Jerónimo Martins

Consolidated Report & Accounts

First Nine Months 2017

Não Auditado

Jerónimo Martins, SGPS, SA
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I - CONSOLIDATED MANAGEMENT REPORT

Message from the Chairman and CEO

Pedro Soares dos Santos

"After nine months of a demanding and challenging year and as result of the absolute priority given to top line growth, all our banners reinforced market shares, a special highlight being Biedronka's strong performance. The strict management of the permanent assortment together with the promotional and in&out campaigns' dynamics allowed Biedronka to strengthen its leadership in the food retail sector in Poland.

In Portugal, Pingo Doce maintained its robust stance, despite being impacted by the deflation registered in fruit and vegetables. The third quarter was also positive for Recheio, which captured the opportunities and advantages of a revitalized HoReCa channel.

The good sales performance of our main banners reflects the investment in the attractiveness of the commercial offer and store environment, in addition to the commitment and the delivery of our operational teams. In the context of rising minimum wages in Poland and Portugal, and following what was done in Biedronka, Pingo Doce also initiated a review of its compensation package.

In Colombia, Ara continues to adjust its model and is implementing an ambitious expansion plan, with a particular focus on the opportunities and challenges of the Bogota region.

After three quarters of solid performance, I reaffirm both our confidence in our business's ability to deliver a positive year, as well as our commitment to a growth-strategy that combines necessary measures to strengthen market leadership in the short term with investments in fixed assets and margin to ensure the medium to long-term business solidity."

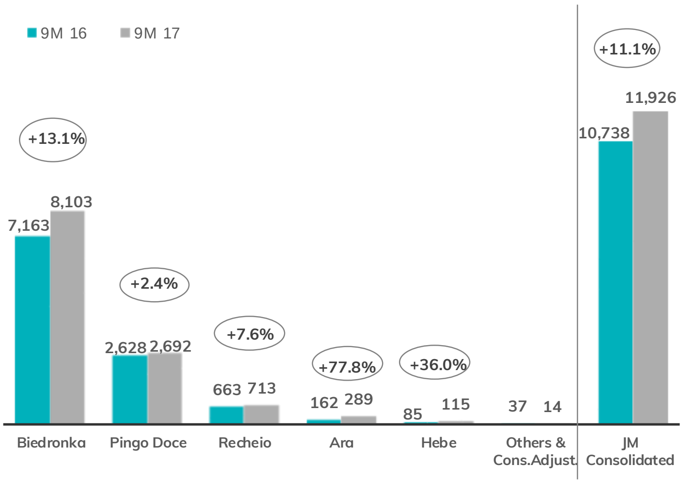
1. Sales Analysis

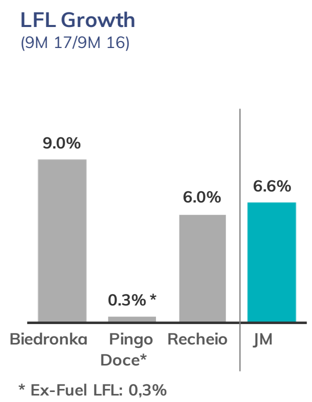
(Million Euro)	9M 17		9M 16		Δ %		Q3 17		Q3 16		Δ %	
		% total		% total	w/o FX	Euro		% total		% total	w/o FX	Euro
Biedronka	8,103	67.9%	7,163	66.7%	10.7%	13.1%	2,798	67.1%	2,485	65.7%	10.5%	12.6%
Pingo Doce	2,692	22.6%	2,628	24.5%		2.4%	954	22.9%	941	24.9%		1.3%
Recheio	713	6.0%	663	6.2%		7.6%	271	6.5%	256	6.8%		5.9%
Ara	289	2.4%	162	1.5%	71.4%	77.8%	104	2.5%	61	1.6%	81.6%	71.0%
Hebe	115	1.0%	85	0.8%	33.1%	36.0%	41	1.0%	30	0.8%	33.5%	36.1%
Others & Cons. Adjustments	14	0.1%	37	0.3%		n.a.	5	0.1%	6	0.2%		n.a.
Total JM	**11,926**	**100%**	**10,738**	**100%**		**11.1%**	**4,172**	**100%**	**3,780**	**100%**		**10.4%**

Group sales reached €11.9 bn in the nine months of 2017, 11.1% above the same period in the previous year (+9.3% at constant exchange rates).

Group like-for-like (LFL) sales growth was at 6.6% in the nine months, driven by the strong performance of both Biedronka and Recheio and a resilient delivery of Pingo Doce.

Sales (Million Euro)





In Poland, the consumption environment remained favourable while competitive landscape continued to be intense and promotion-driven. Food inflation in the country was slightly ahead of 4.5% in third quarter (+3.8% in the nine months).

Biedronka maintained its sales-focused strategy using promotions, advertising and the loyalty card as key instruments to continue delivering a strong LFL sales growth that was at 8.9% in third quarter. Total sales in the same period grew 12.6% (+10.5% in local currency), reaching €2.8 bn.

In the nine months period, LFL growth was at 9.0%, driving total sales in euros to increase 13.1% (+10.7% in local currency) to reach €8.1 bn.

The banner opened 46 stores (31 net additions) in the nine months and refurbished a total of 150 stores.

Hebe delivered sales of €115 mn, 36% up on previous year (+33.1% at constant exchange rate), having opened a total of 14 stores in the nine months. At the end of September, the network was 166 locations.

In Portugal, the Food Retail sector, remained highly competitive while deflation in certain key categories added new challenges leading overall food inflation in third quarter to be reduced to 0.6% (+1.4% in nine months).

Pingo Doce in third quarter faced the toughest year-on-year comparable which together with the basket deflation registered, led to a LFL (excl. fuel) of -0.9%. Total sales grew, in the quarter, by 1.3% and market share was reinforced.

In the nine months, total sales grew 2.4% to €2.7 bn with a LFL (excl. fuel) of 0.3%.

By the end of September, 19 Pingo Doce stores had been refurbished and 7 new locations (6 net) added to the network.

Recheio continued to invest to maintain the good sales momentum in the context of favourable tourist activity. It delivered a 6.0% LFL sales increase (+4.9% in third quarter), driving sales in the nine months to €713 mn, 7.6% more than in the same period in the previous year.

In Colombia, food inflation remained consistently low in the nine months, softening a bit more in third quarter to 1.4% (2.7% in nine months). Consumer sentiment which is still negative has been improving since April.

Ara achieved sales of €289 mn, 77.8% ahead of previous year (+71.4% at constant exchange rate). In the nine months the banner opened 92 stores, running a total network of 312 locations by the end of September.

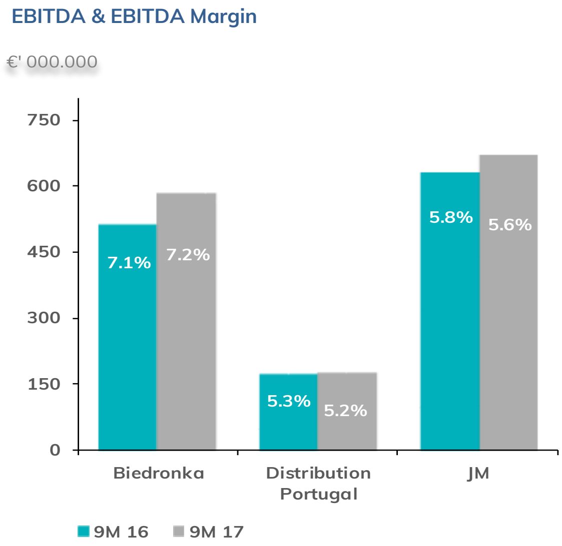
2. Results Analysis

(Million Euro)	9M 17		9M 16		Δ	Q3 17		Q3 16		Δ
Net Sales and Services	**11,926**		**10,738**		**11.1%**	**4,172**		**3,780**		**10.4%**
Gross Profit	2,527	21.2%	2,275	21.2%	11.1%	893	21.4%	806	21.3%	10.9%
Operating Costs	-1,858	-15.6%	-1,648	-15.3%	12.8%	-640	-15.3%	-567	-15.0%	12.9%
EBITDA	**669**	**5.6%**	**627**	**5.8%**	**6.7%**	**253**	**6.1%**	**239**	**6.3%**	**6.0%**
Depreciation	-242	-2.0%	-220	-2.0%	10.0%	-82	-2.0%	-74	-2.0%	10.6%
EBIT	**428**	**3.6%**	**407**	**3.8%**	**5.0%**	**172**	**4.1%**	**165**	**4.4%**	**3.9%**
Net Financial Costs	-9	-0.1%	-12	-0.1%	-27.8%	-5	-0.1%	-2	0.0%	186.4%
Gains in Joint Ventures and Associates	0	0.0%	10	0.1%	n.a.	0	0.0%	3	0.1%	n.a.
Non-Recurrent Items	-11	-0.1%	201	1.9%	n.a.	-4	-0.1%	204	5.4%	n.a.
EBT	**407**	**3.4%**	**606**	**5.6%**	**-32.7%**	**163**	**3.9%**	**370**	**9.8%**	**-56.0%**
Income Tax	-101	-0.8%	-86	-0.8%	18.3%	-39	-0.9%	-32	-0.8%	22.1%
Net Profit	**306**	**2.6%**	**520**	**4.8%**	**-41.1%**	**124**	**3.0%**	**338**	**8.9%**	**-63.4%**
Non Controlling Interests	-21	-0.2%	-19	-0.2%	12.8%	-11	-0.3%	-8	-0.2%	35.3%
Net Profit Attributable to JM	**285**	**2.4%**	**502**	**4.7%**	**-43.1%**	**112**	**2.7%**	**330**	**8.7%**	**-65.9%**
EPS (€)	0.45		0.80		-43.1%	0.18		0.52		-65.9%
EPS without non-recurrent (€)	0.46		0.46		0.6%	0.18		0.19		-1.5%

Operating Profit

Group EBITDA came at €669 mn in the nine months period, a 6.7% growth on previous year (+5.1% at constant exchange rates).

EBITDA from established businesses (excluding Ara and Hebe) increased 9.7%.



Biedronka's EBITDA was €583mn, up 13.9% when compared to nine months of 2016 (+11.5% at constant exchange rate). EBITDA margin was at 7.2%, broadly in line with the previous year.

This solid EBITDA performance is the direct result of the focus on sales and of the strong LFL momentum, that compensated for labour costs increase.

Pingo Doce and Recheio registered a combined EBITDA of €177 mn, 1% above nine months of 2016. The respective EBITDA margin for the distribution businesses in Portugal was 5.2%. The decline from previous year margin reflects, mainly, the pressure from the softer third quarter LFL at Pingo Doce.

Ara and Hebe, together, recorded losses of €67 mn at the EBITDA level, with Ara accounting for c.85% of the total. Ara's losses evolution, in line with the plan, reflects the acceleration in investment on expansion in Colombia.

Financial Results

Net financial costs reached €9 mn, reflecting the increase of loans in the local currencies of the respective businesses' geographies, in line with the Group's financial and risk management policies.

Non-Recurrent Items

Non-recurrent items, at -€11 mn in the nine months, include, among other, the write-off of certain assets related to the logistic re-dimensioning in Portugal.

Net Results

Group net profit resulted in €285 mn, 7.1%[1] above nine months of 2016, with the higher investment in Colombia being more than compensated by the strong delivery of our established businesses.

[1] Excluding in the nine months of 2016 Monterroio contribution and associated capital gain

3. Balance sheet

(Million Euro)	9M 17	2016	9M 16
Net Goodwill	637	630	636
Net Fixed Assets	3,375	3,180	3,095
Total Working Capital	-2,198	-2,201	-2,004
Others	68	46	11
Invested Capital	**1,883**	**1,656**	**1,739**
Total Borrowings	494	335	326
Leasings	6	4	0
Accrued Interest	1	0	1
Marketable Sec. & Bank Deposits	-540	-674	-507
Net Debt	**-39**	**-335**	**-179**
Non Controlling Interests	258	253	254
Share Capital	629	629	629
Reserves and Retained Earnings	1,034	1,109	1,035
Shareholders Funds	**1,921**	**1,991**	**1,918**
Gearing	*-2.0%*	*-16.8%*	*-9.3%*

Group net debt, was negative at €39 mn by the end of September with gearing staying at -2%.

Cash Flow

(Million Euro)	9M 17	9M 16
EBITDA	669	627
Interest Payment	-11	-11
Other Financial Items	0	3
Income Tax	-123	-88
Funds From Operations	**536**	**531**
Capex Payment	-468	-291
Change in Working Capital	19	20
Others*	-4	296
Free Cash Flow	**83**	**556**

* Includes in 9M16 €305 million from the proceds of Monterroio sale

Cash flow in the nine months was €83 mn, mainly reflecting the expected evolution of the working capital and the step up in capex.

Investment

(Million Euro)	9M 17	Weight	9M 16	Weight
Biedronka	174	41.2%	126	42.6%
Distribution Portugal	82	19.4%	115	39.0%
Ara	112	26.6%	34	11.6%
Others	54	12.8%	20	6.8%
Total CAPEX	**422**	**100%**	**295**	**100%**

Group capex was at €422 mn of which c.40% invested in Biedronka and c.27% in Ara.

4. Outlook for 2017

In the fourth quarter we will continue to focus on sales and on further strengthening market positions in all countries where we operate.

For Biedronka, which will face the toughest comparable quarter in the year, the last three months will be dedicated to drive sales and completing the investment programme, including the opening of a distribution centre, around 70 new stores and the remodeling of c.70 units.

The context in Poland is expected to remain challenging, with intense competition and pressure on costs, particularly those related to labour. However, Biedronka remains confident that it will maintain a relatively stable EBITDA margin for the year, focusing on sales as the main driver of returns.

Pingo Doce and Recheio will also maintain sales as their priority. In Pingo Doce, the process of revising and adjusting the remuneration packages currently in progress will, in the fourth quarter, add additional pressure on the EBITDA margin that is expected to be partially offset by the good performance of the Company.

In Colombia, in the last quarter of the year we will add c.60 stores to Ara's network, which is advancing with the construction of its logistics infrastructure and an ambitious recruitment and training program to support the expansion effort.

In line with expectations, losses generated by Ara and Hebe at EBITDA level are expected to increase by c.30% when compared to the previous year (at constant exchange rates).

The execution of the capex program for the year at around €700 million is one of the essential conditions to enable our businesses to continue strengthening their market positions and to support the Group's capacity to continue to grow.

Lisbon, 24 October 2017

The Board of Directors

II – CONSOLIDATED MANAGEMENT REPORT APPENDIX

1. Sales Evolution

	Total Sales Growth					LFL Sales Growth				
	Q1 17	Q2 17	H1 17	Q3 17	9M 17	Q1 17	Q2 17	H1 17	Q3 17	9M 17
Biedronka										
Euro	10.8%	15.9%	13.4%	12.6%	13.1%					
PLN	9.7%	11.8%	10.8%	10.5%	10.7%	8.4%	9.5%	9.0%	8.9%	9.0%
Pingo Doce	0.8%	5.2%	3.1%	1.3%	2.4%	-1.1%	3.0%	1.0%	-1.0%	0.3%
Ex-Fuel	0.6%	5.3%	3.0%	1.5%	2.5%	-1.4%	3.1%	0.9%	-0.9%	0.3%
Recheio	7.2%	9.9%	8.6%	5.9%	7.6%	5.2%	8.1%	6.8%	4.9%	6.0%

2. Stores Network

Number of Stores	2016	Openings			Closings	9M 17	9M 16
		Q1 17	Q2 17	Q3 17	9M 17		
Biedronka	2,722	11	18	17	15	2,753	2,700
Pingo Doce	413	2	3	2	1	419	405
Recheio	42	0	1	0	0	43	42
Ara	221	23	26	43	1	312	183
Hebe	153	7	1	6	1	166	141

Sales Area (sqm)	2016	Openings			Closings/ Remodellings	9M 17	9M 16
		Q1 17	Q2 17	Q3 17	9M 17		
Biedronka	1,768,293	7,442	12,089	12,361	-2,422	1,802,607	1,751,374
Pingo Doce	493,089	2,242	4,051	2,000	1,307	500,075	485,952
Recheio	130,597	0	1,399	0	-1	131,997	130,837
Ara *	71,263	8,342	10,284	15,557	217	105,229	57,710
Hebe	35,479	1,815	222	1,485	0	39,001	32,369

* Restated: figures published in 2016 and Q1 17

3. EBITDA and EBITDA Margin Breakdown

(Million Euro)	9M 17	Mg	9M 16	Mg
Biedronka	583.3	7.2%	512.0	7.1%
Distribution Portugal	176.6	5.2%	174.8	5.3%
Others & Cons. Adjustments	-90.7	n.a.	-59.9	n.a.
JM Consolidated	**669.2**	**5.6%**	**626.9**	**5.8%**

4. Financial Costs Breakdown

(Million Euro)	9M 17	9M 16	Δ
Net Interest	-9	-9	-1%
Exchange Differences	2	-1	n.a.
Others	-3	-2	10%
Financial Results	**-9**	**-12**	**-28%**

5. Definitions

Like-for-like (LFL) sales: sales made by stores that operated under the same conditions in the two periods. Excludes stores opened or closed in one of the two periods. Sales of stores that underwent profound remodelling are excluded for the remodelling period (store closure).

Gearing: Net Debt / Shareholder Funds.

6. P&L – Reconciliation Note

(Following ESMA guidelines on Alternative Performance Measures from October 2015)

Income Statement in page 4	Income Statement by Functions in the Consolidated Report & Accounts - First Nine Months 2017 Results
Net Sales and Services	Net sales and services
Gross Profit	Gross profit
Operating Costs	Includes headings of Distribution costs; Administrative costs; Other operating costs and excludes Depreciations of €-241.5mn
EBITDA	
Depreciation	Value reflected in the Segments reporting note.
EBIT	
Net Financial Costs	Net financial costs
Gains in Joint Ventures and Associates	Gains (Losses) in joint ventures and associates
Non-Recurrent Items	Includes headings of Exceptional operating profits/losses; Gains in disposal of business and Gains/Losses in other investments
EBT	
Income Tax	Income tax
Net Profit	
Non-Controlling Interests	Non-controlling interests
Net Profit attributable to JM	

7. Balance Sheet - Reconciliation Note

(Following ESMA guidelines on Alternative Performance Measures from October 2015)

Balance Sheet in page 6	Balance Sheet in the Consolidated Report & Accounts - First Nine Months 2017 Results
Net Goodwill	Included in the heading of Intangible assets
Net Fixed Assets	Includes the headings Tangible and intangible assets excluding the Net goodwill value (€637.3mn)
Total Working Capital	Includes the headings Current trade debtors, accrued income and deferred costs; Inventories; Biological assets; Trade creditors, accrued costs and deferred income; Employee benefits; the value of €3.9mn Cash and cash equivalents (note - Cash and cash equivalents) and the value of €-7.4mn related to 'Others' due to its operational nature. Excludes the value of €-1.7mn related to interest accruals and deferrals (note - Financial debt)
Others	Includes the headings Investment property; Investments in joint ventures and associates; Available-for-sale financial assets; Non-current trade debtors, accrued income and deferred costs; Deferred tax assets and liabilities; Income tax receivable and payable; and Provisions for risks and contingencies. Excludes the value of €34.4mn related to Collateral deposits associated to financial debt (note - Trade debtors, accrued income and deferred costs); and also the value of €-7.4mn related to others due to its operational nature
Invested Capital	
Total Borrowings	Includes the heading Borrowings excluding leasings
Leasings	Value reflected in note - Borrowings
Accrued Interest & Hedging	Includes the heading Derivative financial instruments and the value of €-1.7mn related to Interest accruals and deferrals (value reflected in note - Financial debt)
Marketable Sec. & Bank Deposits	Includes the heading Cash and cash equivalents and the value of €34.4mn related to Collateral deposits associated to financial debt (reflected in Trade debtors note) and excludes the value of €3.9mn in Cash and cash equivalents (reflected in note - Cash and cash equivalents)
Net debt	
Non-Controlling Interests	Non-controlling interests
Share Capital	Share capital
Reserves and Retained Earnings	Includes the heading Share premium, Own shares, Other reserves and Retained earnings
Shareholders' Funds	

8. Cash Flow - Reconciliation Note

(Following ESMA guidelines on Alternative Performance Measures from October 2015)

Cash Flow in page 6	Cash Flow in the Consolidated Report & Accounts - First Nine Months 2017 Results
EBITDA	Included in the heading of Cash generated from operations
Interest Payment	Includes the headings of Interest paid and Interest received
Other Financial Items	Dividends received
Income Tax	Income tax paid
Funds from Operations	
Capex Payment	Includes the headings Disposal of tangible assets; Disposal of Intangible assets; Disposal of financial assets and investment property; Acquisition of tangible assets; Acquisition of intangible assets; Acquisition of financial assets and investment property
Change in Working Capital	Included in the heading of Cash generated from operations
Others	Includes the headings Disposal of business, being the remaining amount Included in the heading Cash generated from operations
Free Cash Flow	

9. Net profit on a Comparable Basis

(Million Euro)	9M 17	9M 16
Net Profit Attributable to JM	285	502
Deducted from the impact of discontinued businesses:		
Gains in joint ventures and associates (sold)	0	10
Net Profit Mkt. Repr. and Rest. Serv. (sold)	0	1
Non-Recurrent Items - Monterroio sale	0	224
Net Profit on a comparable basis	**285**	**266**

10. Information Regarding Individual Financial Statements

In accordance with number 3 of article 10 of the Regulation number 5/2008 of the Portuguese Securities Market Commission (CMVM), the Quarter Individual Financial Statements of Jerónimo Martins SGPS, S.A. are not disclosed as they do not include additional relevant information, compared to the one presented in this report.

Jerónimo Martins

III – CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS FOR SEPTEMBER 2017 AND 2016

Euro thousand

		9 Months 2017	9 Months 2016	3rd Quarter 2017	3rd Quarter 2016
Sales and services rendered	3	11,926,147	10,738,224	4,172,396	3,779,703
Cost of sales	4	(9,398,988)	(8,463,636)	(3,279,004)	(2,973,828)
Gross profit		2,527,159	2,274,588	893,392	805,875
Distribution costs	4	(1,911,315)	(1,692,787)	(656,518)	(581,440)
Administrative costs	4	(188,150)	(174,450)	(65,092)	(59,090)
Exceptional operating profits/losses	4	(11,286)	(19,892)	(3,799)	(17,484)
Operating profit		416,408	387,459	167,983	147,861
Net financial costs	5	(8,945)	(12,392)	(5,365)	(1,874)
Gains in joint ventures and associates		(3)	10,272	(1)	2,706
Gains/ losses in other investments		2	(3,582)	-	(2,805)
Profit before taxes		407,462	605,753	162,617	369,884
Income tax	6	(101,228)	(85,577)	(38,924)	(31,885)
Profit before non-controlling interests		306,234	520,176	123,693	337,999
Attributable to:					
Non-controlling interests		20,975	18,594	11,438	8,453
Jerónimo Martins Shareholders		285,259	501,582	112,255	329,546
Basic and diluted earnings per share - Euros	13	0.4539	0.7981	0.1786	0.5244

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro thousand

	9 Months 2017	9 Months 2016	3rd Quarter 2017	3rd Quarter 2016
Net profit	306,234	520,176	123,693	337,999
Other comprehensive income:				
Items that will not be reclassified to profit or loss	-	-	-	-
Currency translation differences	33,936	(11,676)	(15,896)	23,971
Change in fair value of cash flow hedges	501	(225)	(7)	154
Change in fair value of hedging instruments on foreign operations	(13,948)	(1,332)	66	17
Change in fair value of available-for-sale financial assets	-	297	-	-
Related tax	(247)	165	24	(129)
Items that may be reclassified to profit or loss	20,242	(12,771)	(15,813)	24,013
Other comprehensive income, net of income tax	20,242	(12,771)	(15,813)	24,013
Total comprehensive income	326,476	507,405	107,880	362,012
Attributable to:				
Non-controlling interests	20,975	18,594	11,438	8,453
Jerónimo Martins Shareholders	305,501	488,811	96,442	353,559
Total comprehensive income	326,476	507,405	107,880	362,012

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

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2017 AND DECEMBER 2016

Euro thousand

	Notes	September 2017	December 2016
Assets			
Tangible assets	7	3,215,514	3,023,360
Intangible assets	7	797,078	786,983
Investment property	7	13,924	13,952
Investments in joint ventures and associates		997	-
Available-for-sale financial assets		1,366	1,000
Trade debtors, accrued income and deferred costs	9	110,891	112,836
Derivative financial instruments	8	200	-
Deferred tax assets		72,764	69,756
Total non-current assets		4,212,734	4,007,887
Inventories		737,241	718,618
Biological assets		2,727	1,181
Income tax receivable		12,613	2,037
Trade debtors, accrued income and deferred costs	9	335,462	311,130
Derivative financial instruments	8	356	1,277
Cash and cash equivalents	10	509,260	643,512
Total current assets		1,597,659	1,677,755
Total assets		5,810,393	5,685,642
Shareholders' equity and liabilities			
Share capital		629,293	629,293
Share premium		22,452	22,452
Own shares		(6,060)	(6,060)
Other reserves		(76,623)	(96,865)
Retained earnings	12	1,094,247	1,189,191
		1,663,309	1,738,011
Non-controlling interests		257,995	252,500
Total Shareholders' equity		1,921,304	1,990,511
Borrowings	14	206,301	114,829
Trade creditors, accrued costs and deferred income	16	782	793
Derivative financial instruments	8	-	293
Employee benefits	15	66,395	61,823
Provisions for risks and contingencies	15	21,999	21,582
Deferred tax liabilities		60,728	59,742
Total non-current liabilities		356,205	259,062
Borrowings	14	293,639	224,581
Trade creditors, accrued costs and deferred income	16	3,204,180	3,166,527
Derivative financial instruments	8	30	317
Income tax payable		35,035	44,644
Total current liabilities		3,532,884	3,436,069
Total Shareholders' equity and liabilities		5,810,393	5,685,642

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

Jerónimo Martins

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´EQUITY

Euro thousand

	Shareholders' equity attributable to Shareholders of Jerónimo Martins, SGPS, S.A.								Non-controlling interests	Shareholders' equity
				Other reserves						
	Share capital	Share premium	Own shares	Cash flow hedge	Available-for-sale financial assets	Currency translation reserves	Retained earnings	Total		
Balance Sheet as at 1 January 2016	629,293	22,452	(6,060)	99	(230)	(64,261)	760,400	1,341,693	251,526	1,593,219
Equity changes in 2016										
Currency translation differences	-	-	-	(1)	-	(11,486)	-	(11,487)	-	(11,487)
Change in fair value of cash flow hedging	-	-	-	(182)	-	-	-	(182)	-	(182)
Change in fair value of hedging instruments on foreign operations	-	-	-	-	-	(1,332)	-	(1,332)	-	(1,332)
Change in fair value of available-for-sale financial investments	-	-	-	-	230	-	-	230	-	230
Other comprehensive income	-	-	-	(183)	230	(12,818)	-	(12,771)	-	(12,771)
Net profit							501,582	501,582	18,594	520,176
Total comprehensive income	-	-	-	(183)	230	(12,818)	501,582	488,811	18,594	507,405
Dividends							(166,535)	(166,535)	(15,546)	(182,081)
Acquisitions/Disposal of non-controlling interests									(540)	(540)
Balance Sheet as at 30 September 2016	629,293	22,452	(6,060)	(84)	-	(77,079)	1,095,447	1,663,969	254,034	1,918,003
Balance Sheet as at 1 January 2017	629,293	22,452	(6,060)	(237)	-	(96,628)	1,189,191	1,738,011	252,500	1,990,511
Equity changes in 2017										
Currency translation differences	-	-	-	(6)	-	33,790	-	33,784	-	33,784
Change in fair value of cash flow hedging	-	-	-	406	-	-	-	406	-	406
Change in fair value of hedging instruments on foreign operations	-	-	-	-	-	(13,948)	-	(13,948)	-	(13,948)
Other comprehensive income	-	-	-	400	-	19,842	-	20,242	-	20,242
Net profit							285,259	285,259	20,975	306,234
Total comprehensive income	-	-	-	400	-	19,842	285,259	305,501	20,975	326,476
Dividends (note 12)							(380,203)	(380,203)	(15,480)	(395,683)
Balance Sheet as at 30 September 2017	629,293	22,452	(6,060)	163	-	(76,786)	1,094,247	1,663,309	257,995	1,921,304

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

CONSOLIDATED CASH FLOW STATEMENT FOR SEPTEMBER 2017 AND 2016

Euro thousand

	Notes	9 Months 2017	9 Months 2016
Operating Activities			
Cash received from customers		13,437,544	12,103,055
Cash paid to suppliers		(11,826,431)	(10,644,884)
Cash paid to employees		(925,411)	(821,625)
Cash generated from operations	11	685,702	636,546
Interest paid		(13,744)	(11,954)
Income taxes paid		(122,727)	(88,198)
Cash flow from operating activities		549,231	536,394
Investment activities			
Disposals of tangible fixed assets		1,617	2,294
Disposals of available-for-sale financial assets and investment property		187	1,732
Disposals of businesses, net of cash sold	7	-	304,963
Interest received		2,370	1,215
Dividends received		79	2,774
Acquisition of tangible fixed assets		(459,112)	(283,890)
Acquisition of intangible assets		(9,095)	(2,493)
Acquisition of financial investments and investment property		(551)	(8,714)
Acquisition of joint ventures and associates		(1,000)	-
Cash flow from investment activities		(465,505)	17,881
Financing activities			
Net change in loans	14	171,153	(332,059)
Dividends paid	12	(395,553)	(182,081)
Cash flow from financing activities		(224,400)	(514,140)
Net changes in cash and cash equivalents		(140,674)	40,135
Cash and cash equivalents changes			
Cash and cash equivalents at the beginning of the year		643,512	441,688
Net changes in cash and cash equivalents		(140,674)	40,135
Effect of currency translation differences		6,422	(5,608)
Cash and cash equivalents at the end of 9 Months	10	509,260	476,370

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE INTERIM PERIOD

Euro thousand

	9 Months 2017	9 Months 2016	3rd Quarter 2017	3rd Quarter 2016
Cash Flow from operating activities	549,231	536,394	303,042	257,636
Cash Flow from investment activities	(465,505)	17,881	(179,273)	198,815
Cash Flow from financing activities	(224,400)	(514,140)	27,060	(147,762)
Cash and cash equivalents changes	(140,674)	40,135	150,829	308,689

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 (Group) and has its head office in Lisbon.

Jerónimo Martins Group operates in the food area, particularly in the distribution and sale of food and other fast-moving consumer goods products. The Group has operations in Portugal, Poland and Colombia.

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

Share Capital: 629,293,220 euros

Registered at the Commercial Registry Office of Lisbon and Tax Number: 500 100 144

JMH has been listed on Euronext Lisbon since 1989.

The Board of Directors approved these consolidated financial statements on 24 October 2017.

2. Accounting policies

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

The JMH consolidated financial statements were prepared in accordance with the interim financial reporting standard (IAS 34), and all other International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

The consolidated financial statements were prepared in accordance with the same standards and accounting policies adopted by the Group in the preparation of the annual financial statements, including an explanation of the events and relevant changes for the understanding of variations in the financial position and Group performance since the last annual report. Thus, some of the notes from the 2016 annual report are omitted because no changes occurred or they are not materially relevant for the understanding of the interim financial statements.

As mentioned in the Consolidated Financial Statements chapter of the 2016 Annual Report, point 31 - Financial risks, the Group, as a result of its normal activity, is exposed to several risks which are monitored and mitigated throughout the year. During the first nine months of 2017, there was no material changes in addition to the notes detailed below, that could significantly change the assessment of the risks that the Group is exposed to.

Change in accounting policies and basis for presentation:

2.1. New standards and interpretations issued by IASB and IFRIC, but not yet endorsed by EU

IASB and IFRIC issued in 2017 the following standards and interpretations that are still pending endorsement by the EU:

IASB Standard or IFRIC Interpretation	Issued in	Expected application for financial years beginning on or after
IFRS 17 Insurance Contracts (new)	May 2017	1 January 2021
IFRIC 23 Uncertainty over Income Tax Treatments (new)	June 2017	1 January 2019

Management is evaluating the impact of adopting the new standards and interpretations, and does not expect any significant impact on the Group's Consolidated 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.

On 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 hedges on investments in foreign subsidiaries the exchange differences are deferred on the Company's equity.

The main exchange rates applied on the balance sheet date are as follows:

Euro foreign exchange rates (foreign exchange units per 1 Euro)	**Rate on 30 September 2017**	**Average rate for the period**
Polish Zloty (PLN)	4.3042	4.2627
Swiss Franc (CHF)	1.1457	-
Colombian Peso (COP)	3,472.2300	3,284.1600

3. Segments reporting

Segment information is presented in accordance with internal reporting to Management. Based on this report, the Management evaluates the performance of each segment and allocates the available resources.

Management monitors the performance of the business based on a geographical and business perspective. Due to the fact that the business units in the distribution area in Portugal share a set of competences, the Group analyses, on a quarterly basis, its segments in an aggregate performance perspective. In addition, the Group also separates the distribution business unit in Poland. Apart from these there are also other businesses which due to their low materiality, are not reported separately.

Business segments:

- Portugal Distribution: comprises the business unit of JMR (Pingo Doce supermarkets) and the wholesale business unit Recheio;
- Poland Distribution: the business unit which operates under the Biedronka banner;
- Others, eliminations and adjustments: includes i) business units with reduced materiality (Restaurants, Agribusiness in Portugal, Health and Beauty Retail in Poland, Retail business in Colombia; ii) the Holding Companies; and iii) Group's consolidation adjustments.

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

Detailed Information by Business Segments at September 2017 and 2016

	Portugal Distribution		Poland Distribution		Others, eliminations and adjustments		Total JM Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales and services	3,409,538	3,294,319	8,102,673	7,163,375	413,936	280,530	11,926,147	10,738,224
Inter-segments	51	115	1,085	1,132	(1,136)	(1,247)	-	-
External customers	3,409,487	3,294,204	8,101,588	7,162,243	415,072	281,777	11,926,147	10,738,224
Operational cash flow (EBITDA)	176,564	174,838	583,331	511,963	(90,686)	(59,895)	669,209	626,906
Depreciations and amortisations	(83,167)	(81,744)	(140,762)	(126,456)	(17,586)	(11,355)	(241,515)	(219,555)
Operational result (EBIT)	93,397	93,094	442,569	385,507	(108,272)	(71,250)	427,694	407,351
Exceptional operating profits/losses							(11,286)	(19,892)
Financial results and gains in investments							(8,946)	218,294
Income tax							(101,228)	(85,577)
Net result attributable to JM							285,259	501,582
Total assets (1)	2,145,901	2,084,559	3,139,781	3,063,023	524,711	538,060	5,810,393	5,685,642
Total liabilities (1)	1,578,323	1,531,107	2,304,680	2,210,170	6,086	(46,146)	3,889,089	3,695,131
Investments in fixed assets	81,578	115,088	173,694	125,682	166,337	45,676	421,609	286,446

(1) The comparative report is 31th December of 2016

Reconciliation between EBIT and Operational Result

	Sep 2017	Sep 2016
EBIT	427,694	407,351
Non recurrent results	(11,286)	(19,892)
Operational result	416,408	387,459

4. Operating costs by nature

	Sep 2017	Sep 2016
Cost of goods sold and materials consumed	9,392,164	8,448,861
Changes in inventories of finished goods and work in progress	(1,747)	(793)
Net cash discount and interest paid to suppliers	(25,843)	(16,676)
Electronic payment commissions	21,020	17,876
Other supplementary costs	2,221	4,784
Supplies and services	444,285	397,158
Advertising costs	78,515	60,115
Rents	267,680	247,081
Staff costs	949,388	845,163
Depreciations and amortisations	241,517	219,599
Profit/loss with tangible and intangible assets	8,218	10,526
Transportation costs	125,147	111,056
Other operational profit/loss	7,174	6,015
Total	11,509,739	10,350,765

4.1 Exceptional operating profits/losses

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

	Sep 2017	Sep 2016
Losses from organizational restructuring programmes	(5,103)	(3,517)
Assets write-offs and gains/losses in sale of tangible assets	(2,835)	(8,474)
Others	(3,348)	(212)
Exceptional operating profits/losses	(11,286)	(19,892)

5. Net financial costs

	Sep 2017	Sep 2016
Interest expense	(11,025)	(9,915)
Interest received	2,365	1,164
Net foreign exchange	2,439	(1,174)
Other financial costs and gains	(3,063)	(2,544)
Fair value of financial investments held for trade:		
Derivative instruments (note 8)	260	14
	(8,945)	(12,392)

The interest expense heading includes the interest regarding loans measured at amortised cost, as well as interest on cash flow hedging instruments (note 8).

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

6. Income tax recognised in the income statement

	Sep 2017	Sep 2016
Current income tax		
Current tax of the year	(106,430)	(97,371)
Adjustment to prior year estimation	1,724	1,881
	(104,706)	(95,490)
Deferred tax		
Temporary differences created and reversed	2,031	9,431
Change to the recoverable amount of tax losses and temporary differences from previous years	239	(601)
	2,270	8,830
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	1,208	1,083
	1,208	1,083
Total income tax	(101,228)	(85,577)

Income tax expense is recognised based on the weighted average annual income tax rate expected for the year.

In 2017 the income tax rates for Group companies were the same applied in 2016.

7. Tangible assets, intangible assets and investment property

	Tangible assets	Intangible assets	Investment property	Total
Net value at 31 December 2016	3,023,360	786,983	13,952	3,824,295
Foreign exchange differences	21,379	10,613	-	31,992
Increases	412,514	9,095	-	421,609
Disposals and write-offs	(9,705)	(130)	-	(9,835)
Transfers	(441)	441	-	-
Depreciation and impairment losses	(231,593)	(9,924)	-	(241,517)
Fair value changes	-	-	(28)	(28)
Net value at 30 September 2017	3,215,514	797,078	13,924	4,026,516

Net value of intangible assets at 30 September 2017 include Goodwill amounted EUR 637,286 thousand.

Due to currency translation adjustment of the assets in the Group's businesses reported in foreign currency, the net amount of tangible and intangible assets increased by EUR 31,992 thousand, which includes an increase of EUR 7,384 thousand related to Goodwill from business in Poland.

8. Derivative financial instruments

	Sep 2017					Dec 2016				
	Notional	Assets		Liabilities		Notional	Assets		Liabilities	
		Current	Non-current	Current	Non-current		Current	Non-current	Current	Non-current
Derivatives held for trading										
Currency forwards (PLN)	143 million PLN	260	-	-	-	-	-	-	-	-
Cash flow hedging derivatives										
Interest rate swap (PLN)	192 million PLN	-	200	-	-	200 million PLN	-	-	-	293
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	120 million PLN	96	-	30	-	538 million PLN	1,277	-	317	-
Total derivatives held for trading		260	-	-	-		-	-	-	-
Total hedging derivatives		96	200	30	-		1,277	-	317	293
Total assets/liabilities derivatives		356	200	30	-		1,277	-	317	293

9. Trade debtors, accrued income and deferred costs

	Sep 2017	Dec 2016
Non-current		
Other debtors	74,142	75,987
Collateral deposits associated to financial debt	34,367	34,367
Deferred costs	2,382	2,482
	110,891	112,836
Current		
Commercial customers	59,340	45,928
Other debtors	109,941	93,117
Other taxes receivable	18,048	11,364
Accrued income and deferred costs	148,133	160,721
	335,462	311,130

Non-current debtors are mainly related to additional corporate income tax liquidation as well as pre-paid corporate income tax, which the Group is disputing and regarding which made a legal claim for reimbursement.

The debtor's amount is registered at the recoverable value. The Group registers adjustments for impairment losses whenever there are signs of uncollectable amounts.

10. Cash and cash equivalents

	Sep 2017	Dec 2016
Bank deposits	367,304	524,941
Short-term investments	138,028	114,974
Cash and cash equivalents	3,928	3,597
	509,260	643,512

11. Cash generated from operations

	Sep 2017	Sep 2016
Net results	285,259	501,582
Adjustments for:		
Non-controlling interests	20,975	18,594
Income tax	101,228	85,577
Depreciations and amortisations	241,517	219,555
Provisions and other operational gains and losses	10,049	12,796
Net financial costs	8,945	12,392
Gains/Losses on disposal of business	-	(223,996)
Gains/Losses in associated companies	3	(10,272)
Gains/Losses in other investments	(2)	3,582
Profit/ Losses in tangible and intangible assets	8,228	2,511
	676,202	622,321
Changes in working capital:		
Inventories	(17,960)	(19,230)
Trade debtors, accrued income and deferred costs	(13,619)	(3,029)
Trade creditors, accrued costs and deferred income	41,079	36,484
	685,702	636,546

12. Dividends

Dividends distributed in 2017 in the amount of EUR 395,683 thousand, include an amount of EUR 380,203 thousand paid to JMH Shareholders and an amount of EUR 15,480 thousand paid to non-controlling interests in the Group companies.

13. Basic and diluted earnings per share

	Sep 2017	Sep 2016
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)
Weighted average number of ordinary shares	628,434,220	628,434,220
Diluted net results of the year attributable to ordinary shares	285,259	501,582
Basic and diluted earnings per share – Euros	0.4539	0.7981

14. Borrowings

It was negotiated a new Commercial Paper Contract in the amount of EUR 30,000 thousand, with subscription guarantee, that can be used by both Jerónimo Martins, SGPS, S.A. and JMR – Gestão de Empresas de Retalho, SGPS, S.A. (JMR).

JMR issued commercial paper in an average amount of m EUR 40,000, through Commercial Paper Programmes that were negotiated. These emissions were carried out for short periods, in order to meet punctual cash needs.

JMR also extended a Commercial Paper Programme, with the limit of EUR 100,000 thousand, for a period of 5 years.

The short-term lines that Jerónimo Martins Colombia, SAS holds with local banks were extended by new loans in the amount of COP 167,446,000 thousand, around EUR 48,000 thousand, for 1 year.

Polish company Jerónimo Martins Nieruchomosci SKA negotiated three new credit lines in the total amount of PLN 669,000 thousand, around EUR 155,000 thousand.

14.1 Current and non-current

	Sep 2017	Dec 2016
Non-current loans		
Bank loans	201,849	111,823
Financial lease liabilities	4,452	3,006
	206,301	114,829
Current loans		
Bank overdrafts	20,011	-
Bank loans	122,516	73,622
Bond loans	150,000	150,000
Financial lease liabilities	1,112	959
	293,639	224,581

14.2 Financial debt

The net consolidated financial debt at the balance sheet date is as follows:

	Sep 2017	Dec 2016
Non-current loans (note 14.1)	206,301	114,829
Current loans (note 14.1)	293,639	224,581
Derivative financial instruments (note 8)	(526)	(667)
Interest on accruals and deferrals	1,704	1,035
Bank deposits (note 10)	(367,304)	(524,941)
Short-term investments (note 10)	(138,028)	(114,974)
Collateral deposits associated to financial debt (note 9)	(34,367)	(34,367)
	(38,581)	(334,504)

15 Provisions and employee benefits

	Risks and contingencies	Employee benefits
Balance at 1 January	21,582	61,823
Set up, reinforced and transfers	1,911	5,802
Unused and reversed	(1,313)	-
Foreign exchange difference	38	445
Used	(219)	(1,675)
Balance at 30 September	21,999	66,395

16 Trade creditors, accrued costs and deferred income

	Sep 2017	Dec 2016
Non-current		
Other commercial creditors	14	5
Accrued costs and deferred income	768	788
	782	793
Current		
Other commercial creditors	2,592,171	2,560,840
Other non-commercial creditors	190,185	228,713
Other taxes payables	93,788	79,272
Accrued costs and deferred income	328,036	297,702
	3,204,180	3,166,527

17 Contingencies

Following the contingencies mentioned in the 2016 Annual Report, changes occurred on the headings **c)**, **g)**, **i)** e **j)**:

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, which led to additional assessments concerning 2002 to 2014, amounting to EUR 81,304 thousand, of which an amount of EUR 73,444 thousand is still in dispute. In the meantime, the Lisbon Tax Court has ruled partially in favour of JMR regarding the 2002, 2004, 2005 and 2007 assessments;

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, S.A. (Recheio SGPS). With these corrections the total assessments concerning 2007 to 2014 amount to EUR 16,580 thousand, of which an amount of EUR 15,829 thousand is still in dispute. The Lisbon Tax Court has already ruled in favour of Recheio SGPS regarding the 2008 assessment. However, Tax Authorities have appealed the said decision;

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

j) The Food and Veterinary Department (Direcção-Geral de Alimentação e Veterinária) claimed from Pingo Doce, Recheio and Hussel an amount of EUR 13,732 thousand, EUR 1,207 thousand and EUR 30 thousand, respectively, in respect of the Food Safety Tax (Taxa de Segurança Alimentar Mais – TSAM) assessed for the years 2012 to 2017. The values at stake have been challenged in Court, since it is understood that this tax is not due, namely on the grounds of the unconstitutional nature of the Statute that approved the TSAM. The disputes are still running its course. Despite, in four cases, the court having decided that the Food Safety Tax is not unconstitutional, the Companies maintain their understanding and have presented the respective appeal to higher courts.

18 Related parties

56.136% of the Company is owned by the Sociedade Francisco Manuel dos Santos, B.V., and no transactions occurred between this Company and any other company of the Group in the first nine months of 2017, neither were there any amounts payable or receivable between them on 30 September 2017.

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

	Joint ventures		Other related parties (*)	
	Sep 2017	Sep 2016	Sep 2017	Sep 2016
Sales and services rendered	-	7	141	186
Stocks purchased and services supplied	-	58,673	88,587	23,089

	Joint ventures		Other related parties (*)	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Trade debtors, accrued income and deferred costs	-	-	237	456
Trade creditors, accrued costs and deferred income	-	-	18,288	8,329

(*) 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 these related parties were made under normal market conditions, i.e. the transaction value corresponds to prices that would be applicable between non-related parties.

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

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

19 Events after the balance sheet date

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

Lisbon, 24 October 2017

The Certified Accountant **The Board of Directors**