the sustainability of the products sold, in 2015 Biedronka launched a fresh cod loin with the exclusive brand Polarica, a product certified with the seal of the MSC.

The range of Pingo Doce organic products accounts for a total of 47 Stock Keeping Unit (SKUs) from the Fruit and Vegetables category. All Pingo Doce's organic products are developed by respecting organic production rules, they are certified by an independent external entity (Ecocert) and they show the logo of the European Union, which ensures compliance with the Community Regulation for Organic Farming. In turn, in its Private Brand range, Biedronka launched organic smoked salmon certified by Biocert[11] regarding the Community Regulation No. 834/2007 for Organic Production and Labelling of Organic Products.

Biedronka created a project among horticulturists in Portugal and Poland, in order to be able to offer a variety of traditional Polish garlic - the garlic *harnas* - in its stores, throughout the year, which is much appreciated in that country. The project is certified by SGS to ensure both the origins and the packaged variety.

In 2015, Pingo Doce launched three new cleaning detergent references with EU-Ecolabel certification, adding to the three references launched in 2014.

Pingo Doce still maintained five references for "Class A" energy-saving light bulbs, branded Home 7. Seven product references to Pingo Doce were also launched, which have Sustainable Forestry Initiative certification (SFI), mainly personal hygiene articles, bringing their number to 26.

Biedronka launched "Podpalka w tubie" wood shavings for the fire that come from forests managed in a responsible manner, a product certified by the Forest Stewardship Council (FSC). The "Queen" toilet paper has also been certified by the World Wildlife Fund For Nature (WWF).

**UTZ Certified**

For the first time in the Jerónimo Martins Group, five references were launched with UTZ certified cocoa. A UTZ product seeks to demonstrate, through a certification programme, that the raw material (in this case cocoa) was obtained using a sustainable agricultural model.

The UTZ programme allows farmers to implement good agricultural practices while at the same time guaranteeing them an improvement in their working conditions and quality of life, as well as protecting the natural resources on which they depend.

Three references (biscuits with "Kruszynki" chocolate, and "Sottile Gusto" tiramisu and profiteroles) were launched in Poland and two in Portugal (strawberries covered in white Belgian chocolate and strawberries covered in Belgian milk chocolate).

## 6.5. Supplier Audits

### Quality and Food Safety

Perishables and Private Brand suppliers are regularly audited for assessment and follow-ups in terms of management and control processes, the implemented quality system, the product formulation and labour and environmental aspects. The audits are mandatory for suppliers conducting their business in territories where the Group operates.

[11] www.biocertinternational.com/

The supplier evaluations cover a set of 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.

**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 recognised by the Global Food Safety Initiative (GFSI), 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 internal criteria of the Jerónimo Martins Group. In the case of suppliers who are not located in the three countries where the Group operates, 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 Non-Food Products**

In 2015, some non-food products were distinguished in Poland because of their quality or innovation including recognition for the Dada Private Brand skin cosmetics for children in the "Superprodukt Mam Dziecko" (Superproduct for Mothers and Children) magazine for parents.

The entire range, which includes nappies, is also tested by the Instytut Matki i Dziecka (Institute of Mother and Child).

**Audits to Perishables and Private Brand Suppliers***

| | 2015 | 2014 | Δ 2015/2014 |
|---|---|---|---|
| **Portugal** | | | |
| Perishables | 802 | 895 | -10% |
| Private Brand – Food and Non-Food | 239 | 191 | +25% |
| **Poland** | | | |
| Perishables | 1,550 | 1,573 | -2% |
| Private Brand – Food and Non-Food | 426** | 390*** | +9% |
| **Colombia** | | | |
| Perishables | 48 | 12 | +300% |
| Private Brand – Food and Non-Food | 121 | 81 | +49% |

* The audits include the following topics: selection, control and follow-up.
** In 2015 a further 2,691 inspections on non-food Private Brand products were also carried out.
*** In 2014 a further 2,502 inspections on non-food Private Brand products were also carried out.

### Environment

The Group carried out 37 environmental audits on service providers in Portugal and four in Poland, which aimed at complying with the minimum environmental performance requirements, assessing the performance level and defining an action plan to correct non-compliances.

In 2015, the level of environmental performance was distributed as follows (for service providers in Portugal): 5% achieved a "High" performance, 92% "Basic" and 3% "Below basic". 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 Group reserves the right to suspend its collaboration with suppliers who do not comply with its corrective action plan, and its aim is to carry out a minimum of 40 audits of its service providers annually.

## 6.6. Supplier Training

In Portugal and Poland, various seminars took place, which were focused on issues of Quality and Food Safety, deepening the co-operation work with the Group's business partners, especially with regard to discussing areas of improvement and development of innovative products.

In the area of Environment, in 2015, the review of the technical standard on "Environmental Management for Sales and Service Providers" was assured, in order to adapt to evolving legislation. At the same time, a simplified technical standard for very small businesses (a maximum of 10 employees), and/or businesses with low complexity processes, was developed.

In 2015, a project was promoted which involved 77 suppliers from the Fish, Meat and Fruit and Vegetables categories, promoting self-assessment of compliance with the requirements listed in the technical standard. This project also sought to collect information for the definition of a medium/long-term action plan.

In addition, four workshops on this standard took place in Portugal, attended by 68 participants from service providers.

# 7. Supporting Surrounding Communities

## 7.1. Introduction

Using as guidance the Policy for Supporting Surrounding Communities, which is available at www.jeronimomartins.pt, we aim to contribute towards fighting malnutrition and hunger and to help break the cycles of both poverty and social exclusion in two main groups: the elderly, disadvantaged children and young people.

## 7.2. Managing the Policy

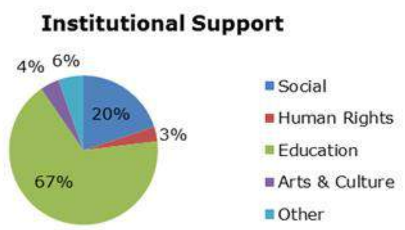
The actions developed and supported by the Group are monitored and assessed according to the impact they produce, with a view to efficient allocation of resources to social projects covering the largest possible number of people.

The criteria underlying the methodology of social impact assessment, the London Benchmarking Group (LBG), a corporate network of which the Group is a member, enables the assessment of whether, and at what degree, are social changes achieved.

## 7.3. Direct Support

In 2015, the Group remained committed to supporting charitable organizations which carry out work to fight social exclusion.

Direct support attributed to the surrounding communities by all the Group's Companies amounted to 17.4 million euros, which represents an increase of 9.4% compared to 2014.




At a corporate level, Jerónimo Martins' support is divided between the following areas:

**Academia do Johnson**

The mission of Academia do Johnson (Johnson's Academy) is to combat social exclusion and the dropout of about 100 children and young people from vulnerable communities in the Lisbon region.

The institution promotes the practice of sport as a means of developing behavioural, social and technical skills that help prevent risk situations in their lives and that enhance their integration into society.

This Academy offers educational, professional and cultural tools provided by trained personnel.

In 2015, the Group's support amounted to around 60 thousand euros.

The Group supported 40 institutions, donating more than 1.6 million euros, an increase of more than one million euros compared to 2014.

**Support from the Group's Companies**

Pingo Doce provided foodstuffs and money to around 600 institutions that fulfil a social mission in the surrounding communities. This support amounted to over 14.6 million euros, an increase of more than 4% compared to the previous year.

Noteworthy was the support for the initiative of the Ministry of Education and Science in Portugal, the Programa Escolar de Reforço Alimentar (PERA – School Food Reinforcement Project), which aims to provide breakfast to children in situations of food shortage. During the 2014/2015 school year, Pingo Doce supported 1,614 students, in an investment greater than 74 thousand euros.

Recheio donated food products and financial support to the amount of 265 thousand euros to 140 institutions that perform social work.

In 2015, Jerónimo Martins Distribuição de Produtos de Consumo (JMDPC), Hussel and Jerónimo Martins Restauração e Serviços (JMRS) supported the Portuguese Food Bank, among other institutions. Donations of foodstuffs and money amounted to over 294 thousand euros, an increase of 4% compared to 2014. This amount was equivalent to the supply of more than 47 tonnes of products.

In Poland, the amount of support to institutions that help to fight hunger and malnutrition was over 575 thousand euros (around 2.5 million zlotys).

As part of International Children's Day, more than 200 thousand children had the opportunity to enjoy various entertainment activities and foodstuffs offered by Biedronka, representing an investment of over 185 thousand euros.

Biedronka also supported the organisation of charitable events such as World Day of the Sick and Saint Nicholas' Day, supporting communications

**Madres Comunitarias Colombia**

In Colombia, Jerónimo Martins continued its support to "Madres Comunitarias" (Community Mothers), a governmental initiative aimed at providing foodstuffs to the nannies who take care of children up to the age of five in regions with low financial means.

In 2015, this programme expanded to another 147 nurseries, regularly supplying foodstuffs to a total of 262 community nurseries and fulfilling the aim of supporting two nurseries for every new Ara store opened. The number of children covered also increased by over 2 thousand to around 3,400 children. The value of the baskets amounted to more than 77 thousand euros and represented a supply of 84 tonnes of food.

The support given by Ara is monitored by the nannies, through representatives of the Instituto Colombiano de Bienestar Familiar (ICBF – Colombian Institute of Family Well-being), who check the correct routing of the foodstuffs as well as the mental and physical well-being of the children who benefit from the programme.

In 2015, 12 workshops took place, in which 480 community mothers were introduced to the programme model.

Other workshops were promoted with the community mothers of the programme to raise awareness of the methods of handling foodstuffs and the need for children to have a balanced and controlled diet.

campaigns and donating food products.

Other support from Biedronka included working with the association "Hope for the Euro", a partnership established in 2011 that aims to support the development of 400 institutionalized children from families with economic difficulties, representing a total investment of 45 thousand euros.

In addition to the "Madres Comunitarias" programme (see box), Ara continued its support 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. In 2015, Ara donated food products equivalent to over 33 thousand euros.

## 7.4. Volunteering and Other Campaigns

The Group's employees participated 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 even on how to set up a business. The number of employees who participated in the 2015/2016 school year stood at 130 volunteers.

During the Christmas season, an internal welfare campaign was organised with great success with the aim of offering gifts to 122 children, until the age of 13, living in foster homes supported by the Group throughout the year.

There was also a fundraising campaign for the Caritas' Setúbal Diocese which was promoted during the Christmas Dinner. Under the matching donation initiative 3,390 euros, which were matched with a corporate donation to the same amount, were raised among about 780 managers and Group's Management.

## 7.5. Indirect Support

In 2015, the Group's banners carried out campaigns to collect food and other articles from customers in their stores.

At Pingo Doce, volunteers collected approximately 923 tonnes of food for the Portuguese Food Bank. For this and other institutions, such as C.A.S.A. – Centro de Apoio ao Sem Abrigo (Centre for Supporting the Homeless) and ACAPO - Associação dos Cegos e Amblíopes de Portugal (Blind and Partially Sighted Association of Portugal), vouchers convertible into foodstuffs were raised among consumers to the amount of over 153 thousand euros, which translates into approximately 100 tonnes of products.

In Poland, in cooperation with the Federation of Polish Food Banks and Caritas Polska, Biedronka stores collected over 1,150 tonnes of foodstuffs donated by its customers.

In Colombia, Ara raised an amount of over 32 thousand euros among its clients to support the Fundación Aldeas Infantiles SOS Colombia (SOS Children's Villages Colombia Foundation), which helps more than 950 children and 675 families in the municipalities of Ríosucio and Bolívar. The number of children supported in 2015 has more than doubled over the previous year, following the expansion of Ara to the Caribbean Coast.

## 7.6. Other Support

In Poland, as part of its partnership with Danone, Lubella and Instytut Matki i Dziecka (Institute of Mother and Child), – "Partnerstwo dla Zdrowia" (Partnership for Health) – more than 1.6 million units of "Milk Start" were sold every month at cost price. This project, initiated in 2006, aims at combating malnutrition of the most underprivileged Polish children. Over the past 10 years, approximately 200 million units of this range of products have been sold, the nutritional profiles of which meet the daily needs of children.

As part of this partnership, the awareness programme on the importance of breakfast – "Sniadanie Daje Moc" (Breakfast Gives You Strength) – has been extended to 7,300 schools, which account for more than half of all the primary schools in the country involving more than 182,500 children.

**Pingo Doce and Biedronka Children's Literature Prizes**

The Pingo Doce and Biedronka Children's Literature Prizes have the aim of encouraging literary and artistic creativity, rewarding original works, and democratising access to reading at an important stage in the cognitive and emotional development of children.

In Portugal, there was the 2nd edition of the Pingo Doce Children's Literature Prize which had more than 3 thousand participants for a prize of 50 thousand euros, divided between the winners of the text and illustration categories.

The number of copies sold of the winning work of the 1st edition of this prize was more than 10 thousand units.

In Poland, there was the 1st edition of the Biedronka Children's Literature Prize, with over 5 thousand works submitted and a monetary value equivalent to that of the Pingo Doce prize, also to be split by the winners of the text and illustration categories.

# 8. Being a Benchmark Employer

## 8.1. Our Figures

In 2015, the Group created 2,464 jobs, representing a net growth of 2.8% compared to the previous year. More than a thousand internships and on-the-job training initiatives were also provided in the Group's different Companies.

The main indicators for the Jerónimo Martins team in 2015 are as follows:

- 89,027 People: 56,922 in Poland, 30,399 in Portugal and 1,706 in Colombia;
- 77% are women;
- 67% of the management positions are held by women;
- 13% are under 25 years of age; 42% are aged between 25 and 34; 31% between 35 and 44; 11% between 45 and 54; 3% are aged 55 or over;
- 85% are hired on a full-time basis;
- 66% are permanent staff.

The Group maintained the investment in training and developing its employees, and in extending the programmes in the Internal Social Responsibility area, especially reinforcing the "Health" pillar.

Also worth highlighting is the extension of the co-operation with various entities and organisations with a view to including more vulnerable social groups within the population in terms of access to the job market.

## 8.2. Principles and Values

The Group's Code of Conduct was revised, aiming to ensure that it is adapted to the constant evolution of the social, labour, technological and business realities in the various countries in which the Group operates.

Through the various principles and values reflected within the Code, which can be viewed in full on the Group's website at www.jeronimo-martins.pt, it serves as guidance for employees on their conduct when carrying out their daily tasks, regardless of their position within the organisation.

### Abiding by the Law

As set out in the Code of Conduct, the Group operates in accordance with the applicable national and international legislation regarding human and workers' rights, such as meeting the established advance notice deadlines with regard to changes of an operational nature and abiding by the guidelines of the United Nations Organization and the International Labour Organization.

### Respect for Human and Workers' Rights

We respect equal opportunities, forbidding any discriminatory practice at any stages of the employee's "life cycle". The recruitment, selection, professional development and the performance appraisal processes are based on a culture of the people's merit, justice and dignity.

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 and human rights are equally protected.

### Freedom of Association and Collective Bargaining

Jerónimo Martins respects Freedom of Association and Collective Bargaining, as well as union activity within the terms set out in the applicable legislation, such freedom being reflected 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.

## 8.3. Communication with Employees

In Portugal and in Poland, we provide Employee Assistance Services for clarifying any work-related issues and for receiving requests for social support.

These communication channels are essential for reinforcing the employees' relationship of trust with the Group and for fostering continuous improvement to their quality of life.

In 2015, the Employee Assistance Service was re-launched in Poland, aiming to ensure that all employees had knowledge of it and to communicate the assurance of confidentiality, independence and impartiality regarding the receipt and handling of the contacts received, in line with the internal procedures in place within the Group.

In Colombia, a "Convivencia Laboral Committee" (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 | 11,962 | 99.9% |
| Poland | 3,984 | 93.9% |

The Group's principles and values are disclosed and disseminated throughout the entire organisation using internal means of communication, such as the "A Nossa Gente" (Our People) magazine and the monthly communication "Carta Aberta" (Open Letter) in Portugal and the magazine "Nasza Biedronka" (Our Biedronka) in Poland.

With the objective of ensuring that employees are involved in and are promoting their participation in the life of the Group, a website was launched in Portugal – www.orgulho.pingodoce.pt – where employees tell their stories, at first hand, about their reasons for being proud to belong to Pingo Doce, using videos, features and testimonials.

# 8.4. Recruitment and Internal Mobility

With the objective of guaranteeing the attraction and retention of the talent needed to assure the Group's growth and to respond to the dynamics of its businesses, both the external recruitment and the internal mobility processes were standardised.

As such, with regard to the recruitment and mobility processes, the structure and content of the induction programme was made more robust, aiming to boost the transferral of knowledge and to transmit the Group's values and culture, in order to increase the feeling of belonging right from the time of joining or when changing position.

Around 42 thousand employees changed position, their place of work or joined a new Company within the Group. There were around 7,800 promotions in the stores, the distribution centres and the head offices. At the end of 2015, the Group had 30 employees who were on international assignments.

## Management Trainee Programme and Internships

The "Management Trainee Programme" (MTP) is considered to be the Group's most strategic talent attraction programme and has been in existence for almost three decades. It is an important professional opportunity for young graduates who want a professional career path which combines training tailored to the needs of the business with on-the-job training.

It was implemented simultaneously in the three countries for the second consecutive year and enabled 35 trainees to join in 2015.

The "Summer Internship Programme" that took place in Portugal and in Poland also enabled 110 interns to take part during the months of July and August. After this period some of these young students remain involved with the Group's projects and could, in the near future, join the MTP.

In Poland, the "Student Ambassador Programme" was reactivated, whereby a group of 10 students promoted actions in seven university centres, publicising Biedronka's attraction programmes.

## Employer Branding

The Group carried out various events and workshops in universities aimed at reinforcing its presence in the job markets where it is present. Such activities were aimed not only at courses traditionally related to the business but also to courses in engineering, technologies, science, arts and humanities, promoting diversity in academic backgrounds as a driver of innovation.

## Development and Compensation

The Group believes that the professional development of the employees is the most important human resources process.

After building a global development model, this new approach to managing talent, aligned with international best practices and tailored to the Group's principles and values, began to be implemented for some segments of managers.

The approach will enable internal talent to be identified and mapped out, and development programmes will be created which are aligned with the individual profile – motivation and competences – and with the needs of the business. Over the next three years, this new internal talent mapping approach will cover all the Group's managers.

It should be noted that all the Group's employees are assured an annual performance appraisal process, including the identification of development and training opportunities.

As far as remuneration is concerned, promoting balanced, fair and competitive salary policies and practices within the scope of the Global Compensation Policy enables the Group to maintain its positioning as a benchmark employer. This positioning means for example maintaining a policy for a minimum wage above the national minimum wage.

And as remuneration is essential for attracting and retaining talent at all levels of the organization, an internal and external analysis was performed aimed on the one hand at making a diagnosis of the fairness and competitiveness of our salary policy compared to that practised in the local markets, and on the other hand at aligning our internal policies with the best market practices, making them suitable for the Jerónimo Martins Group's strategy and culture.

To do so, a salary review model was developed and implemented, which aims to foster internal fairness.

As, above all, internal mobility between the different countries plays a crucial role in the development of our people, a compensation and benefits policy for international mobility was defined.

As far as compensation and benefits are concerned, the models for attributing internal bonuses were revised and others were implemented, with the objective of rewarding merit and performance.

Within this context, in 2015 the Group attributed approximately 66.7 million euros in bonuses to its employees.

## Training

The continuous investment in training is the result of having recognised its strategic importance for the business and its ability to reinforce our competitive advantage, providing our employees with the necessary knowledge to face the Group's future challenges.

Globally, a new edition of the "Strategic Management Programme" took place, an intensive programme undertaken at Universidade Católica in Lisbon and at Kellogg School of Management in Chicago. 41 participants from the three countries participated in this executive programme, which was tailored for the Group and aims at reinforcing the organisational culture, at developing knowledge-sharing and also at contributing towards a spirit of innovation.

Within this context, various partnerships with benchmark training entities were consolidated. In Portugal of note are the Católica Lisbon School of Business & Economics, with which the second tailored edition of the "General Management Programme in Retail" was carried out, and the Nova School of Business & Economics. In Poland, Warsaw University and Kozminski Academy are worth a special mention. At an international level, of note are the University of Stanford, INSEAD, London Business School, Kellogg School of Management, Babson College and also Instituto Internacional San Telmo.

At the corporate level, a new training programme was implemented, called "Leading HR into 2020", which covered three common topics which are strategic for our Group: Ageing Workforce, Mixed Generations and Workplace 2020. Those topics were developed by multidisciplinary teams of Human Resources professionals.

Also of note are other actions, such as the first edition of "Business Talks", an initiative which opens up a broad space for debating ideas where two important topics for our business were presented: Evolution of the Private Brand and Trends in Cooking and Perishables and also the continuation of "Share Talks", a differentiating format that began in 2014 for sharing knowledge, under the title Fresh Food Lovers.

Continuing with the partnership established between the Group and the Universidade de Aveiro, this year the degree in Commercial Management had 180 enrolments, having promoted open classes and visits to companies. Internship opportunities and a "Tutoring Programme" were also created. This academic year saw the implementation of the "Jerónimo Martins Award", attributed to the two best students.

In Portugal, the Jerónimo Martins Training School maintained the following employee management and leadership competency development programmes:

- "Thinking and Participating as a Trainer" programme – the Coaching for Leadership and the Personal Effectiveness modules, were designed and put into operation. These modules, aimed at the Pingo Doce store Management involved around 490 employees;
- "PAGL – Advanced Store Management Programme" and "PGGL – General Store Management Programme" – a total of 296 trainees from Pingo Doce were enrolled. The PGGL, aimed at future Heads of Perishables from Recheio, enrolled nine trainees.

With the objective of qualifying operators for the Perishables areas, the different Pingo Doce regions put into operation various courses for operators in the Butcher's, Bakery, Delicatessen and Take-Away, Fishery and Fruit and Vegetables areas. There were 1,002 participants on those courses, with a total of 231,730 hours of training.

Training in Perishables, considered to be a strategic business area, has a team comprising 38 permanent trainers. In 2015, 520,190 hours of training were recorded, covering 6,893 employees.

With the objective of reinforcing customer service quality as a means of differentiating from competition and as a key factor for customer loyalty, we continued the "5 Star Service", a project for developing and implementing a culture of service.

In 2015, the "This Pingo Doce has a 5 Star Service" project was developed, aimed at 10 pilot stores. Around 170 employees received training within this project, resulting in a volume of 1,600 hours of training. In Poland, training programmes for senior managers were conducted, covering around 116 professionals, which included 360º assessment sessions.

Within the scope of the "Management Academy" leadership development programme, 190 new managers were trained, including new area managers.

The Biedronka Management Academy has continued with its purpose of developing technical training programmes for store managers and deputy store managers, which included 571 and 1,278 employees, respectively. Equally of note is the store training course which included 482 store managers and cashiers. The Perishables School was also responsible for training around 13,400 store operators.

In Colombia, the year was marked by the implementation of an on-the-job training model complemented by placing televisions in the stores to broadcast videos with a technical content aimed at employees that had recently joined and employees who had started new professional challenges, as a result of promotion or internal mobility, especially store managers and operators.

To ensure the quality of product handling in the operation, 587 employees were trained in the best existing techniques.

Also in Colombia, a programme began called "Trainer of Trainers", aimed at a total of 279 employees who hold management positions, and a leadership programme aimed at 70 employees, covering all the critical positions in the operations.

| Training Indicators | 2015 | 2014 | Δ2015/2014 |
|---|---|---|---|
| Total No. of Sessions | 49,752 | 45,942 | +8% |
| Training Volume * | 2,605,285 | 2,876,837 | -9% |

** Training volume = No. training hours x No. employees in training*

## Programmes for Joining the Job Market

Aware of its positioning as a major employer, the Group has maintained various partnerships with organisations and teaching establishments in Portugal, aimed at providing the possibility of on-the-job training for certain groups of especially vulnerable citizens in terms of access to the job market, where the following protocols are highlighted:

- Serviço Jesuíta aos Refugiados (JRS – Jesuit Refugee Service) – within the scope of the "Capacitação 4 Job Programme" (Training for Job) financed by the European Economic Area Grants, a fund managed by Fundação Callouste Gulbenkian, 36 young migrants had access to practical on-the-job training in Pingo Doce stores or in the Odivelas Central Kitchen, along with a personal development path which includes learning the Portuguese language and culture developed by that institution.
- Casa Pia de Lisboa – during the 4th year of co-operation, seven young people had access to on-the-job training.
- Associação Portuguesa do Síndroma de Asperger (APSA – Portuguese Association of Asperger Syndrome) – by integrating two young people in practical on-the-job training.
- Aldeias SOS (SOS Villages) – five young people had access to practical on-the-job training in Pingo Doce stores.
- Rumo, Cooperativa de Solidariedade Social – five young people had access to practical on-the-job training in Pingo Doce stores.
- Portuguese Institute of Employment and Professional Training (IEFP) – through which more than 70 trainees had access to curricular internships requested by the Job Centres.

In Colombia, the partnership with SENA – Servicio Nacional de Aprendizaje (National Learning Service) enabled 30 students to have on-the-job training at Ara.

## 8.5. Safety in the Workplace

"Zero Accidents Tolerance" is the commitment undertaken by the Group in order to promote safety in the workplaces, adopting a strategy for prevention.

In Portugal, various initiatives were developed with the objective of promoting a culture of safety within the Group, including the commemoration of "Safety Day", marking the World Safety in the Workplace Day, the attribution of the "Prevention and Safety in the Workplace Award" recognising the employees with the best performance in adopting prevention measures, and themed workshops.

In addition, the procedures relating to employee induction were reviewed for their content to be in line with the above-mentioned topics.

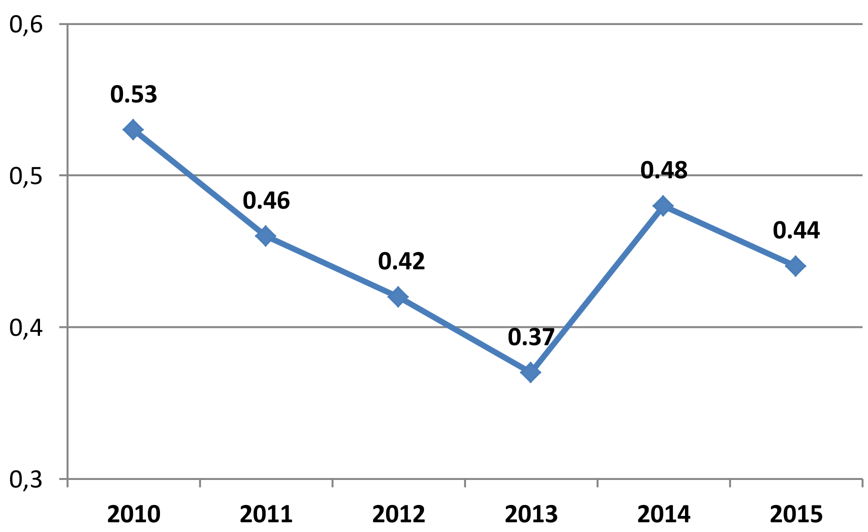
In the other countries, the strategy for preventing workplace accidents and occupational illnesses was maintained.

In Poland, the prevention and training especially developed for Distribution Centres are worth mentioning.

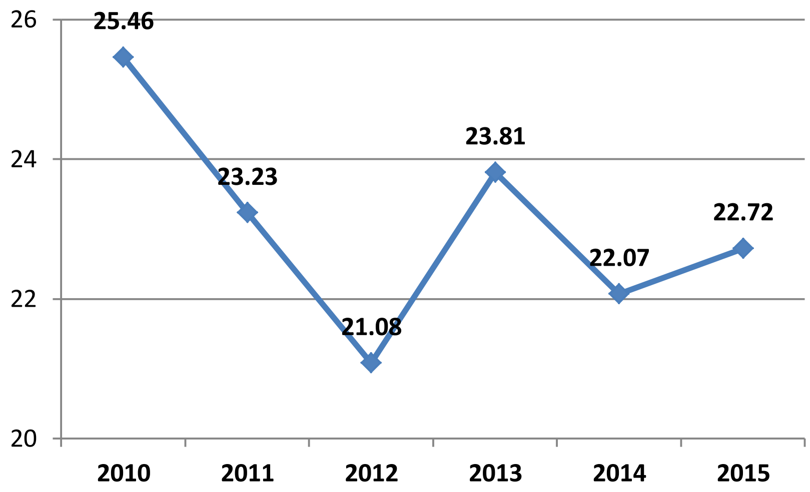
In Colombia, a psychosocial risks questionnaire was implemented having an answer rate of over 60%. This questionnaire had the objective to establish an action plan that aims to prevent these types of risks in the Company.

### Aggregate Safety in the Workplace Indicators

#### Severity Rate



## Frequency Rate




## Portugal

The following initiatives in the Distribution area are worth highlighting:

- 3,200 training hours on Health and Safety in the Workplace;
- 249 simulations;
- 520 audits.

The following activities in the Restaurants and Services area are worth highlighting:

- 24 training hours on Health and Safety in the Workplace;
- 68 audits.

## Poland

The following initiatives in the different Companies are worth highlighting:

- 31,906 training hours on Health and Safety in the Workplace;
- 130 simulations;
- 1,401 audits.

## Colombia

The following actions were carried out:

- 108 training hours on Health and Safety in the Workplace;
- 98 simulations;
- 108 audits.

In 2015, 24,313 health check-ups were carried out in Portugal, 54,873 in Poland and 1,487 in Colombia.

## 8.6. Internal Social Responsibility

Through the Internal Social Responsibility area, the Group maintains its contribution towards the continuous improvement of the quality of the lives of the employees and their families.

Following the survey conducted in 2014, we gauged the employees' satisfaction with the measures developed and we mapped out their main needs. In Portugal, the investment in Health was the main priority.

In Poland, the 18 programmes were maintained, divided between the "Health", "Education" and "Family Well-Being" action pillars.

### Health

The "Mais Vida" (More Life) programme, created in partnership with the Fundação Champalimaud and the Portuguese Red Cross, provides complementary support to employees and members of their families suffering from cancer. Through this programme, employees, spouses and children benefit from the services of a second medical opinion at an international benchmark institution, from psychological support for the entire family unit, from transport for consultation and/or treatment and also from home support.

The "Famílias Especiais" (Special Families) programme, which is aimed at families with children and young people with neurological diseases, was launched providing answers and effective support that is complementary to that offered by the National Health System. It includes three main aspects: complementary therapies (Hydrotherapy and Riding Therapy), therapies at home (Physiotherapy, Speech Therapy and Occupational Therapy) and rest for the carer at home. This investment aims to contribute towards increasing the quality of life of employees and their children with special needs, as well as fostering their dignity and well-being.

A protocol with a wider scope was established with the Grupo Lusíadas Saúde, with a view to providing access to speciality consultations and treatment at competitive prices, at a benchmark health group in Portugal. This was widely used by the employees, especially regarding access to gynaecology and obstetrics, dermatology and ophthalmology consultations.

In 2015, the 3rd edition of the "SOS Dentista" (SOS Dentist) programme took place. Its objective is to support employees with lower incomes in carrying the burden of their dental treatment and to promote oral health, as such enabling an improvement of their quality of life. In this edition, 1,800 enrolments were registered.

The challenge of growing up represents a phase of change and adaptation for children and young people, which sometimes creates difficulties for the children and the parents. Being aware of this, we extended the "Programa de Psicologia Infantil e Juvenil" (Child and Juvenile Psychology Programme) to the district of Porto so that it is now present in the two largest regions of Portugal. Within the scope of this programme, 106 children/young people received follow-up.

In Poland, the "Let's Take Care of Our Health" programme enabled more than 4,400 employees to have access to free health screening, notably for breast cancer, cervix cancer and prostate cancer, cardiovascular diseases and to have clinical analyses, as well as access to general practitioners. In 2015, the employees benefited for the first time from Ophthalmology and Dentistry consultations, and from telephone consultations in Nutrition and Psychology.

The programme of free seasonal flu vaccination covered 585 employees.

Also in Poland, the "Programme for Supporting Children with Special Needs on a Medical Level" includes access to medication, rehabilitation, surgery, psychological help for the families, and participation in holiday camps for rehabilitation concerning autism and physical disabilities. In 2015, a rehabilitation camp for children with respiratory problems was organised. Around 90 children participated in the above-mentioned holiday camps.

In 2015, more than 1.3 million euros was invested within the scope of this pillar.

## Education

In Portugal, we launched the 4th edition of the "Bolsas de Estudo" (Scholarship) programme, which is for employees and their children who, despite not having the financial means, wish to enrol or re-enrol in higher education. 88 scholarships were attributed for the 2015/2016 academic year. Since being launched in 2012, 242 scholarship holders have benefited from this measure.

Within the scope of the "Regresso às Aulas" (Back to School) campaign, 5,100 school kits were offered to children of employees in Portugal and Poland who started the 1st year of primary school.

In Poland, the "To School with Biedronka" programme was launched, whereby a contribution was made of 80% of the value of the school books of children of employees with economic difficulties.

Also within this area of action, we promoted "Campos de Férias de Verão" (Summer Holiday Camps) both in Portugal and in Poland, in which over 2,300 children participated. Also noteworthy is the "Campos Férias em Inglaterra" (Holiday Camp in England) in which 44 children of employees participated from both countries.

In 2015, more than 1.3 million euros was invested within the scope of this pillar.

## Family Well-Being

In the Family Well-Being area, we celebrated Children's Day and Christmas, by offering a total of 116,975 presents in Portugal and in Poland, 50,390 on Children's Day and 66,585 at Christmas. In 2015, some changes to the "Kit Bebé" (Baby Kit) were introduced in Portugal, notably handing over a 125 euros voucher to buy nappies and baby milk. In Portugal and in Poland 4,278 kits were attributed.

In Portugal, the "Fundo de Emergência Social" (FES – Social Emergency Fund) supported 912 employees, corresponding to around 2,400 support measures divided between the areas of food, health, education, legal advice and financial guidance. Compared to previous years, there was an increase in the support in the health area to the detriment of food support.

The FES has a network of 180 voluntary employees – the "Ambassadors" – who provide on the-ground follow-up to the employees supported by this Fund. The Ambassadors receive the technical and behavioural training they need for their mission. This training is complemented by a newsletter which, among other topics, provides information on the State responses to the problems identified and discloses a bi-monthly report on the current situation of the cases being followed-up.

In Poland, the "You Can Count on Biedronka" programme supported more than 8,000 employees in situations of economic difficulty.

Also in Poland, various of our employees' sports activities were sponsored, notably football or volleyball, thereby aiming to encourage them to play sports and have a healthy lifestyle.

In 2015, over 14.8 million euros was invested within this pillar.

## 8.7. Corporate Culture and Engagement

The main objectives of the Corporate Culture and Engagement area are to reinforce the Group's culture and values, the feeling of belonging and employee motivation, and to develop all the internal communication supporting Human Resources.

In 2015, the first "Organisational Environment Questionnaire" was carried out amongst employees of all the Companies in Portugal. With a response rate of 85%, this questionnaire enabled us to actively listen to the employees, to find out their level of commitment, to gauge the best practices in existence within the organisation, and to identify the key areas to be improved, both globally and locally.

The same questionnaire will be implemented in Poland and Colombia in the following years.

# 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 2015, as part of the Meal Solutions business unit, the amounts of fat, salt and sugar in the recipes were analysed in order to reformulate them. Based on the Mediterranean Diet, the fats considered saturated have been replaced by olive oil. It was thus possible to avoid placing over 670 kilograms of fat on the market.<br><br>The salt content has also been reduced in certain meals, such as soups, avoiding 3.7 tonnes to be put on the market.<br><br>For detailed information on the innovation and reformulation of Private Brand products, please refer to sub-chapter 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) and the "Novidades da Nossa Marca" (Novelties of Our Brand) leaflets, with 160 thousand and more than 350 thousand copies, respectively, of their average circulation, highlighting the healthier preparation of products and the offers of the Pingo Doce brand. In Poland, the campaign "Czytaj Etykiety" (Read the Labels) was promoted along with the Polish Institute for Food and Nutrition, and information leaflets were distributed in all Biedronka stores. In selected stores nutritional advice was given by specialists.<br>For more information about campaigns carried out please refer to sub-chapter 4. Promoting Good Health through Food. |
| | Increase the number of references of the lactose and gluten free ranges, in Private Brands in Portugal and Poland. | In progress. This year, 13 reference gluten-free products and two references without lactose were launched in Poland. In Portugal, seven references of the brand Pura Vida "0% Lactose" were launched. |
| | In Portugal, ensure that products intended for children have a higher nutritional profile to market benchmark. | In progress. Two of the yoghurt references targeted at the children's segment, "Petit Líquido", saw their fat content reduced by over 55%, thus avoiding over two tonnes of fat being placed on the market. Vitamin D, essential for bone formation, was also added to these yoghurts.<br>Given the benchmark, and for each 100 grammes of product, in the case of the "Strawberry" reference, the fat content is 14% less and the fruit content 80% higher. Also in the "Strawberry-Banana" reference there is a fat content of 10% less and 15% more fruit. |
| | In Portugal, develop and implement nutritional information in the Meal Solutions area. | In progress. |

| Action pillars | Commitments for 2015-2017 | Progress |
|---|---|---|
| | In Portugal, in the Meal Solutions area, test meals for consumers with special dietary needs or those looking for other food options. | In progress. During 2015, seven meals of dishes targeted at vegetarians or consumers seeking healthier options were tested. Every week these are available in the Pingo Doce restaurants. |
| | In Portugal, continue to develop and implement nutritional information in the Bakery. | Accomplished. All Pingo Doce's Private Brand packed references had nutritional information on their packaging. |
| **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. In 2015 the reduction of the Group's carbon footprint (per €1,000 of sales) was 5.8%, compared to 2014. |
| | 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. In 2015, water and energy consumption had an increase of 1.5% and of 1.0%, respectively, compared to 2014 (considering the same store network in Portugal and Poland). |
| | 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. In 2015, there was an increase of 0.6 p.p. of waste sent to landfill when compared to 2014. |
| | 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 13 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 2015, the Food Distribution banners in Portugal, Poland and Colombia met this commitment by buying at least 80% of food products from local suppliers. |
| | Continue to introduce sustainability certificates (UTZ certification, Fairtrade, MSC, EU-Ecolabel or others) for at least:<br>• Private Brand (two products);<br>• Perishables (four products). | In progress. The Group launched five Private Brand references with UTZ certified cocoa (two in Portugal and three in Poland).<br>Pingo Doce launched a reference cod (*Gadus morhua* species) from Norway, certified by the Marine Stewardship Council (MSC) and three new cleaning UltraPro detergent references with the EU-Ecolabel European ecological certification. Biedronka launched a fresh cod loin reference certified by the MSC. |
| | Reduce by 5% the presence of palm oil in the total sales of Private Brand products. | In progress. The calculation of the presence of palm oil and the assessment of the countries of origin of the commodities production (soy-beans, beef, timber and paper) are made during the preparation of the official response of the Group to the |

| Action pillars | Commitments for 2015-2017 | Progress |
|---|---|---|
| | Reduce by 5% soy, beef, wood and paper products and from countries at risk of deforestation. | Carbon Disclosure Project (CDP) index, in the "Forests" segment. This is one of the Group's commitments, undertaken at The Consumer Goods Forum to reach "zero net deforestation" by 2020. For details on the actions of the Group in this area, information will be made available during the first half of 2016 at www.jeronimomartins.pt and at www.cdp.net. |
| **Supporting Surrounding Communities** | Monitoring and dissemination of the social impacts resulting from the supports offered, according to the London Benchmarking Group model (LBG). | Accomplished. The results are reported 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. | Accomplished. Support for the "Academia do Johnson" community project was started. For more details, see sub-chapter 7. Supporting Surrounding Communities. |
| | 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 support the development of institutionalized children from families with economic difficulties. |
| | In Poland, further develop the programme to combat child malnutrition, under the project "Partnerstwo dla Zdrowia" (Partnership for Health):<br>- increase the number of schools by at least 5% in each academic year. | Not accomplished. In 2015, in this multi-stakeholder platform, the increase of schools covered by the programme "Sniadanie Daje Moc" (Breakfast Gives You Strength) was of 1.4%, which corresponds to 100 schools. A total of 7,300 were included in this programme, a figure that represents over 60% of primary schools in the country. The programme's objectives are to strengthen the commitment to the schools covered and to invest in more communication campaigns. Throughout 2016 this target will be reviewed with regard to its annual target. |
| | In Colombia, continue to support the programme "Madres Comunitarias" (Community Mothers), supporting two community nurseries, for each Ara store opened. | Accomplished. The programme was expanded to another 147 nurseries – in conformity with Ara's expansion, regularly supplying food products to a total of 262 community nurseries. The number of children covered increased by over 2 thousand to around 3,400 children. |
| | In Colombia, extend the involvement in social projects such as Aldeas Infantiles SOS Colombia (SOS Children's Villages) and the Abaco Foundation for the donation in food products. | Accomplished. The Aldeas Infantiles SOS Colombia (SOS Children's Villages) project was extended to the second region of Ara operations, in the Caribbean Coast. Being an indirect support, through the voluntary rounding up of the value of customers' purchases for this cause, more than 950 children and 675 families were supported in the municipalities of Ríosucio and Bolívar. To find out more, see sub-chapter 7. Supporting Surrounding Communities. |

| 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:<br>i. continuously improving the employees' working conditions;<br>ii. supporting the quality of life of our families in the different geographical areas in which we operate. | In progress. Relaunch of the Employee Assistance Service in Poland, as a support channel in implementing the Code of Conduct and in the processing of requests for help.<br><br>A salary review model was developed and implemented, aiming to foster internal fairness.<br><br>The Internal Social Responsibility area has launched new projects, including:<br><br>- "Mais Vida" (More Life), aimed at getting a second opinion for cancer patients, be they employees, spouses or children.<br>- "Go to School with Biedronka" through which the costs of the school books of the children of employees in a difficult economic situation are reimbursed at 80% of their value.<br><br>To find out more, see sub-chapter 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.<br><br>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.<br><br>Chapter V – "Corporate Responsibility in Value Creation"; subchapter 8 – "Being a Benchmark Employer", section 8.2 "Principles and Values". |

# VI. Individual Annual Report

**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, SGPS, S.A.

## PUBLIC COMPANY

## MANAGEMENT REPORT

## Financial year 2015

Jerónimo Martins (JMH) has a portfolio of investments which controls a set of businesses that comprise Food Distribution in Portugal (Pingo Doce and Recheio), in Colombia (Ara) and in Poland (Biedronka, Hebe and Apteka Na Zdrowie), the Manufacturing sector through Unilever Jerónimo Martins and Gallo Worldwide, Specialised Retail (Hussel, Olá and Jeronymo), Marketing Services and Representations (JMDPC) and in Agro Business sector.

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

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, was EUR 19,619 thousand.

## 1. The Group's operational performance and outlook for 2015

The Group's business activities are analysed in detail in the Consolidated Management Report that accompanies the 2015 Consolidated Financial Statements.

## 2. Company's performance

JMH, as the Holding and manager of company holdings, presented negative operating results of EUR 4,991 thousand in 2015, which represents a decrease of EUR 2,485 thousand compared with 2014. This decrease is due, mainly, to the increasing reinforcement of JMH competences as corporate center of the Jerónimo Martins Group.

For 2015, the EUR 266,231 thousand gains in subsidiaries (EUR 323,509 thousand in 2014), are, essentially, due to dividends received from companies in which JMH has a direct shareholding, and as such they correspond to previous years consolidated results. Under the current tax legislation, this dividend income is exempt from taxation as it was already considered for Income Tax purposes in the companies which generated them.

The financial results were EUR 120 thousand (negative EUR 2,904 thousand in 2014). This result was mainly due to the average financial debt reduction during the year. When compared with previous year, the financial debt increased BY EUR 211,036 thousand, to EUR 161,615 thousand (in 2014 the financial debt was negative EUR 49,421 thousand). This financial debt increase is mainly due to the decrease in dividends received from subsidiaries as well as increase in loans granted to subsidiaries.

The Net Profit of the year was EUR 260,488 thousand (EUR 317,223 thousand in 2014), coming mainly from the dividends distributed by its subsidiaries.

## 3. Information on environmental matters

There are no significant environmental matters likely to affect the Company's financial performance and situation, and the Company is unaware of any environmental contingent liability concerning environmental matters. As a result, the Company did not recognise any relevant costs or investment of an environmental nature in its Financial Statements.

## 4. Results appropriation proposal

In the financial year of 2015, Jerónimo Martins, SGPS, S.A. declared consolidated profits of EUR 333,341,727.01 and a profit in the individual accounts of EUR 260,487,957.66.

In accordance with the dividend distribution policy outlined in point 7 of the Consolidated Management Report chapter of the Group's Annual Report, the Board of Directors proposes to the Shareholders that the net profits of the year be applied in the following manner:

- Legal Reserve .......................... 13,024,397.88 euros.
- Free Reserves .......................... 80,928,491.48 euros.
- Dividends ................................ 166,535,068.30 euros.

This proposal represents a gross dividend payment of 0.265 euros per share, excluding own shares in the portfolio.

## 5. Statements for legal purposes

Under the law, the Board of Directors is required to provide the following information:

a) In addition to the above mentioned facts and those that are given in greater detail in the Report that accompanies the Group's Consolidated Financial Statements for 2015, no other situation after the end of the year has come to the Board of Director's knowledge which warrants special mention;

b) Under the terms of Article 21 of Decree-Law no. 411/91, there are no debts of arrears of payments to Social Security;

c) Under the terms of the paragraph 2, article 324 of the Portuguese Commercial Companies Code, there were no purchases or sales of own shares, and therefore the number of own shares held at the end of 2015 was 859,000 shares, the same as on 31 December 2014;

d) The information regarding subsequent events, shareholdings in the Company's equity by Members of the Board of Directors and Statutory Auditor and the list of shareholders with Qualifying Holdings, can be found in the Consolidated Management Report.

Lisbon, 1 March 2016

**The Board of Directors**

**INCOME STATEMENT BY FUNCTIONS**
**FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014**

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| Services rendered | 31 | 19,619 | 18,677 |
| Cost of the services rendered | 3 | (12,942) | (11,299) |
| **Gross profit** | | **6,677** | **7,378** |
| Other operating revenues | 3 | 769 | 251 |
| Administrative costs | 3 | (6,102) | (4,208) |
| Other operating costs | 3 | (6,485) | (5,781) |
| Exceptional operating profits (losses) | 10 | 150 | (146) |
| **Operating profit** | | **(4,991)** | **(2,506)** |
| Net financial costs | 5 | 120 | (2,904) |
| Gains (losses) in subsidiaries | 8 | 266,231 | 323,509 |
| Gains (losses) in other investments | 9 | 194 | 193 |
| **Profit (loss) before taxes** | | **261,554** | **318,292** |
| Income taxes | 7.1 | (1,066) | (1,069) |
| **Net profit (loss)** | | **260,488** | **317,223** |
| Basic and diluted earnings per share – euros | 21 | 0.415 | 0.505 |

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014**

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Net profit (loss)** | | **260,488** | **317,223** |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurements of post-employment benefit obligations | 4.2 | (770) | (2,067) |
| Related tax | 7.3 | 173 | 434 |
| | | **(597)** | **(1,633)** |
| **Items that may be reclassified to profit or loss** | | | |
| Change in fair value of cash flow hedges | 26 | - | 593 |
| Change in fair value of available-for-sale financial assets | 16 | (94) | (202) |
| Related tax | 7.3 | 21 | 726 |
| | | **(73)** | **1,117** |
| **Other comprehensive income, net of taxes** | | **(670)** | **(516)** |
| **Total comprehensive income for the year** | | **259,818** | **316,707** |

To be read with the attached notes to the Individual Financial Statements

## BALANCE SHEET AS AT 31 DECEMBER 2015 AND 2014

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Assets** | | | |
| Tangible assets | 11 | 601 | 476 |
| Intangible assets | 12 | 431 | 415 |
| Investment property | 13 | 2,470 | 2,470 |
| Investments in subsidiaries | 14 | 667,946 | 667,946 |
| Loans to subsidiaries | 15 | 664,050 | 562,400 |
| Available-for-sale financial assets | 16 | 274 | 368 |
| Deferred tax assets | 7.3 | 5,496 | 5,795 |
| Other debtors | 17 | 19,367 | 19,367 |
| **Total non-current assets** | | **1,360,635** | **1,259,237** |
| Income tax receivable | 7.4 | 166 | 1,298 |
| Loans to subsidiaries | 15 | 27,300 | 43,100 |
| Trade debtors, accrued income and deferred costs | 17 | 13,212 | 15,360 |
| Cash and cash equivalents | 18 | 122 | 49,413 |
| **Total current assets** | | **40,800** | **109,171** |
| **Total assets** | | **1,401,435** | **1,368,408** |
| **Shareholders' equity and liabilities** | | | |
| Share capital | 20.1 | 629,293 | 629,293 |
| Share premium | 20.1 | 22,452 | 22,452 |
| Own shares | 20.2 | (6,060) | (6,060) |
| Other reserves | 20.3 | (230) | (157) |
| Retained earnings | 20.4 | 562,201 | 691,939 |
| **Total shareholders' equity** | | **1,207,656** | **1,337,467** |
| Borrowings | 22 | 100,000 | - |
| Employee benefits | 4.2 | 18,923 | 19,325 |
| Provisions for risks and contingencies | 24 | 5,016 | 6,038 |
| Deferred tax liabilities | 7.3 | 1,300 | 1,077 |
| **Total non-current liabilities** | | **125,239** | **26,440** |
| Trade creditors, accrued costs and deferred income | 25 | 6,688 | 4,501 |
| Borrowings | 22 | 61,852 | - |
| Derivative financial instruments | 26 | - | - |
| **Total current liabilities** | | **68,540** | **4,501** |
| **Total shareholders' equity and liabilities** | | **1,401,435** | **1,368,408** |

To be read with the attached notes to the Individual Financial Statements

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Euro thousand

| | Notes | Share capital | Share premium | Own shares | Other reserves | Retained earnings | Shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1st January 2014** | | **629,293** | **22,452** | **(6,060)** | **(1,699)** | **568,446** | **1,212,432** |
| Change in fair value of available-for-sale financial assets | | | | | | | |
| - Gross amount | 16 | | | | 1,048 | (1,250) | (202) |
| - Deferred tax | 7.3 | | | | 46 | 825 | 871 |
| Remeasurements of post-employment benefit obligations | | | | | | | |
| - Gross amount | 4.2 | | | | | (2,067) | (2,067) |
| - Deferred tax | 7.3 | | | | | 434 | 434 |
| Change in fair value of cash flow hedges | | | | | | | |
| - Gross amount | 26 | | | | 593 | | 593 |
| - Deferred tax | 7.3 | | | | (145) | | (145) |
| **Other comprehensive income** | | **-** | **-** | **-** | **1,542** | **(2,058)** | **(516)** |
| Net Profit in 2014 | | | | | | 317,223 | 317,223 |
| **Total comprehensive income** | | **-** | **-** | **-** | **1,542** | **315,165** | **316,707** |
| Dividend payment | 20.5 | | | | | (191,672) | (191,672) |
| **Balance as at 31st December 2014** | | **629,293** | **22,452** | **(6,060)** | **(157)** | **691,939** | **1,337,467** |
| Change in fair value of available-for-sale financial assets | | | | | | | |
| - Gross amount | 16 | | | | (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 |
| Change in fair value of cash flow hedges | | | | | | | |
| - Gross amount | 26 | | | | - | | - |
| - Deferred tax | 7.3 | | | | - | | - |
| **Other comprehensive income** | | **-** | **-** | **-** | **(73)** | **(597)** | **(670)** |
| Net profit in 2015 | | | | | | 260,488 | 260,488 |
| **Total comprehensive income** | | | | | **(73)** | **259,891** | **259,818** |
| Dividend payment | 20.5 | | | | | (389,629) | (389,629) |
| **Balance as at 31st December 2015** | | **629,293** | **22,452** | **(6,060)** | **(230)** | **562,201** | **1,207,656** |

To be read with the attached notes to the Individual Financial Statements

## CASH FLOW STATEMENT

## FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Euro thousand

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash received from customers and other debtors | | 24,475 | 21,809 |
| Cash paid to suppliers | | (18,561) | (17,621) |
| Cash paid to employees | | (10,023) | (9,697) |
| Cash generated from operations | 19 | (4,109) | (5,509) |
| Interest and other similar costs paid | 5 | (133) | (3,894) |
| Income taxes paid | | 2,404 | (7,517) |
| **Cash flow from operating activities** | | **(1,838)** | **(16,920)** |
| **Investment activities** | | | |
| Repayment of loans and capital contributions from subsidiaries | 15 | 25,550 | 43,202 |
| Disposals of tangible assets | 11 | 9 | 4 |
| Interest received | 8 | 6,410 | 8,054 |
| Dividends received | 8 | 259,900 | 315,500 |
| Acquisition of investments in subsidiaries | 14 | - | (18) |
| Loans and capital contributions given to subsidiaries | 15 | (111,400) | (3,275) |
| Acquisition of other financial assets | 16 & 17 | - | (19,598) |
| Acquisition of tangible assets | 11 | (218) | (108) |
| Acquisition of intangible assets | 12 | (265) | (259) |
| **Cash flow from investment activities** | | **179,986** | **343,502** |
| **Financing activities** | | | |
| Received from loans | 22 | 161,852 | - |
| Interest and similar income received | 5 | 338 | 298 |
| Repayment of loans | 22 | - | (100,000) |
| Dividends paid | 20.5 | (389,629) | (191,672) |
| **Cash flow from financing activities** | | **(227,439)** | **(291,374)** |
| **Net changes in cash and cash equivalents** | | **(49,291)** | **35,208** |
| **Cash and cash equivalents changes** | | | |
| Cash and cash equivalents at the beginning of the year | | 49,413 | 14,205 |
| Net changes in cash and cash equivalents | | (49,291) | 35,208 |
| **Cash and cash equivalents at the end of the year** | **18** | **122** | **49,413** |

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 investments in Group Companies. The activities of the Group and its performance during the year 2015 are detailed in Chapter II of the Group's Consolidated 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: 500 100 144

JMH has been listed on the Euronext Lisbon since 1989.

The Board of Directors approved these Individual Financial Statements on 1 March 2016.

## 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 and 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 2015.

The Financial Statements were prepared in accordance with the historical cost principle, except for investment property, derivative financial instruments, 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 ultimately may 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 2014, the EU issued the following Regulations, which were adopted by JMH from beginning of 2015:

| EU Regulation | IASB Standard or IFRIC Interpretation endorsed by EU | Issued in | Mandatory for financial years beginning on or after |
|---|---|---|---|
| Regulation no. 1361/2014 | Annual Improvements to IFRS's 2011–2013 Cycle: IFRS 1 First-time Adoption of IFRS, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property (Amendment) | December 2013 | 1 January 2015 |

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 without effective application in the financial year beginning on 1 January 2015 and not early adopted

The EU adopted several improvements to IFRS, issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC):

| 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 20104 | 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 |

These amendments to the standards are effective for annual periods beginning on or after 1 February 2015 and have not been applied in preparing these Individual Financial Statements. None of these amendments is expected to have a significant impact on JMH Individual Financial Statements.

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

IASB issued in 2014 the following standards and amendments 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 15 Revenue from Contracts with Customers (new) | May 2014 | 1 January 2018 |
| IFRS 9 Financial Instruments (new) | July 2014 | 1 January 2018 |
| 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 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 |

[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 decided to defer indefinitely the endorsement of these changes.

Management is currently evaluating the impact of adopting these new standards and amendments to standards already in place, and do not expect any significant impact on the JMH Individual Financial Statements.

### 2.1.4 Change of accounting policies

In addition to the above, JMH has not changed its accounting policies during 2015, 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 it retains a portion but not substantially all the risks and rewards of ownership, JMH has transferred control over the assets.

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 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 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 13) and deferred tax assets (note 7.3), all other JMH 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.

This category includes the investments in subsidiaries. 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, based 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 loss 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 were 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 the 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 situation, 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%, the impact in JMH accounts would be the following:

| | Impact on JMH accounts | |
|---|---|---|
| | Income statement | Other comprehensive income |
| Rate increase of 1% | 190 | 47 |

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 outliers 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 [1.70% - 2.10%]
- Extended range [1.50% - 2.30%]

Based on these results, JMH has decided to reduce its discount rate from 2.0% to 1.75%.

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 | 1.75% | 0.50% | (752) | 805 |
| Salary growth rate | 2.50% | 0.50% | 19 | (18) |
| Pension growth rate | 2.50% | 0.50% | 785 | (733) |
| Life expectancy | TV 88/90 | 1 year | 1,098 | (1,056) |

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 significantly 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 discount 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 with 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 NYSE 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 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.

| 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** | **-** | **-** | **-** | **-** |

| 2014 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Available-for-sale financial assets | | | | |
| Equity investments | 368 | 368 | - | - |
| Investment property | 2,470 | - | - | 2,470 |
| **Total assets** | **2,838** | **368** | **-** | **2,470** |
| **Liabilities measured at fair value** | | | | |
| **Total liabilities** | **-** | **-** | **-** | **-** |

## 2.11 Financial instruments by category

| | 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 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| **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** |
| Debtors and accrued income | 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** |
| Creditors and accrued costs | - | - | 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** |

| | 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 |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 49,413 | - | - | **49,413** | - | **49,413** |
| Available-for-sale financial assets | - | 368 | - | **368** | - | **368** |
| Loans to subsidiaries | 605,500 | - | - | **605,500** | - | **605,500** |
| Debtors and accrued income | 31,956 | - | - | **31,956** | 2,771 | **34,727** |
| Other non-financial assets | - | - | - | **-** | 678,400 | **678,400** |
| **Total assets** | **686,869** | **368** | **-** | **687,237** | **681,171** | **1,368,408** |
| **Liabilities** | | | | | | |
| Borrowings | - | - | - | **-** | - | **-** |
| Creditors and accrued costs | - | - | 1,507 | **1,507** | 2,994 | **4,501** |
| Other non-financial liabilities | - | - | - | **-** | 26,440 | **26,440** |
| **Total liabilities** | **-** | **-** | **1,507** | **1,507** | **29,434** | **30,941** |

## 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.

### 3.1 Operational costs by nature

| | 2015 | 2014 |
|---|---|---|
| Supplies and services | 12,465 | 10,338 |
| Rents | 1,065 | 1,064 |
| Staff costs | 10,540 | 9,083 |
| Depreciations and amortizations | 378 | 377 |
| Other operational (profit) loss | 312 | 175 |
| | **24,760** | **21,037** |

## 4. Employees

### 4.1 Staff costs

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 7,515 | 5,761 |
| Social security | 1,380 | 1,302 |
| Employee benefits (see note 4.2) | 544 | 1,004 |
| Other staff costs | 951 | 1,162 |
| | **10,390** | **9,229** |

Other staff costs include labour accident insurance, social responsibility costs, training costs, and indemnities, among others. The number of employees at the end of 2015 was 114 (2014 was 96). The average number of employees during the year was 105 (94 in 2014).

In 2015, the difference between the total staff costs stated in note 3.1, and the total amount of note 4.1, in the amount of EUR 150 thousand, refers to exceptional operating costs associated with the change in the actuarial assumptions. In 2014, the same difference, in the amount of EUR 146 thousand, referred to exceptional operating costs associated with the change in the actuarial assumptions (EUR 90 thousand) and exceptional operating costs related with restructuring plans (EUR 56 thousand).

### 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 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 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:

| | 2015 | 2014 |
|---|---|---|
| Retirement benefits - Defined contribution plan | - | - |
| Retirement benefits - Defined benefit plan paid for by the Group | 18,385 | 18,691 |
| Seniority awards | 538 | 634 |
| **Total** | **18,923** | **19,325** |

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

| | Income statement | | Other comprehensive income | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Retirement benefits - Defined contribution plan | 265 | 270 | - | - |
| Retirement benefits - Defined benefit plan paid for by the Group | 360 | 586 | 770 | 2,067 |
| Seniority awards | (81) | 148 | - | - |
| **Total** | **544** | **1,004** | **770** | **2,067** |

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 | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| **Balance as at 1 January** | **-** | **-** | **18,691** | **17,480** | **634** | **498** |
| Interest costs | - | - | 360 | 586 | 13 | 18 |
| Current service cost | 265 | 270 | - | - | 56 | 40 |
| Actuarial (gains)/losses | | | | | | |
| Changes in demographic assumptions | - | - | - | - | - | - |
| Changes in financial assumptions | - | - | 373 | 2,168 | 9 | 75 |
| Changes in experience | - | - | 397 | (101) | (159) | 15 |
| Contributions or retirement pensions paid | (265) | (270) | (1,436) | (1,442) | (15) | (12) |
| **Balance as at 31 December** | **-** | **-** | **18,385** | **18,691** | **538** | **634** |

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

| | **2015** | **2014** |
|---|---|---|
| Mortality table | TV 88/90 | TV 88/90 |
| Discount rate | 1.75% | 2.0% |
| 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 and experience in each country.

### Expected future payments

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

| | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| Retirement benefits - Defined benefit plan paid for by the Group | 1,376 | 1,316 | 1,256 | 1,196 | 1,132 |
| Seniority awards | 33 | 79 | 20 | 46 | 65 |
| **Total** | **1,409** | **1,395** | **1,276** | **1,242** | **1,197** |

## 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.

| | **2015** | **2014** |
|---|---|---|
| Interest expense | (35) | (2,734) |
| Interest received | 196 | 114 |
| Other financial costs and gains | (41) | (284) |
| **Net financial costs** | **120** | **(2,904)** |

Interest expenses includes the interest related with loans measured at amortised cost, as well as interest on cash flow hedge derivatives (see note 26). 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:

| | 2015 | 2014 |
|---|---|---|
| Buildings – Third parties | 6 | 6 |
| Buildings – Group | 510 | 496 |
| Vehicles – Third parties | 511 | 521 |
| IT equipment – Third parties | 30 | 34 |
| | **1,057** | **1,057** |

Apart from the costs above, there were occasional rentals throughout the year that amounted EUR 8 thousand (2014: EUR 7 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:

| | 2015 | 2014 |
|---|---|---|
| Payments in less than 1 year | 343 | 514 |
| Payments between 1 and 5 years | 367 | 574 |
| **Total future payments** | **710** | **1,088** |

All the contracts may be cancelled upon the payment of a penalty. At the end of 2015, the liabilities arising from penalty clauses were EUR 78 thousand (2014: EUR 71 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 expects, 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

| | 2015 | 2014 |
|---|---|---|
| **Current tax** | | |
| Current tax of the year | (348) | (1,112) |
| Adjustment to prior year estimation | (2) | 17 |
| | **(350)** | **(1,095)** |
| **Deferred tax** | | |
| Temporary differences originated or reversed in the year | (716) | 449 |
| Change in income tax rate | - | (423) |
| | **(716)** | **26** |
| **Total income tax** | **(1,066)** | **(1,069)** |

## 7.2 Reconciliation of effective tax rate

| | 2015 | 2014 |
|---|---|---|
| Profit/loss before taxes | 261,554 | **318,292** |
| Income tax 22.5% rate (2014: 24.5%) | (58,850) | (77,982) |
| Tax effect from: | | |
| Non-taxable or non-recoverable results | 58,336 | 77,956 |
| Non-deductible expenses | (320) | (336) |
| Change in income tax rate | - | (423) |
| Adjustment to prior year estimation | (2) | 17 |
| Results subject to special taxation | (230) | (301) |
| **Income tax for the year** | **(1,066)** | **(1,069)** |
| **Effective tax rate** | **0.41%** | **0.34%** |

In 2015, the Corporate Income Tax rate (CIT) applied to companies operating in Portugal was 21% (in 2014 it was 23%). 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:

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets | 5,496 | 5,795 |
| Deferred tax liabilities | (1,300) | (1,077) |
| | **4,196** | **4,718** |

| | 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 |
| Fair value in derivative financial instruments | - | - | - | - |
| 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** |

| | 01/01/2014 | Impact on results | Impact on equity | 31/12/2014 |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Revaluation of available for sale financial assets | - | (68) | 871 | 803 |
| Employee benefits | 4,404 | (490) | 434 | 4,348 |
| Fair value in derivative financial instruments | 145 | - | (145) | - |
| Provisions and adjustments above tax limits | 691 | (47) | - | 644 |
| | **5,240** | **(605)** | **1,160** | **5,795** |
| **Deferred tax liabilities** | | | | |
| Revaluation of assets | (194) | 16 | - | (178) |
| Other temporary differences | (1,514) | 615 | - | (899) |
| | **(1,708)** | **631** | **-** | **(1,077)** |
| **Net change in deferred tax** | **3,532** | **26** | **1,160** | **4,718** |

### 7.4 Receivable or payable income tax

Income tax reflected on the balance sheet is as follows:

| | 2015 | 2014 |
|---|---|---|
| Income tax receivable | 166 | 1,298 |
| Income tax payable | - | - |
| | **166** | **1,298** |

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.
- Jerónimo Martins – Distribuição de Produtos de Consumo, Lda.
- Jerónimo Martins – Restauração e Serviços, S.A.

## 8. Gains (losses) in subsidiaries

| | 2015 | 2014 |
|---|---|---|
| Dividends received | 259,900 | 315,500 |
| Interest from loans granted | 6,331 | 8,018 |
| Interest from loans obtained | - | (9) |
| | **266,231** | **323,509** |

## 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.

| | 2015 | 2014 |
|---|---|---|
| Rents from investment property | 194 | 193 |
| Income from short-term investments | - | - |
| | **194** | **193** |

## 10. Exceptional operating profits (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.

| | 2015 | 2014 |
|---|---|---|
| Impact of actuarial assumptions changes | 150 | (90) |
| Costs related with restructuring plans | - | (56) |
| | **150** | **(146)** |

## 11. 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.

### 11.1 Changes occurred during the 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** |

### 11.2 Changes occurred in the previous year

**Gross assets**

| | 01/01/2014 Opening balance | Increases | Disposals | Transfers and write-offs | 31/12/2014 Closing balance |
|---|---|---|---|---|---|
| Buildings and other constructions | 211 | 4 | - | - | 215 |
| Transport equipment | 93 | 74 | (25) | - | 142 |
| Tools and utensils | 2 | - | - | - | 2 |
| Office equipment | 2,131 | 34 | - | - | 2,165 |
| Other tangible assets | 389 | - | - | - | 389 |
| | **2,826** | **112** | **(25)** | **-** | **2,913** |

**Accumulated depreciation and impairment**

| | 01/01/2014 Opening balance | Increases | Disposals | Transfers and write-offs | 31/12/2014 Closing balance |
|---|---|---|---|---|---|
| Buildings and other constructions | 44 | 21 | - | - | 65 |
| Transport equipment | 78 | 11 | (21) | - | 68 |
| Tools and utensils | 2 | - | - | - | 2 |
| Office equipment | 1,900 | 76 | - | - | 1,976 |
| Other tangible assets | 326 | - | - | - | 326 |
| | **2,350** | **108** | **(21)** | **-** | **2,437** |
| **Net book value** | **476** | | | | **476** |

### 11.3 Equipment under financial lease

At the end of 2015 and 2014, there was no equipment under financial lease.

### 11.4 Guarantees

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

## 12. 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.

### 12.1 Changes occurred during the 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** |

### 12.2 Changes occurred in the previous year

**Gross assets**

| | 01/01/2014 Opening balance | Increases | Disposals | Transfers and write-offs | 31/12/2014 Closing balance |
|---|---|---|---|---|---|
| Development expenses | 941 | 210 | - | (44) | 1,195 |
| Intangible assets in progress | 44 | 49 | - | 44 | 49 |
| | **985** | **259** | **-** | **-** | **1,244** |

**Accumulated amortisation and impairment**

| | 01/01/2014 Opening balance | Increases | Disposals | Transfers and write-offs | 31/12/2014 Closing balance |
|---|---|---|---|---|---|
| Development expenses | 560 | 269 | - | - | 829 |
| | **560** | **269** | **-** | **-** | **829** |
| **Net book value** | **425** | | | | **415** |

## 13. 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 to be 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 194 thousand (2014: EUR 193 thousand). This property is valued at its market value, according to an independent valuation, and is recorded at EUR 2,470 thousand (2014: EUR 2,470 thousand).

In 2015, JMH incurred in expenses regarding this property in the amount of EUR 4 thousand (2014: EUR 6 thousand), recognised in results in other operating costs.

## 14. Investments

### 14.1 Investments in subsidiaries

| | 2015 | 2014 |
|---|---|---|
| **Net value at 1 January** | **667,946** | **667,928** |
| Increases | - | 18 |
| Decreases | - | - |
| **Net value at 31 December** | **667,946** | **667,946** |

The increase registered in 2014 refers to the incorporation of the subsidiary Origins – Agro Business Investments B.V.

The net amount in investments in subsidiaries reflects the deduction of EUR 121,026 thousand regarding impairment losses (note 24).

## 15. Loans

### 15.1 Loans to subsidiaries

| Non-current loans | 2015 | 2014 |
|---|---|---|
| **Net value as at 1 January** | **562,400** | **590,542** |
| Increases | 104,445 | 110 |
| Decreases | (2,795) | (28,252) |
| **Net value as at 31 December** | **664,050** | **562,400** |

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 | 2015 | 2014 |
|---|---|---|
| **Net value as at 1 January** | **43,100** | **54,885** |
| Increases | 6,955 | 3,165 |
| Decreases | (22,755) | (14,950) |
| **Net value as at 31 December** | **27,300** | **43,100** |

Current loans are liable to interest rates at normal market levels.

## 16. Available-for-sale financial assets

| | 2015 | 2014 |
|---|---|---|
| BCP shares | 3,936 | 3,936 |
| Fair value adjustment (note 24) | (3,662) | (3,568) |
| | **274** | **368** |

As at 31 December 2015, all BCP shares in the Company's portfolio were 5.598 million (2014: 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 2015 of Euro 0.0489 per share (2014: Euro 0.0657 per share). The changes in the fair value of these assets of negative EUR 94 thousand were recognised directly in equity (2014: negative EUR 202 thousand).

## 17. 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.

| | 2015 | 2014 |
|---|---|---|
| **Non current** | | |
| Other debtors (collateral deposits) | 19,367 | 19,367 |
| | **19,367** | **19,367** |
| **Current** | | |
| Subsidiaries and joint-ventures | 7,621 | 7,249 |
| Receivables from suppliers | 52 | 24 |
| Other debtors | 92 | 851 |
| Other taxes receivable: | | |
| Corporate income tax from previous years | 1,228 | 2,518 |
| VAT receivable | 19 | 17 |
| Accrued income | 3,832 | 4,452 |
| Deferred costs | 368 | 249 |
| | **13,212** | **15,360** |

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 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 2,006 thousand (2014: EUR 1,774 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 5,546 thousand (2014: 5,317 thousand).

Accrued income refers mainly to EUR 3,472 thousand (2014: EUR 4,198 thousand) regarding the rendering of technical and administrative services to subsidiaries and EUR 230 thousand (2014: EUR 160 thousand) of interest receivable.

Deferred costs includes EUR 70 thousand (2014: EUR 13 thousand) of issuance costs of bonds and commercial paper, and EUR 298 thousand (2014: EUR 236 thousand) of other costs relating to future periods, paid in 2015 or when not paid, already charged by the competent entities.

## 18. 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.

| | **2015** | **2014** |
|---|---|---|
| Bank deposits | 108 | 251 |
| Short-term investments | - | 49,150 |
| Cash and cash equivalents | 14 | 12 |
| | **122** | **49,413** |

## 19. Cash generated from operations

| | **2015** | **2014** |
|---|---|---|
| **Net results** | **260,488** | **317,223** |
| | | |
| **Adjustments for:** | | |
| Income tax | 1,066 | 1,069 |
| Depreciation and amortization | 378 | 377 |
| Net financial costs | (120) | 2,904 |
| (Gains) losses on subsidiaries | (266,231) | (323,509) |
| (Gains) losses on other investments | (194) | (193) |
| (Gains) losses on disposal of tangible assets | - | - |
| | **(4,613)** | **(2,129)** |
| **Changes in working capital:** | | |
| Trade debtors, accrued income and deferred costs | 1,126 | (1,857) |
| Trade creditors, accrued costs and deferred income | 1,572 | (850) |
| Provisions and employee benefits | (2,194) | (673) |
| **Cash generated from operations** | **(4,109)** | **(5,509)** |

## 20. 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.

### 20.1 Share capital and share premium account

The authorised share capital is represented by 629,293,220 ordinary shares (2014: 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 2015, no changes occurred in the amount of EUR 22,452 thousand showed in share premium.

### 20.2 Own shares

At 31 December 2015, 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 2015.

### 20.3 Other reserves

| | *Cash flow hedging* | Available-for-sale financial assets | Total |
|---|---|---|---|
| **Balance as at 1 January 2014** | **(448)** | **(1,251)** | **(1,699)** |
| Change in fair value of cash flow hedging instruments: | | | |
| - Gross value | 593 | - | 593 |
| - Deferred tax | (145) | - | (145) |
| Change in fair value of available-for-sale financial assets | | | |
| - Gross value | - | 1,048 | 1,048 |
| - Deferred tax | - | 46 | 46 |
| **Balance as at 1 January 2015** | **-** | **(157)** | **(157)** |
| Change in fair value of cash flow hedging instruments: | | | |
| - Gross value | - | - | - |
| - Deferred tax | - | - | - |
| Change in fair value of available-for-sale financial assets | | | |
| - Gross value | - | (94) | (94) |
| - Deferred tax | - | 21 | 21 |
| **Balance as at 31 December 2015** | **-** | **(230)** | **(230)** |

These reserves cannot be distributed to the shareholders.

### 20.4 Retained earnings

As at 31 December 2015 the total amount of retained earnings was EUR 562,201 thousand (2014: EUR 691,939 thousand), resulting from profit generated in the financial year and previous years.

Of this amount, EUR 312,380 thousand (2014: EUR 299,953 thousand) are not able to be distributed, as provided in articles 32, 218, 295, 296 and 324 of the Commercial Companies Code.

### 20.5 Dividends

According with the decision made at the April 9th 2015 General Shareholders Meeting, the amount of EUR 153,966 thousand was distributed to JMH shareholders in May 2015. In December 2015, the shareholders Meeting decided to distribute free reserves in the amount of EUR 235,663 thousand. In 2014, the dividends paid amounted to EUR 191,672 thousand.

In accordance with the dividend distribution policy described in point 7 included in the Consolidated Management Report chapter, which is integrated in the consolidated annual report, the Board of Directors proposes to the shareholders the distribution of the amount 166,535,068.30 euros, which corresponds to a dividend per share of EUR 0.265 (excluding own shares in the portfolio).

## 21. 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.

### 21.1 Basic and diluted earnings per share

| | **2015** | **2014** |
|---|---|---|
| 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) | **260,488** | **317,223** |
| **Basic and diluted earnings per share – euros** | **0.415** | **0.505** |

## 22. 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 26.

### 22.1 Current and non-current loans

| | 2015 | 2014 |
|---|---|---|
| **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** | **-** |

### 22.2 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 24,738 thousand (2014: EUR 38,200 thousand).

### 22.3 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 (2014: EUR 130.000 thousand), with variable interest rate. At the end of 2015, the total amount of these credit lines was being used (2014: Eur 0 thousand).

## 23. Financial debt

| | 2015 | 2014 |
|---|---|---|
| Non-current loans | 100,000 | - |
| Current loans | 61,852 | - |
| Interest accruals and deferrals | (129) | (20) |
| Bank deposits | (108) | (251) |
| Short-term investments | - | (49,150) |
| | **161,615** | **(49,421)** |

## 24. 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.

| **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** |

| **2014** | Opening balance | Set up and reinforced | Used and reversed | Closing balance |
|---|---|---|---|---|
| Investments in subsidiaries | 121,026 | - | - | 121,026 |
| Available-for-sale financial assets | 3,366 | 202 | - | 3,568 |
| **Total adjustments to the net realisable value** | **124,392** | **202** | **-** | **124,594** |
| | | | | |
| Other risks and contingencies | 5,992 | 1,021 | (975) | 6,038 |
| **Total provisions** | **5,992** | **1,021** | **(975)** | **6,038** |

The adjustment in investment in subsidiaries reflects the cash flows estimated by the Management, in accordance with the subsidiaries future development perspectives, as referred in note 2.8..

The adjustment for available-for-sale financial assets reflects the upgrade to fair value, as described in note 16.

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.

## 25. 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.

| | 2015 | 2014 |
|---|---|---|
| Payables to subsidiaries and joint-ventures | 1,084 | 562 |
| Other trade creditors | 658 | 620 |
| Other non-trade creditors | 8 | 6 |
| Taxes payable: | | |
| VAT payable | 189 | 249 |
| Income tax withheld | 197 | 200 |
| Social security | 150 | 147 |
| Other taxes | 35 | 45 |
| Accrued costs | 4,351 | 2,656 |
| Deferred income | 16 | 16 |
| | **6,688** | **4,501** |

Accrued costs includes salaries and wages payable in the amount of EUR 3,888 thousand (2014: EUR 2,337 thousand), and EUR 463 thousand (2014: EUR 319 thousand) regarding various costs (utilities, insurance, consultants, rents, among others), relating to 2015 and not invoiced by the respective entities prior to the end of the year.

## 26. Derivative financial instruments

JMH uses derivatives with the sole intention of managing any financial risks to which it is exposed. In accordance with its financial policies, JMH 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 at their fair value on the date they are negotiated (trade date). 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.

### 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, JMH 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.

### 26.1 Impacts on Financial Statements

| | 2015 | 2014 |
|---|---|---|
| **Fair value of the financial instruments as at 1 January** | **-** | **(818)** |
| (Receipts) / payments made | - | 800 |
| Change in the fair value of financial instruments that qualify as hedge accounting (other reserves) | - | 593 |
| Interest expenses from financial instruments that qualify as hedge accounting (P&L) | - | (575) |
| **Fair value of the financial instruments as at 31 December** | **-** | **-** |

## 27. Guarantees

The bank guarantees are as follows:

| | 2015 | 2014 |
|---|---|---|
| Guarantees for the Tax Authority | 12,328 | 12,328 |
| Financing bank guarantees | 18,371 | 16,473 |
| Other guarantees provided | 1,420 | 1,420 |
| | **32,119** | **30,221** |

## 28. 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, assesses the outcome of each proceedings, and for those where the Board estimates that a future cash outflow may occur, a provision in taken (note 24):

- The Portuguese Tax Authorities have informed JMH, 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 Board of Directors, consider that the report issued by the Tax Authorities does not have any legal basis or validity, and will challenge it;

- 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 JMH 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. Considering that the Tax Authorities have no grounds to request this payment, these assessments have been challenged.

## 29. Subsidiaries and available-for-sale financial assets

The direct investments owned by JMH, as at 31 December 2015, 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 | 98 | 93 | 5 |
| Jerónimo Martins Serviços, S.A. | a) | Lisbon | 100.00% | 50 | 5,441 | 474 | 38 |
| Eva – Soc. Invest. Mobiliários e Imobiliários, Lda. | a) | Funchal | 5.60% | 28 | 72,231 | 72,212 | 1,111 |
| Friedman – Soc. Invest. Mobiliários e Imobiliários, Lda. | a) | Funchal | 100.00% | 5 | 173 | 155 | (2) |
| Warta – Retail & Services Investments B.V. | a) | Amsterdam | 100.00% | 18 | 497,770 | 497,647 | 238,245 |
| Tagus – Retail & Services Investments B.V. | a) | Amsterdam | 100.00% | 18 | 1,535,965 | 1,535,945 | 10,070 |
| Monterroio – Retail & Services Investments B.V. | a) b) | Amsterdam | 100.00% | 18 | 358,442 | 268,276 | 6,244 |
| New World Investments B.V. | a) | Amsterdam | 100.00% | 18 | 101,745 | 101,413 | (11,774) |
| Origins – Agro Business Investments B.V. | a) | Amsterdam | 100.00% | 18 | 2,348 | 2,344 | (12) |
| **Available-for-sale financial assets** | | | | | | | |
| BCP - Banco Comercial Português, S.A. | b) | Oporto | 0.01% | 5,598 | 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.

## 30. 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, 2015 are those mentioned in notes 27 and 29 of Chapter III of the Group Consolidated Annual Report.

## 31. 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.

### 31.1 Transactions with related parties (shareholders)

JMH is owned 56.136% by Sociedade Francisco Manuel dos Santos B.V.. There were no direct transactions between this Company and JMH in 2015.

### 31.2 Transactions with other related parties

#### 31.2.1 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.

Income from technical and administrative services provided to subsidiaries during 2015 was EUR 17,784 thousand (2014: EUR 16,447 thousand).

### 31.2.2 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 with banks and other financial institutions, debt conditions and application of funds. 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 1,344 thousand in 2015 (2014: EUR 1,831 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 491 thousand in 2015 (2014: EUR 399 thousand).

### 31.2.3 Lease of property

JMH develops its activity in premises rented from subsidiaries, which represented costs of EUR 510 thousand (2014: EUR 496 thousand).

As mentioned in note 13, JMH owns a property which is partially rented out to a Group Company, and generated profits in 2015 in the amount of EUR 194 thousand (2014: EUR 193 thousand).

### 31.2.4 Supplementary income

JMH charges annually a joint venture Company relating to a sales commission. In 2015 this amounted to EUR 150 thousand (2014: EUR 140 thousand).

### 31.2.5 Loans (current and non-current loans)

JMH granted loans to subsidiaries, which generated interest in the amount of EUR 6,331 thousand (2014: EUR 8,018 thousand).

### 31.2.6 Costs relating to staff

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 2015, total costs incurred with personnel from other companies amounted to EUR 6,072 thousand (2014: EUR 4,327 thousand).

### 31.2.7 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** |

### 31.2.8 Open balances as at 31 December 2014

| Company | Current Loans | Non-current loans | Accounts receivable | Accrued income | Deferred income | Accounts payable | Accrued costs |
|---|---|---|---|---|---|---|---|
| **Subsidiary Companies** | | | | | | | |
| Caterplus – Com. Dist. Produtos de Consumo, Lda. | - | - | - | 1 | - | 243 | - |
| Comespa – Gestão de Espaços Comerciais, S.A. | - | - | - | 1 | - | - | - |
| Cunha & Branco – Distribuição Alimentar, S.A. | - | - | - | 1 | - | - | - |
| Desimo – Desenv. Gestão Imobiliária, Lda. | - | 20 | - | - | - | 10 | - |
| Friedman – Soc. Inv. Mobiliários e Imobiliários, Lda. | - | 170 | - | - | - | - | - |
| Hussel Ibéria – Chocolates e Confeitaria, S.A. | - | - | - | 1 | - | - | - |
| Imocash – Imobiliário de Distribuição, S.A. | - | - | 127 | 6 | - | - | - |
| Imoretalho – Gestão de Imóveis, S.A. | - | - | 1 | 21 | - | 35 | - |
| João Gomes Camacho, S.A. | - | - | 2 | 2 | - | - | - |
| Jeronimo Martins Colombia, S.A.S. | - | - | 2 | - | - | - | - |
| Jerónimo Martins – Dist. Prod. Consumo, Lda. | 4,865 | - | 69 | 10 | - | - | - |
| Jeronimo Martins Polska S.A. | - | - | 3 | 1,648 | - | - | - |
| Jerónimo Martins – Restauração e Serviços, S.A. | - | - | - | - | - | 12 | - |
| Jerónimo Martins Serviços, S.A. | - | 500 | 4 | - | - | 45 | 1,086 |
| JMR – Gestão Empresas Retalho, SGPS, S.A. | - | - | 14 | 259 | - | - | - |
| JMR – Prestação de Serviços para a Distribuição, S.A. | - | - | 53 | 33 | - | 51 | - |
| Larantigo – Sociedade de Construções, S.A. | - | - | 2 | - | - | - | - |
| Lidinvest – Gestão de Imóveis, S.A. | - | - | - | 1 | - | - | - |
| Lidosol II – Distrib. Produtos Alimentares, S.A. | - | - | 1 | 4 | - | 98 | - |
| Masterchef, S.A. | - | - | - | - | - | 8 | - |
| Monterroio – Industry & Services Investments B.V. | - | 228,000 | - | 151 | - | - | - |
| New World Investments B.V. | - | 50,205 | - | - | - | - | - |
| Origins – Agro Business Investments B.V. | - | 110 | - | - | - | - | - |
| Pingo Doce – Distribuição Alimentar, S.A. | - | - | 775 | 1,565 | - | 23 | - |
| Recheio – Cash & Carry, S.A. | - | - | 5,400 | 312 | 16 | 2 | - |
| Recheio, SGPS, S.A. | 38,235 | - | 523 | 34 | - | - | - |
| Tagus – Retail & Services Investment B.V. | - | 115,295 | 2 | - | - | - | - |
| Warta – Retail & Services Investments B.V. | - | 168,100 | - | - | - | - | - |
| **Subtotal** | 43,100 | 562,400 | 6,974 | 4,050 | 16 | 527 | 1,086 |
| **Joint ventures** | | | | | | | |
| Fima - Produtos Alimentares, S.A. | - | - | - | - | - | 25 | - |
| Unilever Jerónimo Martins, Lda. | - | - | 275 | 298 | - | 10 | - |
| **Subtotal** | - | - | 275 | 298 | - | 35 | - |
| **Total** | **43,100** | **562,400** | **7,249** | **4,348** | **16** | **562** | **1,086** |

### 31.2.9 Remuneration paid to Directors

| | **2015** | **2014** |
|---|---|---|
| Salaries and cash awards | 1,951 | 1,924 |
| Retirement benefits | 188 | 198 |
| | **2,139** | **2,122** |

The Board of Directors of the Company consists of 11 Members.

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 section.

The retirement benefits granted to the Directors correspond to post-employment benefits and are part of the plans described in note 4.2.

## 32. 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 2012.

### 32.1 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 2015, a negative 10% variation in the trading price of BCP shares would have a negative effect of EUR 27 thousand in Other Reserves (at 31 December 2014 would have a negative effect of EUR 37 thousand).

### 32.2 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.

### 32.3 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 2015 and 2014:

| | | 2015 | 2014 |
|---|---|---|---|
| **Rating company** | **Rating** | **Balance** | **Balance** |
| Standard & Poor's | [A+ : AA] | 11 | 13 |
| Standard & Poor's | [BBB+ : A] | 40 | 27,187 |
| Standard & Poor's | [BB+ : BBB] | 7 | 22,022 |
| Standard & Poor's | [B+ : BB] | 34 | 95 |
| | Not Available | 16 | 84 |
| | **Total** | **108** | **49,401** |

The ratings shown correspond to those given by Standard and Poor's. The maximum exposure to credit risk at 31 December 2015 and 2014 is the financial assets carrying value.

### 32.4 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 | | | |
|---|---|---|---|
| **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** | **-** |
| **2014** | Less than 1 year | 1 to 5 years | More than 5 years |
| Borrowings | | | |
| Bank overdrafts | - | - | - |
| Commercial paper | 26 | - | - |
| Creditors | 1,188 | - | - |
| Operational lease liabilities | 514 | 574 | - |
| **Total** | **1,728** | **574** | **-** |

## 33. 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 2015 to the External Auditor and Statutory Auditor was EUR 107 thousand, of which EUR 95 thousand correspond to legal accounts audit services, while the remaining EUR 12 thousand relate to access to a tax legislation database and support on human resources issues;

c) Note 31 of the Notes to the Financial Statements include all the related parties' disclosures, in accordance with the International Accounting Standards.

## 34. 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, 1 March 2016

**The Certified Accountant** **The Board of Directors**

## *Audit Report for Statutory and Stock Exchange Regulatory Purposes on the Individual Financial Information*

***(Free translation from the original in Portuguese)***

### *Introduction*

1 As required by law, we present the Audit Report for Statutory and Stock Exchange Regulatory Purposes on the financial information included in the Directors' Report and in the attached financial statements of Jerónimo Martins, SGPS, S.A., comprising the balance sheet as at December 31, 2015 (which shows total assets of Euro 1,401,435 thousand and total shareholder's equity of Euro 1,207,656 thousand including a net profit of Euro 260,488 thousand), the income statement by functions, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the corresponding notes to the accounts.

### *Responsibilities*

2 It is the responsibility of the Company's Board of Directors (i) to prepare the Directors' Report and the financial statements which present fairly, in all material respects, the financial position of the Company, the results and the comprehensive income of its operations, the changes in equity and the cash flows; (ii) to prepare historic financial information in accordance with International Financial Reporting Standards as adopted by the European Union and which is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code; (iii) to adopt appropriate accounting policies and criteria; (iv) to maintain an appropriate system of internal control; and (v) to disclose any significant matters which have influenced the activity, financial position or results of the Company.

3 Our responsibility is to verify the financial information included in the financial statements referred to above, namely as to whether it is complete, true, up-to-date, clear, objective and lawful, as required by the Portuguese Securities Market Code, for the purpose of issuing an independent and professional report based on our audit.

### *Scope*

4 We conducted our audit in accordance with the Standards and Technical Recommendations issued by the Institute of Statutory Auditors which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Accordingly, our audit included: (i) verification, on a sample basis, of the evidence supporting the amounts and disclosures in the financial statements, and assessing the reasonableness of the estimates, based on the judgements and criteria of the Board of Directors used in the preparation of the financial statements; (ii) assessing the appropriateness of the accounting principles used and their disclosure, as applicable; (iii) assessing the applicability of the going concern basis of accounting; (iv) assessing the overall presentation of the financial statements; and (v) assessing the completeness, truthfulness, accuracy, clarity, objectivity and lawfulness of the financial information.

*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.*
*Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal*
*Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt*
*Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000*
*Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485*

5 Our audit also covered the verification that the information included in the Directors' Report is consistent with the financial statements as well as the verification set forth in paragraphs 4 and 5 of Article 451º of the Companies Code.

6 We believe that our audit provides a reasonable basis for our opinion.

***Opinion***

7 In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of Jerónimo Martins, SGPS, S.A. as at December 31, 2015, the results and the comprehensive income of its operations, the changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information included is complete, true, up-to-date, clear, objective and lawful.

***Report on other legal requirements***

8 It is also our opinion that the information included in the Directors' Report is consistent with the financial statements for the year and that the Corporate Governance Report includes the information required under Article 245º-A of the Portuguese Securities Market Code.

March 4, 2016

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda
Registered in the Comissão do Mercado de Valores Mobiliários with no. 20161485
represented by:

José Pereira Alves, R.O.C.

**(This is a translation, not to be signed)**

# 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. report and individual accounts for the year ending December 31st, 2015, 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.

The suitability and effectiveness of the internal control and risk management systems were verified, with the co-operation and work of the Internal Control Committee, the Internal Audit Department and the External Auditor.

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 Annual Report, and carried out a review of the accuracy of the accounting documentation, accounting policies and valuation methods used by the Company, thereby ensuring that these are a correct representation of the results and the equity of the Company.

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 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.

The Audit Committee also verified that all non-audit services, provided by the firm of External Auditors to the Company, were carried out by their employees who took no part in the audits, and that these services, due to their type and 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.

With the publication on September 7th, 2015, of the Law no. 140/2015, which approved the new Legal Regimen of Portuguese Statutory Auditors, it was performed an analysis namely on the mandatory rotation of the Statutory Auditor and on the extension of forbidden services.

**Opinion**

Taking into account the information received from the Board of Directors, the Company personnel and the conclusions outlined in the Report of the Auditors for Statutory and Stock Exchange Regulatory Purposes in Respect of the Individual Financial Information, we are of the opinion that:

i) The Management Report should be approved;

ii) The 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 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.;

ii) The Management Report is a faithful statement of the evolution of the businesses, of the performance and position of Jerónimo Martins, SGPS, S.A., and contains a description of the main risks and uncertainties which they face.

Lisbon, 4 March 2016

Hans Eggerstedt
(Chairman of the Audit Committee)

António Pedro Viana-Baptista
(Member)

Sérgio Tavares Rebelo
(Member)

**Jerónimo Martins 2015**

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