Consolidated Report & Accounts

First Quarter 2017

Unaudited

INDEX

I - CONSOLIDATED MANAGEMENT REPORT

Message from the Chairman and CEO – Pedro Soares dos Santos

We started 2017 determined to continue to grow in a profitable and sustainable way.

Strongly focusing on sales, Biedronka continues to positively surprise customers with its campaigns, while the permanent offer evolves to fit Polish consumer's preferences.

In Portugal, where the consumer environment is less vibrant, Pingo Doce sustained LFL sales (before calendar impact) while Recheio continued to perform strongly in the HoReCa segment.

Ara has been working on its main priorities: to execute its investment programme for the year and to build its logistics infrastructure and the pipeline for store expansion.

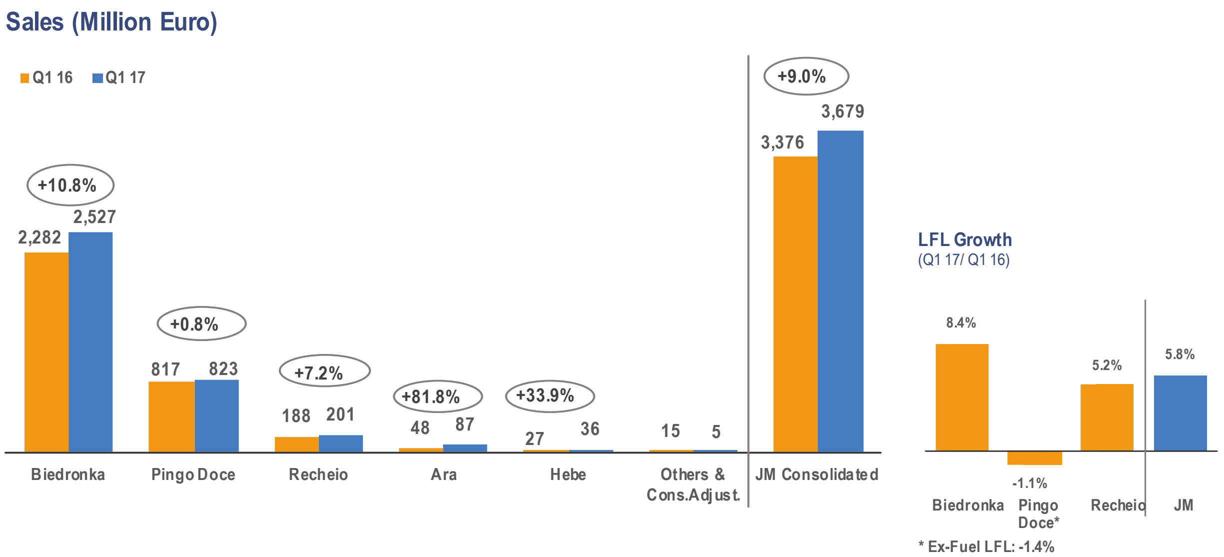
The focus on growth, together with rigorous cost-discipline, resulted in a strong increase of the Group EBITDA (excluding investments in Ara and Hebe), despite inflationary cost pressure and the negative calendar impact in the quarter.

Although there is naturally still much to do to reach the targets set for the year, the first three months figures give us confidence that the strategic path chosen for our businesses will allow us to continue to grow and outperform the markets where we operate.

1. Sales Analysis

(Million Euro)	Q1 17		Q1 16		Δ%	
		% total		% total	w/o FX	Euro
Biedronka	2,527	68.7%	2,282	67.6%	9.7%	10.8%
Pingo Doce	823	22.4%	817	24.2%		0.8%
Recheio	201	5.5%	188	5.6%		7.2%
Ara	87	2.4%	48	1.4%	57.9%	81.8%
Hebe	36	1.0%	27	0.8%	32.6%	33.9%
Others & Cons. Adjustments	5	0.1%	15	0.4%		n.a.
Total JM	**3,679**	**100%**	**3,376**	**100%**		**9.0%**

Group sales reached €3.7 bn, 9.0% above the same quarter in the previous year (+7.9% at constant exchange rates).



Group LFL sales growth was 5.8%, with Biedronka and Recheio sales growth largely offsetting the negative calendar impact from the leap year in 2016 and absence of Easter in first quarter of 2017.

In Poland, consumer environment remained favourable, benefiting from the family subsidies, which started to be distributed from April 2016, and the minimum wage increase from January 2017. The competitive environment kept intense and promotionally driven.

In order to maximise its LFL growth opportunity against this favourable backdrop, Biedronka maintained an intense commercial dynamic. The focus on promotions and in&out campaigns consolidated price leadership while imprinting innovation to the offer.

The strategy delivered strongly in first quarter and LFL reached 8.4%, driving sales growth of 9.7% (local currency). In euros, sales reached €2,527 mn, 10.8% ahead of the previous year.

The Company opened 11 stores in the quarter, having 2,729 locations by the end of March.

Hebe delivered sales of €36 mn, 33.9% up on first quarter of 2016 (+32.6% at constant exchange rates), and ended the period with 159 stores (24 additions over the first quarter of 2016).

In Portugal, the food retail sector remained competitive and promotions-driven with the players focusing on reinforcing proximity.

Pingo Doce started the year following its strategic approach of putting sales first and increasing the quality of the overall value proposition. Total sales grew 0.8% to €823 mn, with LFL (excl. fuel) at -1.4%, impacted by the negative calendar effect.

Recheio continued to take advantage of the favourable tourist activity in the country and delivered a sound 5.2% LFL sales increase, driving the first quarter of 2017 sales to €201 mn, 7.2% ahead of same quarter in the previous year.

Ara ended the quarter with 244 stores, after opening 23 stores in the first three months of 2017. The banner achieved sales of €87 mn, 81.8% ahead of previous year (+57.9% at constant exchange rate).

2. Results Analysis

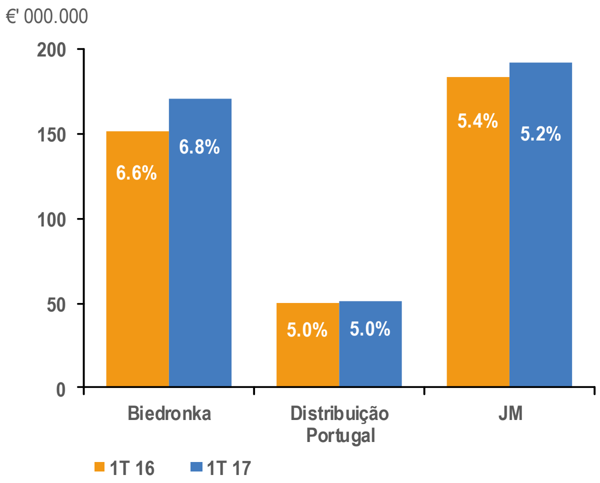
Net Consolidated Profit

(Million Euro)	Q1 17		Q1 16		Δ%
Net Sales and Services	**3,679**		**3,376**		**9.0%**
Gross Profit	778	21.2%	711	21.1%	9.5%
Operating Costs	-586	-15.9%	-527	-15.6%	11.2%
EBITDA	**192**	**5.2%**	**183**	**5.4%**	**4.6%**
Depreciation	-78	-2.1%	-73	-2.2%	6.4%
EBIT	**114**	**3.1%**	**110**	**3.3%**	**3.4%**
Net Financial Costs	-	0.0%	-4	-0.1%	n.a.
Gains in Joint Ventures and Associates	-	0.0%	3	0.1%	n.a.
Non-Recurrent Items	-2	0.0%	-1	0.0%	n.a.
EBT	**112**	**3.0%**	**108**	**3.2%**	**3.9%**
Income Tax	-29	-0.8%	-25	-0.7%	15.0%
Net Profit	**83**	**2.3%**	**83**	**2.5%**	**0.5%**
Non Controlling Interests	-6	-0.2%	-6	-0.2%	2.1%
Net Profit Attributable to JM	**78**	**2.1%**	**77**	**2.3%**	**0.4%**
EPS (€)	0.12		0.12		0.4%
EPS without non-recurrent (€)	0.12		0.12		1.0%

Operating Profit

Group EBITDA reached €192 mn in the period, a 4.6% growth on previous year (+5.1% at constant exchange rates).

EBITDA and EBITDA margin



EBITDA from the established businesses (excluding Ara and Hebe) increased by 9.3%. This good performance allowed Group consolidated EBITDA to grow despite the expected step-up of Ara's losses in the period.

Biedronka registered an EBITDA of €171 mn, 13.0% more than in first quarter of 2016 (+11.9% at constant exchange rate). This performance was driven by strong sales, despite the negative calendar effect, and by strict cost management in a context of wage and fuel inflation. The respective EBITDA margin was 6.8% (6.6% in first quarter of 2016).

Pingo Doce and Recheio generated EBITDA of €51 mn, 1.1% above the previous year. The EBITDA margin was 5.0%, in line with first quarter of 2016.

Ara and Hebe together recorded losses of €23 mn at the EBITDA level, with Ara accounting for 83% of the total.

The increase in losses reflects the higher operating costs in Colombia following the decision to reinforce the teams as the Company prepares to accelerate expansion. A stronger Colombian peso and Polish zloty also contributed to this increase.

Financial Result

Net financial costs were zero due to the positive exchange differences registered in the quarter.

Net Result

Group net profit reached €78 mn, in line with previous year. The good performance of the established businesses compensated for the increased losses generated by Ara and Hebe.

3. Balance Sheet

(Million Euro)	**Q1 17**	**2016**	**Q1 16**
Net Goodwill	643	630	641
Net Fixed Assets	3,284	3,180	3,072
Total Working Capital	-2,027	-2,201	-1,926
Others	77	46	96
Invested Capital	**1,977**	**1,656**	**1,883**
Total Borrowings	403	335	536
Leasings	6	4	-
Accrued Interest	11	-	2
Marketable Sec. & Bank Deposits	-555	-674	-326
Net Debt	**-135**	**-335**	**211**
Non Controlling Interests	256	253	255
Share Capital	629	629	629
Reserves and Retained Earnings	1,226	1,109	787
Shareholders Funds	**2,112**	**1,991**	**1,671**
Gearing	*-6.4%*	*-16.8%*	*12.7%*

Cash Flow

(Million Euro)	Q1 17	Q1 16
EBITDA	192	183
Interest Payment	-2	-3
Other Financial Items	-	-
Income Tax Paid	-60	-38
Funds From Operations	**129**	**142**
Capex Payment	-123	-93
Change in Working Capital	-206	-67
Others	-1	-
Free Cash Flow	**-200**	**-17**

Cash flow generated in the quarter, reflecting normal working capital seasonality, reached €-200 mn.

4. Outlook for 2017

In 2017, all our banners are expected to maintain a strong commercial dynamic to support the focus on the consumer and on sales growth. We do not anticipate a slowdown in promotional intensity in any of our markets, nor any relief in the existing pressure on costs, particularly on labour costs.

In Poland, we maintain a positive outlook on consumption. Biedronka will keep focused in growing the average basket while Hebe will be consolidating a differentiated value proposition.

In Portugal, Pingo Doce will continue improving the quality of its store operation while Recheio will give priority to the optimization of its multi-channel offer.

In Colombia, Ara will continue to strengthen its teams and logistics infrastructure to accelerate growth pace. As a consequence losses are expected to increase versus previous year.

With a view to capture the growth opportunities identified in the markets where we operate, we confirm the Investment programme for 2017 which is expected to amount to c.€700 mn. We also stick to our plans to add more than 100 locations (net) to Biedronka's network and at least 150 new Ara stores in Colombia.

Lisbon, 19 April 2017

The Board of Directors

II - CONSOLIDATED MANAGEMENT REPORT APPENDIX

1. Sales Growth

	Total Sales Growth Q1 17	LFL Sales Growth Q1 17
Biedronka		
Euro	10.8%	
PLN	9.7%	8.4%
Pingo Doce	0.8%	-1.1%
Ex-Fuel	*0.6%*	***-1.4%***
Recheio	7.2%	5.2%

2. Stores Network

Number of Stores	2016	Openings Q1 17	Closings Q1 17	Q1 17	Q1 16
Biedronka	2,722	11	4	2,729	2,683
Pingo Doce	413	2	-	415	402
Recheio	42	-	-	42	41
Ara	221	23	-	244	150
Hebe	153	7	1	159	135

Sales Area (sqm)	2016	Openings Q1 17	Closings/ Remodellings Q1 17	Q1 17	Q1 16
Biedronka	1,768,293	7,442	225	1,775,511	1,737,309
Pingo Doce	493,089	2,242	-	495,331	482,664
Recheio	130,597	-	-	130,597	128,141
Ara	70,669	8,410	-	79,079	46,623
Hebe	35,479	1,815	-	37,294	31,180

3. EBITDA Breakdown

(Million Euro)	Q1 17	Mg	Q1 16	Mg
Biedronka	171	6.8%	151	6.6%
Distribution Portugal	51	5.0%	50	5.0%
Others & Cons. Adjustments	-30	n.a.	-18	n.a.
JM Consolidated	**192**	**5.2%**	**183**	**5.4%**

4. Financial Costs Breakdown

(Million Euro)	Q1 17	Q1 16	Δ
Net Interest	-2	-3	-26%
Exchange Differences	3	-	n.a
Others	-1	-1	4%
Financial Results	**-**	**-4**	**n.a.**

5. Definitions

Like For Like (LFL) sales: sales from 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	Income Statement by Functions in the Consolidated Report & Accounts - First Quarter 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 €-77.9mn
EBITDA	
Depreciation	Value reflected in the Segments reporting note. The difference to the operating costs note or the tangible and intangibles assets note is related with the non-recurrent depreciations (€5.0th)
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	Balance Sheet in the Consolidated Report & Accounts - First Quarter 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 (€642.9mn)
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 €3.6mn Cash and cash equivalents (note - Cash and cash equivalents) and the value of €7.2mn related to 'Others' due to its operational nature. Excludes the value of €-1.5mn 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 €7.2mn related to others due to its operational nature
Invested Capital	
Total Borrowings	Includes the heading Borrowings excluding leasings
Leasings	Value reflected in Borrowings note
Accrued Interest & Hedging	Includes the heading Derivative financial instruments and the value of €1.5mn 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 €3.6mn 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	Cash Flow in the Consolidated Report & Accounts - First Quarter 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 properties
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

	Q1 17	Q1 16
Net Profit attributable to JM	78	77
Deducted from the impact of discontinued businesses:		
Gains in joint ventures and associates (sold)	-	3
Net Profit Mkt. Repr. and Rest. Serv. (sold)	-	-
Net Profit on a comparable basis	**78**	**74**

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. will not be disclosed as they do not include additional relevant information, compared to the one presented in this report.

III - CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT BY FUNCTIONS
FOR THE QUARTERS ENDED AT 31 MARCH 2017 AND 2016

Euro thousand

	Notes	March 2017	March 2016
Sales and services rendered	3	3,678,670	3,375,660
Cost of sales	4	(2,900,510)	(2,664,796)
Gross profit		**778,160**	**710,864**
Distribution costs	4	(603,753)	(545,272)
Administrative costs	4	(60,495)	(55,414)
Exceptional operating profits/losses	4	(1,746)	(940)
Operating profit		**112,166**	**109,238**
Net financial costs	5	(47)	(4,038)
Gains in joint ventures and associates		(1)	2,801
Gains/ losses in other investments		2	(47)
Profit before taxes		**112,120**	**107,954**
Income tax	6	(28,917)	(25,142)
Profit before non-controlling interests		**83,203**	**82,812**
Attributable to:			
Non-controlling interests		5,629	5,515
Jerónimo Martins Shareholders		**77,574**	**77,297**
Basic and diluted earnings per share - Euros	13	0.1234	0.1230

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED AT 31 MARCH 2017 AND 2016

Euro thousand

	Notes	March 2017	March 2016
Net profit		**83,203**	**82,812**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
		-	-
Items that may be reclassified to profit or loss			
Currency translation differences		49,532	(1,519)
Change in fair value of cash flow hedges	8	580	(375)
Change in fair value of hedging instruments on foreign operations	8	(10,310)	(1,349)
Change in fair value of available-for-sale financial assets		-	(74)
Related tax		(93)	292
		39,709	**(3,025)**
Other comprehensive income, net of income tax		**39,709**	**(3,025)**
Total comprehensive income		**122,912**	**79,787**
Attributable to:			
Non-controlling interests		5,629	5,515
Jerónimo Martins Shareholders		117,283	74,272
Total comprehensive income		**122,912**	**79,787**

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

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2017 AND DECEMBER 2016

Euro thousand

	Notes	March 2017	December 2016
Assets			
Tangible assets	7	3,123,498	3,023,360
Intangible assets	7	803,733	786,983
Investment property	7	13,942	13,952
Investments in joint ventures and associates		499	-
Available-for-sale financial assets		920	1,000
Trade debtors, accrued income and deferred costs	9	113,534	112,836
Derivative financial instruments	8	275	-
Deferred tax assets		75,020	69,756
Total non-current assets		**4,131,421**	**4,007,887**
Inventories		786,059	718,618
Biological assets		1,277	1,181
Income tax receivable		2,249	2,037
Trade debtors, accrued income and deferred costs	9	301,897	311,130
Derivative financial instruments	8	-	1,277
Cash and cash equivalents	10	524,065	643,512
Total current assets		**1,615,547**	**1,677,755**
Total assets		**5,746,968**	**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		(57,156)	(96,865)
Retained earnings		1,266,765	1,189,191
		1,855,294	**1,738,011**
Non-controlling interests		**256,362**	**252,500**
Total Shareholders' equity		**2,111,656**	**1,990,511**
Borrowings	14	119,595	114,829
Trade creditors, accrued costs and deferred income	16	788	793
Derivative financial instruments	8	-	293
Employee benefits	15	62,912	61,823
Provisions for risks and contingencies	15	21,883	21,582
Deferred tax liabilities		54,639	59,742
Total non-current liabilities		**259,817**	**259,062**
Borrowings	14	289,526	224,581
Trade creditors, accrued costs and deferred income	16	3,050,574	3,166,527
Derivative financial instruments	8	9,436	317
Income tax payable		25,959	44,644
Total current liabilities		**3,375,495**	**3,436,069**
Total Shareholders' equity and liabilities		**5,746,968**	**5,685,642**

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

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						(1,315)		(1,315)		(1,315)
Change in fair value of cash flow hedging				(304)				(304)		(304)
Change in fair value of hedging instruments on foreign operations						(1,349)		(1,349)		(1,349)
Change in fair value of available-for-sale financial investments					(57)			(57)		(57)
Other comprehensive income	-	-	-	(304)	(57)	(2,664)	-	(3,025)	-	(3,025)
Net profit							77,297	77,297	5,515	82,812
Total comprehensive income	**-**	**-**	**-**	**(304)**	**(57)**	**(2,664)**	**77,297**	**74,272**	**5,515**	**79,787**
Dividends							-	-	(1,776)	(1,776)
Balance Sheet as at 31 March 2016	**629,293**	**22,452**	**(6,060)**	**(205)**	**(287)**	**(66,925)**	**837,697**	**1,415,965**	**255,265**	**1,671,230**
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				(10)		49,559		49,549		49,549
Change in fair value of cash flow hedging				470				470		470
Change in fair value of hedging instruments on foreign operations						(10,310)		(10,310)		(10,310)
Other comprehensive income	-	-	-	460	-	39,249	-	39,709	-	39,709
Net profit							77,574	77,574	5,629	83,203
Total comprehensive income	-	-	-	460	-	39,249	77,574	117,283	5,629	122,912
Dividends (note 12)							-	-	(1,767)	(1,767)
Balance Sheet as at 31 March 2017	**629,293**	**22,452**	**(6,060)**	**223**	**-**	**(57,379)**	**1,266,765**	**1,855,294**	**256,362**	**2,111,656**

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE QUARTERS ENDED AT 31 MARCH 2017 AND 2016

Euro thousand

	Notes	March 2017	March 2016
Operating Activities			
Cash received from customers		4,144,270	3,804,548
Cash paid to suppliers		(3,882,767)	(3,444,398)
Cash paid to employees		(276,080)	(244,912)
Cash generated from operations	11	**(14,577)**	**115,238**
Interest paid		(3,615)	(3,352)
Income taxes paid		(59,922)	(38,299)
Cash flow from operating activities		**(78,114)**	**73,587**
Investment activities			
Disposals of tangible fixed assets		49	156
Disposals of available-for-sale financial assets and investment property		187	1,647
Interest received		1,137	496
Acquisition of tangible fixed assets		(121,289)	(93,710)
Acquisition of intangible assets		(1,476)	(705)
Acquisition of financial investments and investment property		(105)	(85)
Acquisition of joint ventures and associates		(500)	-
Cash flow from investment activities		**(121,997)**	**(92,201)**
Financing activities			
Net change in loans	14	62,984	(123,765)
Dividends paid	12	(1,767)	(1,611)
Cash flow from financing activities		**61,217**	**(125,376)**
Net changes in cash and cash equivalents		**(138,894)**	**(143,990)**
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		(138,894)	(143,990)
Effect of currency translation differences		19,447	(2,302)
Cash and cash equivalents at the end of 1st Quarter	10	**524,065**	**295,396**

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

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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 is devoted to the production, distribution and sale of food and other fast moving consumer goods products. The Group operates 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 19 April 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 (EU).

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 three 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

During the first three months of 2017: i) the Group did not adopt any Regulation from the EU, mandatory for financial years beginning on 1 January 2017; ii) IASB/IFRIC did not issued any new standards, amendments or interpretations; iii) nor the EU issued any Regulation regarding the endorsement of standards, amendments or interpretations that are still pending endorsement by the EU.

2.1. 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 in equity.

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

Euro foreign exchange reference rates (foreign exchange units per 1 Euro)	**Rate on 31 March 2017**	**Average rate for the period**
Polish Zloty (PLN)	4.2265	4.3195
Swiss Franc (CHF)	1,0696	-
Colombian Peso (COP)	3,079.2600	3,113.2200

3 Segment reporting

Management monitors the performance of the business based on a geographical and business nature. 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 operating under the Biedronka brand;
- Others, eliminations and adjustments: includes i) the business units with reduced materiality (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.

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 segment at March 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	**1,025,950**	**1,005,824**	**2,527,165**	**2,281,600**	**125,555**	**88,236**	**3,678,670**	**3,375,660**
Inter-segments	18	48	353	376	(371)	(424)	-	-
External customers	1,025,932	1,005,776	2,526,812	2,281,224	125,926	88,660	3,678,670	3,375,660
Operational cash flow (EBITDA)	**50,888**	**50,331**	**171,035**	**151,329**	**(30,098)**	**(18,233)**	**191,825**	**183,427**
Depreciations and amortisations	(26,953)	(27,613)	(45,556)	(42,036)	(5,404)	(3,600)	(77,913)	(73,249)
Operational result (EBIT)	**23,935**	**22,718**	**125,479**	**109,293**	**(35,502)**	**(21,833)**	**113,912**	**110,178**
Exceptional operating profits/losses							(1,746)	(940)
Financial results and gains in investments							**(46)**	**(1,284)**
Income tax							(28,917)	(25,142)
Net result attributable to JM							**77,574**	**77,297**
Total assets (1)	**2,082,344**	**2,084,559**	**3,152,687**	**3,063,023**	**511,937**	**538,060**	**5,746,968**	**5,685,642**
Total liabilities (1)	**1,530,794**	**1,531,107**	**2,172,090**	**2,210,170**	**(67,572)**	**(46,146)**	**3,635,312**	**3,695,131**
Investments in fixed assets	**24,989**	**34,132**	**48,658**	**41,824**	**27,069**	**7,475**	**100,716**	**83,431**

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

Reconciliation between EBIT and the operational result of the income statement by functions

	Mar 2017	Mar 2016
EBIT	113,912	110,178
Non recurrent results	(1,746)	(940)
Operational result	**112,166**	**109,238**

4 Operating costs by nature

	Mar 2017	Mar 2016
Cost of goods sold and materials consumed	2,893,134	2,658,104
Changes in inventories of finished goods and work in progress	(130)	243
Net cash discount and interest paid to suppliers	(3,341)	(3,711)
Electronic payment commissions	6,506	5,596
Other supplementary costs	731	1,489
Supplies and services	140,715	126,690
Advertising costs	23,905	18,861
Rents	87,309	81,553
Staff costs	298,206	265,665
Depreciations and amortisations	77,918	73,267
Profit/loss with tangible and intangible assets	1,413	1,125
Transportation costs	39,644	34,152
Other operational profit/loss	494	3,388
Total	**3,566,504**	**3,266,422**

Exceptional operating profits/losses:

	Mar 2017	Mar 2016
Losses from organizational restructuring programmes	(1,794)	(939)
Assets write-offs and gains/losses in sale of tangible assets	37	-
Others	11	(1)
Exceptional operating profits/losses	**(1,746)**	**(940)**

5 Net financial costs

	Mar 2017	Mar 2016
Interest expense	(3,321)	(3,450)
Interest received	1,103	469
Net foreign exchange	3,000	(262)
Other financial costs and gains	(744)	(795)
Fair value of financial investments held for trade:		
Derivative instruments (note 8)	(85)	-
	(47)	**(4,038)**

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, recognised in results through effective interest method.

6 Income tax recognised in the income statement

	Mar 2017	Mar 2016
Current income tax		
Current tax of the year	(40,253)	(35,589)
Adjustment to prior year estimation	473	1,321
	(39,780)	**(34,268)**
Deferred tax		
Temporary differences created and reversed	9,820	9,939
Change to the recoverable amount of tax losses and temporary differences from previous years	640	(1,174)
	10,460	**8,765**
Other gains/losses related to tax		
Impact of changes in estimates for tax litigations	403	361
	403	**361**
Total income tax	**(28,917)**	**(25,142)**

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 Fixed 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	76,842	18,711	-	95,553
Increases	99,240	1,476	-	100,716
Disposals and write-offs	(1,450)	(13)	-	(1,463)
Transfers	153	(153)	-	-
Depreciation and impairment losses	(74,647)	(3,271)	-	(77,918)
Fair value changes	-	-	(10)	(10)
Net value at 31 March 2017	**3,123,498**	**803,733**	**13,942**	**3,941,173**

Net value of intangible assets at 31 March 2017 include Goodwill amounted EUR 642,928 thousand.

As a consequence of currency translation adjustment of the assets in the Group's businesses reported in foreign currency, the net amount of tangible and intangible assets decreased by EUR 95,553 thousand, which includes a decrease of EUR 13,026 thousand related to Goodwill from business in Poland.

8 Derivative financial instruments

	Mar 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)	60 million PLN	-	-	85	-					
Cash flow hedging derivatives										
Interest rate swap (PLN)	198 million PLN	-	275	-	-	200 million PLN	-	-	-	293
Foreign operation investments hedging derivatives										
Currency forwards (PLN)	1,313 million PLN	-	-	9,351	-	538 million PLN	1,277	-	317	-
Total derivatives held for trading		**-**	**-**	**85**	**-**		**-**	**-**	**-**	**-**
Total hedging derivatives		**-**	**275**	**9,351**	**-**		**1,277**	**-**	**317**	**293**
Total assets/liabilities derivatives		**-**	**275**	**9,436**	**-**		**1,277**	**-**	**317**	**293**

9 Trade debtors, accrued income and deferred costs

	Mar 2017	Dec 2016
Non-current		
Other debtors	76,487	75,987
Collateral deposits associated to financial debt	34,367	34,367
Deferred costs	2,680	2,482
	113,534	**112,836**
Current		
Commercial customers	50,739	45,928
Other debtors	90,404	93,117
Other taxes receivable	21,171	11,364
Accrued income and deferred costs	139,583	160,721
	301,897	**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 has already contested and made a legal claim for reimbursement.

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

10 Cash and cash equivalents

	Mar 2017	Dec 2016
Bank deposits	347,122	524,941
Short-term investments	173,293	114,974
Cash and cash equivalents	3,650	3,597
	524,065	**643,512**

11 Cash generated from operations

	Mar 2017	Mar 2016
Net results	**77,574**	**77,297**
Adjustments for:		
Non-controlling interests	5,629	5,515
Income tax	28,917	25,142
Depreciations and amortisations	77,918	73,267
Provisions and other operational gains and losses	5,321	4,876
Net financial costs	47	4,038
Gains/Losses in associated companies	1	(2,801)
Gains/Losses in other investments	(2)	47
Profit/ Losses in tangible and intangible assets	1,422	1,125
	196,827	**188,506**
Changes in working capital:		
Inventories	(51,682)	(31,923)
Trade debtors, accrued income and deferred costs	(4,861)	(2,167)
Trade creditors, accrued costs and deferred income	(154,861)	(39,178)
	(14,577)	**115,238**

12 Dividends

Dividends in the amount of EUR 1,767 thousand were distributed and paid to non-controlling interests in the Group companies.

13 Basic and diluted earnings per share

	Mar 2017	Mar 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	77,574	77,297
Basic and diluted earnings per share – Euros	**0.1234**	**0.1230**

14 Borrowings

JMR issued commercial paper in an average amount of EUR 40,000 thousand, through negotiated Commercial Paper Programmes. These issuances were carried out for short periods, in order to meet occasional cash needs, and were fully amortised at the end of the quarter.

The short-term lines that Jerónimo Martins Colombia holds with local banks were increased by an amount equivalent to EUR 50,000 thousand. A further one-year loan of COP 30,750,000 thousand was issued (c.EUR 10,000 thousand).

Polish company Jerónimo Martins Nieruchomosci SKA has negotiated two new credit facilities in the total amount of PLN 600,000 thousand.

14.1 Current and non-current loans

	Mar 2017	Dec 2016
Non-current loans		
Bank loans	114,612	111,823
Financial lease liabilities	4,983	3,006
	119,595	**114,829**
Current loans		
Bank overdrafts	37,942	-
Bank loans	100,270	73,622
Bond loans	150,000	150,000
Financial lease liabilities	1,314	959
	289,526	**224,581**

14.2 Financial debt

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

	Mar 2017	Dec 2016
Non-current loans (note 14.1)	119,595	114,829
Current loans (note 14.1)	289,526	224,581
Derivative financial instruments (note 8)	9,161	(667)
Interest on accruals and deferrals	1,539	1,035
Bank deposits (note 10)	(347,122)	(524,941)
Short-term investments (note 10)	(173,293)	(114,974)
Collateral deposits associated to financial debt (note 9)	(34,367)	(34,367)
	(134,961)	**(334,504)**

15 Provisions and employee benefits responsibilities

	Risks and contingencies	Employee benefits
Balance at 1 January	**21,582**	**61,823**
Set up, reinforced and transfers	1,084	713
Unused and reversed	(794)	-
Foreign exchange difference	76	847
Used	(65)	(471)
Balance at 31 March	**21,883**	**62,912**

16 Trade creditors, accrued costs and deferred income

	Mar 2017	Dec 2016
Non-current		
Other commercial creditors	7	5
Accrued costs and deferred income	781	788
	788	**793**
Current		
Other commercial creditors	2,413,790	2,560,840
Other non-commercial creditors	212,973	228,713
Other taxes payables	90,832	79,272
Accrued costs and deferred income	332,979	297,702
	3,050,574	**3,166,527**

17 Contingencies

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

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 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.

18 Related parties

56.136% of the Group is owned by Sociedade Francisco Manuel dos Santos, B.V. and no transactions occurred between this Company and any company of the Group in the first Quarter of 2017, neither were there any amounts payable or receivable between them on 31 March 2017.

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

	Joint ventures		Other related parties (*)	
	Mar 2017	Mar 2016	Mar 2017	Mar 2016
Sales and services rendered	-	2	52	19
Stocks purchased and services supplied	-	23,627	27,497	10

	Joint ventures		Other related parties (*)	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Trade debtors, accrued income and deferred costs	-	-	500	456
Trade creditors, accrued costs and deferred income	-	-	7,458	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.

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.

19 Events after the balance sheet date

On the 6th of April 2017, the distribution of dividends in the amount of EUR 380,203 thousand was approved in the Shareholders Meeting and, will be distributed to shareholders on the 4th of May 2017.

Lisbon, 19 April 2017

The Certified Accountant **The Board of Directors**