

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 December 16, 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.